

# **Condensed consolidated financial statements at September 30, 2018**

## Condensed consolidated income statement

Millions of euro	Notes	First nine months	
		2018	2017
Revenue and other income	5.a	55,246	54,188
Costs	5.b	48,010	47,354
Net income/(expense) from commodity contracts measured at fair value	5.c	202	383
<b>Operating income</b>		<b>7,438</b>	<b>7,217</b>
Financial income		2,694	2,877
Financial expense		4,566	5,040
Net income/(expense) from hyperinflation	2	100	-
<b>Total financial income/(expense)</b>	5.d	<b>(1,772)</b>	<b>(2,163)</b>
<b>Share of income/(expense) from equity investments accounted for using the equity method</b>	5.e	<b>54</b>	<b>114</b>
<b>Income before taxes</b>		<b>5,720</b>	<b>5,168</b>
Income taxes	5.f	1,686	1,505
<b>Net income from continuing operations</b>		<b>4,034</b>	<b>3,663</b>
<b>Net income from discontinued operations</b>		<b>-</b>	<b>-</b>
<b>Net income for the period (shareholders of the Parent Company and non-controlling interests)</b>		<b>4,034</b>	<b>3,663</b>
Attributable to shareholders of the Parent Company		3,016	2,621
Attributable to non-controlling interests		1,018	1,042
<i>Basic earnings/(loss) per share attributable to shareholders of the Parent Company (euro)</i>		<i>0.30</i>	<i>0.26</i>
<i>Diluted earnings/(loss) per share attributable to shareholders of the Parent Company (euro)</i>		<i>0.30</i>	<i>0.26</i>
<i>Basic earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)</i>		<i>0.30</i>	<i>0.26</i>
<i>Diluted earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)</i>		<i>0.30</i>	<i>0.26</i>

## Statement of consolidated comprehensive income

Millions of euro	First nine months	
	2018	2017 restated <sup>(1)</sup>
<b>Net income for the period</b>	<b>4,034</b>	<b>3,663</b>
<b>Other comprehensive income recyclable to profit or loss (net of taxes)</b>		
Effective portion of change in the fair value of cash flow hedges	(50)	(136)
Change in fair value of hedging costs	(40)	117
Share of the other comprehensive income of equity investments accounted for using the equity method	6	9
Change in the fair value of financial assets at FVOCI	(3)	(7)
Exchange rate differences	(1,164)	(2,120)
<b>Other comprehensive income not recyclable to profit or loss (net of taxes):</b>		
Remeasurement of net employee benefit liabilities/(assets)	-	-
Change in fair value of equity investments in other entities	1	(13)
<b>Total other comprehensive income/(loss) for the period</b>	<b>(1,250)</b>	<b>(2,150)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>2,784</b>	<b>1,513</b>
<b>Attributable to:</b>		
- shareholders of the Parent Company	2,257	1,353
- non-controlling interests	527	160

(1) Figures restated to improve the presentation of items following first-time adoption of IFRS 9.

## Condensed consolidated balance sheet

Millions of euro

	Notes	at Sept. 30, 2018	at Dec. 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment and intangible assets		93,789	91,738
Goodwill		14,989	13,746
Equity investments accounted for using the equity method		1,880	1,598
Other non-current assets <sup>(1)</sup>		15,291	12,122
<b>Total non-current assets</b>	6.a	<b>125,949</b>	<b>119,204</b>
<b>Current assets</b>			
Inventories		3,240	2,722
Trade receivables		13,860	14,529
Cash and cash equivalents		9,598	7,021
Other current assets <sup>(2)</sup>		17,241	10,195
<b>Total current assets</b>	6.b	<b>43,939</b>	<b>34,467</b>
<b>Assets classified as held for sale</b>	6.c	<b>85</b>	<b>1,970</b>
<b>TOTAL ASSETS</b>		<b>169,973</b>	<b>155,641</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Equity attributable to the shareholders of the Parent Company	6.d	31,717	34,795
Non-controlling interests		16,384	17,366
<b>Total shareholders' equity</b>		<b>48,101</b>	<b>52,161</b>
<b>Non-current liabilities</b>			
Long-term borrowings		50,476	42,439
Provisions and deferred tax liabilities		16,268	15,576
Other non-current liabilities		11,257	5,001
<b>Total non-current liabilities</b>	6.e	<b>78,001</b>	<b>63,016</b>
<b>Current liabilities</b>			
Short-term borrowings and current portion of long-term borrowings		10,535	8,894
Trade payables		11,219	12,671
Other current liabilities		22,113	17,170
<b>Total current liabilities</b>	6.f	<b>43,867</b>	<b>38,735</b>
<b>Liabilities held for sale</b>	6.g	<b>4</b>	<b>1,729</b>
<b>TOTAL LIABILITIES</b>		<b>121,872</b>	<b>103,480</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>169,973</b>	<b>155,641</b>

