

26 Current and non-current financial liabilities

	31 December 17	31 December 16	Change
Bonds and loans	2,856.9	2,913.2	(56.3)
Payables for acquiring controlling interest and potential consideration	17.4	-	17.4
Finance lease payables	13.9	14.9	(1.0)
Other financial payables	4.0	5.0	(1.0)
Total non-current financial liabilities	2,892.2	2,933.1	(40.9)
Bonds and loans	55.3	71.7	(16.4)
Payables for acquiring controlling interest and potential consideration	7.0	1.8	5.2
Finance lease payables	2.0	2.3	(0.3)
Other financial payables	28.3	34.4	(6.1)
Overdrafts and interest expense	187.0	72.1	114.9
Total current financial liabilities	279.6	182.3	97.3
Total financial liabilities	3,171.8	3,115.4	56.4

"Bonds and loans" decreased due to the gradual and periodic repayment of outstanding loans. The valuation using the method of the amortized cost of the bonds, on the other hand, entailed an increase in the items for 8.8 million euro for 2017.

"Liabilities for acquisitions of controlling shares and potential considerations" includes the sums that have yet to be paid to the transferring shareholders as part of the business combinations carried out in this or previous financial periods, as well as the estimate at the date of the financial statement of potential payments provided for by the agreements made during acquisition. As of 31 December 2017, this item mainly refers to the acquisition of the Aliplast Group. For a more detailed description, please see the dedicated paragraph 2.02.03 "Scope of consolidation".

The item "Finance lease liabilities" records payables arising from accounting for leasing transactions using the financial method.

The change as compared to 31 December 2016 is mainly due to the payment of matured shares and, with the opposite effect, to new payables gained with the entrance in the scope of consolidation of the Aliplast Group companies and the acquisition of the Teseco branch. The value of the lease payments still due on 31 December 2017 amounted to 18.1 million euros.

The item "Other financial liabilities" includes the debt amounting to 4 million euros owed to the municipal pension fund of the City of Trieste. The current portion mainly includes:

- payables owed to the municipalities for TARI tax amounting to 1 million euros (16.3 million euros as at 31 December 2016);
- liabilities owed to the inland revenue for the RAI fee amounting to 2.5 million euros (3.7 million euros as at 31 December 2016);
- to factoring companies for the collection of receivables assigned without recourse still to be transferred at the end of the financial years for 19.0 million euros.
- liabilities owed to the fund for the energy and environmental services for collections from safeguarded categories of customers, in relation to advances already received, for 8.3 million euros (12.5 million euros as at 31 December 2016).
- liabilities owed to the social security fund of the municipality of Trieste amounting to 0.7 million euros (0.8 million euros as at 31 December 2016);

At 31 December 2017 the Hera Group provided the following security interests for certain bank loans, including among others. Specifically:

- mortgages and special liens on property, plant and equipment by the Hera Group to the syndicate of banks in relation to the financing of the WTE plant in Granarolo (BO) whose nominal amount outstanding is now 13.1 million euros;
- mortgages on buildings in Pesaro and Urbino held by a bank that provided a loan to the subsidiary Marche Multiservizi Spa with a nominal outstanding value of 0.9 million euros.
- mortgages securing the loan granted to the subsidiary AcegasApsAmga Spa, with a nominal outstanding value of 1.2 million euros.

The table below shows the financial liabilities as at 31 December 2017 and indicates the portion expiring within the financial year, within 5 years and after 5 years:

Type	Residual amount 31-dec-17	Portion due within the period	Portion due within the 5th year	Portion due beyond the 5th year
Bond	2,390.7		711.7	1,679.0
Bank loans	521.5	55.3	196.6	269.6
Payables for acquiring controlling interest and potential consideration	24.4	7.0	17.4	
Finance lease payables	15.9	2.0	6.7	7.2
Other financial payables	32.3	28.3	4.0	-
Overdrafts and interest expense	187.0	187.0	-	-
Total	3,171.8	279.6	936.4	1,955.8

As at 31 December 2017, the total bonds outstanding are:

Bonds	Negotiation	Length (years)	Maturity	Nominal value (mln)	Coupon	Annual interest rate
Eurobond	Luxemburg stock exchange	10.	3-dec-19	394.6 Eur	Fixed, annual	4.50%
Bond	Luxemburg stock exchange	8	4-oct-21	289.8 Eur	Fixed, annual	3.25%
Bond	Luxemburg stock exchange	10.	22-may-23	68.0 Eur	Fixed, annual	3.375%
Green bond	Luxemburg stock exchange	10.	4-Jul-24	500.0 Eur	Fixed, annual	2.375%
Bond	Not listed	15	5-aug-24	20,000 Jpy	Fixed, 6 months	2.93%
Bond	Luxemburg stock exchange	12	22-may-25	15.0 Eur	Fixed, annual	3.50%
Bond	Luxemburg stock exchange	10.	14-oct-26	400.0 Eur	Fixed, annual	0.875%
Bond	Not listed	15/20	14-may-27/32	102.5 Eur	Fixed, annual	5.25%
Bond	Luxemburg stock exchange	15	29-jan-28	700.0 Eur	Fixed, annual	5.20%

At 31 December 2017, the total bonds outstanding, with a nominal value of 2,619.7 million euros (unchanged as compared to the previous financial period), had a fair value of 3,023.4 million euros (3,102.2 as at 31 December 2016), as determined on the basis of market quotations, when available. There are no covenants on the debt except that, for some loans, which requires the company not to have even one agency lower its rating below "investment grade" (BBB-). As of the balance sheet date this covenant has been applied.

Liquidity risk

Liquidity risk concerns the inability to meet the financial obligations taken on due to a lack of internal resources or an inability to find external resources at acceptable costs. Liquidity risk is mitigated by adopting policies and procedures that maximise the efficiency of management of financial resources. For the most part, this is done through the centralised management of cash inflows and outflows (centralised treasury service); in the prospective assessment of the liquidity conditions; in obtaining adequate lines of credit; and preserving an adequate amount of liquidity.

Current cash and lines of credit, in addition to the resources generated by the operating and financing activities, are deemed more than sufficient to meet future financial needs. In particular, at 31 December 2017 unused lines of credit amounted to approximately Euro 620 million while available committed credit lines amounted to Euro 300 million.

The analysis of cash flows, broken down by maturity date, related to borrowings outstanding at the balance sheet date is illustrated in the Report on operations in the section 1.06.03 Financial policy and rating.

Securities and guarantees

	31 December 17	31 December 16
Securities and guarantees	935.9	967.0
Securities and insurance guarantees	379.7	324.6
Total	1,315.6	1,291.6

"Securities and bank guarantees", the value as at 31 December 2017 comprises the following:

- 607.8 million euros for guarantees made to public institutions (the Ministry of the Environment, the Region of Emilia Romagna, other provinces and municipalities) and private entities to guarantee the suitable management of plants for treating waste, landfills and dumps, for the suitable provision of waste disposal services, for reclamation work and for the proper fulfilment of contractual commitments;
- 328.1 million euros for guarantees and comfort letters issued to guarantee timely payment for the supply of raw materials.

"Guarantees and insurance guarantees", as at 31 December 2017 this item refers to guarantees issued to public entities (various provinces and municipalities that are part of Emilia Romagna and the Marche, the Ministry of the Environment) and third parties to guarantee the suitable management of public utility and waste disposal services, the proper execution of the work to lay company pipelines across roads owned by private individuals, reclamation work, managing waste treatment systems.