(1) Of which long-term financial receivables and other securities at September 30, 2018 equal respectively to €2,301 million (€2,062 million at December 31, 2017) and €369 million (€382 million at December 31, 2017).

(2) Of which short-term portion of long-term financial receivables, short-term financial receivables and other securities at September 30, 2018 equal respectively to €1,770 million (€1,094 million at December 31, 2017), €3,812 million (€3,295 million at December 31, 2017) and €62 million (€69 million at December 31, 2017).

## Statement of changes in consolidated shareholders' equity

Share capital and reserves attributable to the shareholders of the Parent Company																	
Millions of euro	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserve from translation of financial statements in currencies other than euro	Reserve from measurement of cash flow hedge financial instruments	Reserve from measurement of costs of hedging financial instruments	Reserve from measurement of financial instruments FVOCI	Reserve from equity investments accounted for using the equity method	Reserve from remeasurement of net liabilities/(assets) of defined benefit plans	Reserve from disposal of equity interests without loss of control	Reserve from acquisitions of non-controlling interests	Retained earnings and loss carried forward	Equity attributable to the shareholders of the Parent Company	Non-controlling interests	Total shareholders' equity	
<b>At December 31, 2016</b>	<b>10,167</b>	<b>7,489</b>	<b>2,034</b>	<b>2,262</b>	<b>(1,005)</b>	<b>(1,448)</b>	-	<b>106</b>	<b>(12)</b>	<b>(706)</b>	<b>(2,398)</b>	<b>(1,170)</b>	<b>19,484</b>	<b>34,803</b>	<b>17,772</b>	<b>52,575</b>	
Application of new accounting standards	-	-	-	-	-	480	(480)	-	-	-	-	-	-	-	-	-	
<b>At January 1, 2017 restated</b>	<b>10,167</b>	<b>7,489</b>	<b>2,034</b>	<b>2,262</b>	<b>(1,005)</b>	<b>(968)</b>	<b>(480)</b>	<b>106</b>	<b>(12)</b>	<b>(706)</b>	<b>(2,398)</b>	<b>(1,170)</b>	<b>19,484</b>	<b>34,803</b>	<b>17,772</b>	<b>52,575</b>	
Distribution of interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	(908)	(908)	(574)	(1,482)	
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	4	-	-	4	-	4	
Comprehensive income for the period	-	-	-	-	(1,203)	(169)	117	(20)	7	-	-	-	2,621	1,353	160	1,513	
of which:																	
- other comprehensive income	-	-	-	-	(1,203)	(169)	117	(20)	7	-	-	-	-	(1,268)	(882)	(2,150)	
- net income/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	2,621	2,621	1,042	3,663	
<b>At September 30, 2017 restated</b>	<b>10,167</b>	<b>7,489</b>	<b>2,034</b>	<b>2,262</b>	<b>(2,208)</b>	<b>(1,137)</b>	<b>(363)</b>	<b>86</b>	<b>(5)</b>	<b>(706)</b>	<b>(2,394)</b>	<b>(1,170)</b>	<b>21,197</b>	<b>35,252</b>	<b>17,358</b>	<b>52,610</b>	
<b>At December 31, 2017</b>	<b>10,167</b>	<b>7,489</b>	<b>2,034</b>	<b>2,262</b>	<b>(2,614)</b>	<b>(1,588)</b>	-	<b>(23)</b>	<b>(5)</b>	<b>(646)</b>	<b>(2,398)</b>	<b>(1,163)</b>	<b>21,280</b>	<b>34,795</b>	<b>17,366</b>	<b>52,161</b>	
Application of new accounting standards	-	-	-	-	-	348	(348)	-	-	-	-	-	(3,688)	(3,688)	(571)	(4,259)	
Monetary revaluation for hyperinflation	-	-	-	-	-	-	-	-	-	-	-	-	188	188	328	516	
<b>At January 1, 2018 restated</b>	<b>10,167</b>	<b>7,489</b>	<b>2,034</b>	<b>2,262</b>	<b>(2,614)</b>	<b>(1,240)</b>	<b>(348)</b>	<b>(23)</b>	<b>(5)</b>	<b>(646)</b>	<b>(2,398)</b>	<b>(1,163)</b>	<b>17,780</b>	<b>31,295</b>	<b>17,123</b>	<b>48,418</b>	
Distribution of interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	(1,342)	(1,342)	(679)	(2,021)	
Monetary revaluation for hyperinflation	-	-	-	-	-	-	-	-	-	-	-	-	38	38	76	114	
Transactions in non-controlling interests	-	-	-	-	-	-	-	-	-	-	17	(512)	-	(495)	(669)	(1,164)	
Change in scope of consolidation	-	-	-	-	(19)	(14)	-	-	-	(3)	-	-	-	(36)	6	(30)	
Comprehensive income for the period	-	-	-	-	(643)	(82)	(38)	(2)	6	-	-	-	3,016	2,257	527	2,784	
of which:																	
- other comprehensive income	-	-	-	-	(643)	(82)	(38)	(2)	6	-	-	-	-	(759)	(491)	(1,250)	
- net income/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	3,016	3,016	1,018	4,034	
<b>At September 30, 2018</b>	<b>10,167</b>	<b>7,489</b>	<b>2,034</b>	<b>2,262</b>	<b>(3,276)</b>	<b>(1,336)</b>	<b>(386)</b>	<b>(25)</b>	<b>1</b>	<b>(649)</b>	<b>(2,381)</b>	<b>(1,675)</b>	<b>19,492</b>	<b>31,717</b>	<b>16,384</b>	<b>48,101</b>	

## Condensed consolidated statement of cash flows

Millions of euro	First nine months	
	2018	2017
<b>Income before taxes</b>	<b>5,720</b>	<b>5,168</b>
Adjustments for:		
Depreciation, amortization and impairment	4,696	4,233
Financial (income)/expense	1,772	2,163
Net income from equity investments accounted for using the equity method	(54)	(114)
Change in net current assets:		
- inventories	(509)	(373)
- trade receivables	637	(70)
- trade payables	(1,519)	(1,588)
- other assets and liabilities	(184)	283
Interest and other financial expense and income paid and collected	(1,919)	(1,144)
Other changes	(1,520)	(1,397)
<b>Cash flows from operating activities (A)</b>	<b>7,120</b>	<b>7,161</b>
Investments in property, plant and equipment and intangible assets	(5,537)	(5,547)
Investments in entities (or business units) less cash and cash equivalents acquired	(1,465)	(864)
Disposals of entities (or business units) less cash and cash equivalents sold	264	19
(Increase)/Decrease in other investing activities	(217)	155
<b>Cash flows from investing/disinvesting activities (B)</b>	<b>(6,955)</b>	<b>(6,237)</b>
Financial debt (new long-term borrowings)	12,170	8,208
Financial debt (repayments and other changes in net financial debt)	(4,828)	(8,765)
Transactions in non-controlling interest	(1,413)	(408)
Dividends and interim dividends paid	(3,371)	(2,782)
<b>Cash flows from financing activities (C)</b>	<b>2,558</b>	<b>(3,747)</b>
<b>Impact of exchange rate fluctuations on cash and cash equivalents (D)</b>	<b>(176)</b>	<b>(295)</b>
<b>Increase/(Decrease) in cash and cash equivalents (A+B+C+D)</b>	<b>2,547</b>	<b>(3,118)</b>
Cash and cash equivalents and short-term securities at the beginning of the period <sup>(1)</sup>	7,121	8,326
Cash and cash equivalents and short-term securities at the end of the period <sup>(2)</sup>	9,668	5,208

(1) Of which cash and cash equivalents equal to €7,021 million at January 1, 2018 (€8,290 million at January 1, 2017), short-term securities equal to €69 million at January 1, 2018 (€36 million at January 1, 2017) and cash and cash equivalents pertaining to "Assets held for sale" equal to €31 million at January 1, 2018.

(2) Of which cash and cash equivalents equal to €9,598 million at September 30, 2018 (€5,127 million at September 30, 2017), short-term securities equal to €62 million at September 30, 2018 (€67 million at September 30, 2017) and cash and cash equivalents pertaining to "Assets held for sale" equal to €8 million at September 30, 2018 (€14 million at September 30, 2017).

# Notes to the condensed consolidated financial statements at September 30, 2018

## 1. Accounting policies and measurement criteria

The accounting standards adopted, the recognition and measurement criteria and the consolidation criteria and methods used for the condensed interim consolidated financial statements at September 30, 2018 are the same as those adopted for the consolidated financial statements at December 31, 2017 (please see the related report for more information). In addition to the accounting standards applied in preparing the consolidated financial statements at December 31, 2017, the following standards, interpretations and amendments of existing standards relevant to the Enel Group took effect as from January 1, 2018.

- > “IFRS 9 - Financial instruments”, the final version was issued on July 24, 2014, replacing “IAS 39 - Financial instruments: recognition and measurement”.

For the purpose of classifying and measuring financial instruments, the Group recognizes financial assets at fair value inclusive of transaction costs.

Financial assets represented by debt instruments falling within the scope of application of the standard (e.g. trade receivables, financial receivables, etc.) are classified on the basis of the business model adopted (i.e. the manner in which the Group manages financial assets in order to generate cash flows) and the contractual characteristics of cash flows (i.e. the SPPI test, or solely payment of principal and interest) in one of the following categories:

- amortized cost, for financial assets held with the objective of collecting contractual cash flows that pass the SPPI test, as the cash flows represent principal and interest payments only. This category includes trade receivables, other receivables of an operational nature reported under other current and non-current assets and financial receivables included in other current and non-current financial assets;
- fair value through other comprehensive income (FVOCI), for financial assets held with the aim of either collecting contractual cash flows represented exclusively by principal and interest payments or for sale. Changes in fair value subsequent to initial recognition are recognized in OCI and are recycled to the income statement at the time of derecognition. The Group classifies in this category listed securities that pass the SPPI test and are held for the purpose of collecting contractual cash flows and cash flows from sales;
- fair value through profit or loss (FVTPL), as a residual category for assets that are not held under one of the above business models. This category mainly includes derivative financial instruments held for trading purposes and debt instruments whose contractual cash flows are not represented solely by principal and interest payments.

Financial assets with embedded derivatives are measured in their entirety at fair value through profit or loss if they do not pass the SPPI test as a single financial instrument.

Financial assets that qualify as contingent consideration are measured at fair value through profit or loss.

Based on the aforementioned criteria introduced by IFRS 9 (i.e. the SPPI test and the business model approach), the methods for classifying the financial instruments held by the Group pursuant to IAS 39 have been verified in comparison with current classification approaches.

For investments in other companies not held for trading purposes, which are classified as available for sale (AFS) in accordance with IAS 39, the Group has exercised the option allowed under the new standard of irrevocably designating such shares as at FVOCI. Therefore, subsequent changes in fair value and impairment will be recognized in OCI, without recycling to the income statement in the case of derecognition of the investments. Otherwise, accrued dividends will be recognized through profit or loss.

It follows that these investments have been reclassified among the financial assets measured at FVOCI. A similar reclassification in OCI involved the reclassification of the AFS reserve to the FVOCI reserve.

In accordance with IFRS 9, the Group recognizes financial liabilities not measured at fair value through profit or loss at fair value less transaction costs.

Following initial recognition, the Group measures financial liabilities at amortized cost or at fair value in the presence of specific circumstances. In the case of financial liabilities for which the fair value option was elected at the time of initial recognition, the portion of the change in fair value attributable to own credit risk is recognized in OCI.

Financial liabilities that qualify as contingent consideration are measured at fair value through profit or loss.

As from January 1, 2018, the Group also applies the amendments to IFRS 9: "Prepayment features with negative compensation", in accordance with which 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 the derecognition of the financial liability are consistent with the requirements for adjusting a financial asset when a modification does not result in the derecognition of the financial asset. As a result, in these circumstances, the new cash flows are discounted using the original effective interest rate and the difference between the pre-modification carrying amount of the liability and the new value is recognized through profit or loss as of the date of the modification.

In compliance with IFRS 9, as from January 1, 2018, the Group has adopted a new impairment model for all financial assets not measured at fair value through profit or loss and other assets falling within the scope of application of the standard. This new model is based on the determination of expected losses (expected credit loss - ECL) using a forward-looking approach.

In essence the model provides for:

- a) the application of a single framework for all financial assets;
- b) 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, with a view to reflecting changes in the credit risk of the financial instrument;
- c) 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.

In consideration of the specific reference market and the regulatory context of the sector, as well as expectations of recovery after 90 days, the Enel Group mainly applies a default definition of 180 days past due to determine expected 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.

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

More specifically, for trade receivables the Group mainly applies a collective approach based on grouping the receivables into specific clusters, taking due account of the specific regulatory context. Only if the trade receivables are deemed individually significant by management and they have specific information about any significant increase in credit risk does the Group adopt an analytical approach.

For all financial assets other than trade receivables, contract assets and lease receivables, the Group applies the general approach based on monitoring developments in credit risk from origination. The calculation of the expected credit loss, therefore, considers a time horizon of 12 months in the event that no significant increase in credit risk has occurred as of the closing date of the accounts; otherwise, the time horizon adopted for the calculation is the entire life of the asset, taking a lifetime approach.

With reference to hedge accounting, the Enel Group has adopted a new model compliant with the new IFRS 9 standard, which is applied prospectively.

Under the new approach, a hedging relationship is effective if and only if it meets the following requirements:

- a) there is an economic relationship between the hedged item and the hedging instrument;
- b) the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- c) the hedge ratio of the hedging relationship is the same as that used for risk management purposes, i.e. the quantity of the hedged item and the quantity of the hedging instrument used to hedge that hedged item.

As at January 1, 2018, compliance with the new effectiveness requirements of all existing hedging relationships were verified without the need for any interruption of those relationships.



With specific reference to hedging costs, for all hedging relationships in place at January 1, 2018 that use cross currency swaps (CCS) as hedging instruments, the Group opted for the retrospective application of the provisions relating to the separation of currency basis spreads from the hedging relationship, suspending the associated changes in fair value in OCI.

Finally, in compliance with IFRS 9, the Group carries out the basis adjustment, reclassifying the effective result of the hedge to adjust the initial recognition value of the hedged item, in the case of cash flow hedging of non-financial items, mainly represented by investments in foreign currency carried out by Group companies operating in the renewable energy sector.

- > “IFRS 15 - Revenue from contracts with customers”, issued in May 2014, including “Amendments of IFRS 15: effective date of IFRS 15”, issued in September 2015. The new standard will replace “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” and “SIC 31 - Revenue - Barter transactions involving advertising services” and will apply to all contracts with customers, with a number of exceptions (for example, lease and insurance contracts, financial instruments, etc.). In compliance with the new standard, the Enel Group applies the rules for the recognition and measurement of revenue in a manner that faithfully depicts the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In the recognition of revenue, the Enel Group applies a model consisting of five key phases (steps): the entity must identify the contract with the customer (step 1); it must identify the performance obligations in the contract, recognizing separable goods or services as separate obligations (step 2); the entity must then determine the transaction price, which is represented by the consideration that it expects to obtain (step 3); the entity must then allocate the transaction price to the individual obligations identified in the contract on the basis of the individual price of each separable good or service (step 4); revenue is recognized when (or if) each individual performance obligation is satisfied through the transfer of the good or service to the customer, i.e. when the customer obtains control of the good or service (step 5).

IFRS 15 also envisages a series of notes providing full disclosure on the nature, amount, timing and uncertainty of revenue and cash flows deriving from contracts with customers.

- > “Clarification to IFRS 15 - Revenue from contracts with customers”, issued in April 2016, introduces amendments of the standard in order to clarify a number of practical expedients and topics addressed by the Joint Transition Resource Group established by the IASB and the FASB. The aim of these amendments is to clarify a number of provisions of IFRS 15 without modifying the basic principles of the standard.
- > “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 (“temporary exemption”); and
  - permits 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 rather than through profit or loss (the “overlay approach”).

The Enel Group has decided not to 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 transfers of property to or from investment property shall be permitted only when there is a change in use supported by evidence of that change. A change in management’s intentions does not in itself provide evidence of a change in use sufficient to support the transfer. The amendments broadened the examples of changes of use to include property under construction or development and not just the transfer of completed properties.
- > “Amendments to IFRS 2: Share-based payment”, issued in June 2016. The amendments:

- clarify that the fair value of a share-based transaction settled in cash at the measurement date (i.e. at the grant date, at the close of each accounting period and at the settlement date) shall be calculated by taking account of market conditions (e.g. a target price for the shares) and non-vesting conditions, ignoring service conditions and performance conditions other than market conditions;
  - clarify that share-based payments with net settlement for withholding tax obligations should be classified in their entirety as equity-settled transactions (if they would be so classified in the absence of the net settlement feature);
  - establish provisions for the accounting treatment of changes in terms and conditions that result in a change in the classification of the transaction from cash-settled to equity-settled.
- > Annual improvements to IFRSs 2014-2016 cycle”, issued in December 2016, limited to the amendments of the following standards:
- “IFRS 1 - First-time adoption of International Financial Reporting Standards”; the amendments eliminated the “short-term exemptions from IFRSs” regarding the transition to IFRS 7, IAS 19 and IFRS 10;
  - “IAS 28 - Investments in associates and joint ventures”; the amendments clarify 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 funds) must be elected at initial recognition separately for each associate or joint venture.
- > “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 be used in the 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 (liability) in respect of advance consideration paid (received). If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

In addition, as from January 1, 2018, the Group applies “IAS 29 - Financial Reporting in Hyperinflationary Economies” with regard to its Argentine companies.

The standard applies to the financial statements of companies whose functional currency is the currency of a hyperinflationary economy and essentially defines the criteria governing measurement, presentation and disclosure in hyperinflationary economies.

In order to reflect in the financial statements the loss of purchasing power of the functional currency in those circumstances, non-monetary items, shareholders' equity and items deriving from contracts with inflation indexing clauses are remeasured, up to the limits of recoverable value, by applying an inflation index that reflects general price developments in the hyperinflationary period.

The effects of this assessment at the time of initial application are recognized in equity net of tax effects.

Conversely, the result for the period of initial application and subsequent accounting periods over the duration of the hyperinflationary period is recognized through profit or loss and presented separately from the other items in the financial statements. The preparation and presentation of the financial statements on the basis of these criteria is terminated when the period of hyperinflation ends.

Finally, in order to clarify the effects of hyperinflation on the financial statements, entities must disclose the reasons for applying the standard, the criteria adopted in preparing the financial statements and the inflation index applied at the end of the accounting period and its variations in the current period and in comparison with the previous period.

## Seasonality

The turnover and performance of the Group could be impacted, albeit slightly, by developments in weather conditions. More specifically, in warmer periods of the year, gas sales decline, while during periods in which factories are closed for holidays, electricity sales decline. In view of the impact these variations have on performance, which are generally negligible, given the fact that the Group operates in both the globe's northern and southern hemispheres, no additional disclosure (as required under IAS 34.21) for developments in the 12 months ended September 30, 2018 is provided.

## 2. Effects of the application of new accounting standards

### Impact of first-time 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 1 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 references 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 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 €169 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 regard 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	
<b>IFRS 9</b>	<b>at Jan. 1, 2018</b>
Derivatives – “full” fair value	(1,740)
Derivatives – “basis-free” fair value	(1,393)
Derivatives – “basis spread element”	(347)

- > “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: (i) 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; (ii) 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 €3,960 million and a positive €291 million, respectively.

The following table reports changes in the consolidated balance sheet at January 1, 2018 connected with the application of the new IFRS 9 and IFRS 15, as well as other minor impacts compared with those above concerning IFRS 15.

## Consolidated balance sheet

Millions of euro

	at Dec. 31,2017	IFRS 9 effect	IFRS 15 effect	at Jan. 1, 2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment and intangible assets	91,738	-	434	92,172
Goodwill	13,746	-	-	13,746
Equity investments accounted for using the equity method	1,598	-	-	1,598
Other non-current assets	12,122	37	1,073	13,232
<b>Total non-current assets</b>	<b>119,204</b>	<b>37</b>	<b>1,507</b>	<b>120,748</b>
<b>Current assets</b>				
Inventories	2,722	-	-	2,722
Trade receivables	14,529	(189)	-	14,340
Cash and cash equivalents	7,021	-	-	7,021
Other current assets	10,195	(30)	13	10,178
<b>Total current assets</b>	<b>34,467</b>	<b>(219)</b>	<b>13</b>	<b>34,261</b>
<b>Assets classified as held for sale</b>	<b>1,970</b>	<b>-</b>	<b>-</b>	<b>1,970</b>
<b>TOTAL ASSETS</b>	<b>155,641</b>	<b>(182)</b>	<b>1,520</b>	<b>156,979</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Equity attributable to the shareholders of the Parent Company	34,795	(38)	(3,650)	31,107
Non-controlling interests	17,366	(15)	(556)	16,795
<b>Total shareholders' equity</b>	<b>52,161</b>	<b>(53)</b>	<b>(4,206)</b>	<b>47,902</b>
<b>Non-current liabilities</b>				
Long-term borrowings	42,439	(129)	-	42,310
Provisions and deferred tax liabilities	15,576	-	(473)	15,103
Other non-current liabilities	5,001	-	6,196	11,197
<b>Total non-current liabilities</b>	<b>63,016</b>	<b>(129)</b>	<b>5,723</b>	<b>68,610</b>
<b>Current liabilities</b>				
Short-term borrowings and current portion of long-term borrowings	8,894	-	-	8,894
Trade payables	12,671	-	-	12,671
Other current liabilities	17,170	-	3	17,173
<b>Total current liabilities</b>	<b>38,735</b>	<b>-</b>	<b>3</b>	<b>38,738</b>
<b>Liabilities classified as held for sale</b>	<b>1,729</b>	<b>-</b>	<b>-</b>	<b>1,729</b>
<b>TOTAL LIABILITIES</b>	<b>103,480</b>	<b>(129)</b>	<b>5,726</b>	<b>109,077</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>155,641</b>	<b>(182)</b>	<b>1,520</b>	<b>156,979</b>

## 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 condensed 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 the first nine months of 2018, which was carried out to take account of the change in the first nine months of 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 the end of 2017 and for the previous period (first nine months of 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 September 30, 2018 are shown in the following table:

Periods	Cumulative change in general consumer price index
From July 1, 2009 to December 31, 2017	284.27%
From January 1, 2018 to September 30, 2018	28.19%

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 €516 million, of which €188 million attributable to the shareholders of the Parent Company. In addition, during the first nine months of 2018, the application of IAS 29 led to the recognition of net financial income (gross of tax) of €100 million.

The following tables report the effects of IAS 29 on the opening balance sheet and January 1, 2018 and the cumulative hyperinflationary effects at September 30, 2018, as well as the impact of hyperinflation on the main income statement items for the first nine months of 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 Sept. 30, 2018
<b>Total assets</b>	<b>688</b>	194	(340)	<b>542</b>
<b>Total liabilities</b>	<b>172</b>	48	(85)	<b>135</b>
<b>Shareholders' equity</b>	<b>516</b>	146 <sup>(1)</sup>	255	<b>407</b>

(1) The figure includes net income for the first nine months of 2018, equal to €32 million.

First nine months of 2018

Millions of euro

	IAS 29 effect	IAS 21 effect	Total effect
Revenue and other income	59	(402)	(343)
Costs	81 <sup>(1)</sup>	(324) <sup>(2)</sup>	(243)
<b>Operating income</b>	<b>(22)</b>	<b>(78)</b>	<b>(100)</b>
Financial income/(expense)	2	(19)	(17)
Net income/(expense) from hyperinflation	100	-	100
<b>Income before taxes</b>	<b>80</b>	<b>(97)</b>	<b>(17)</b>
Income taxes	48	(26)	22
<b>Net income for the period (shareholders of the Parent Company and non-controlling interests)</b>	<b>32</b>	<b>(71)</b>	<b>(39)</b>
Attributable to shareholders of the Parent Company	15	(16)	(1)
Attributable to non-controlling interests	17	(55)	(38)

(1) Includes depreciation, amortization and impairment losses of €38 million.

(2) Includes depreciation, amortization and impairment losses of -€27 million.

### 3. Main changes in the scope of consolidation

At September 30, 2018, the scope of consolidation had changed with respect to that at September 30, 2017, and December 31, 2017, as a result of the following main transactions.

#### 2017

- > Acquisition, on January 10, 2017, of 100% of **Demand Energy Networks**, a company headquartered in the United States specializing 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 **Celg Distribuição (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;
- > closing of the acquisition, on August 7, 2017, of 100% of the **EnerNOC Group**, following the successful completion of the tender offer made by Enel Green Power North America ("EGPNA") to the previous shareholders.

#### 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, 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, was formalized;
- > acquisition, on June 7, 2018, by Enel Sudeste of control of the Brazilian distribution company 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;
- > 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 holds 20% of their share capital, meaning that the companies are now accounted for using the equity method.



## Other changes

In addition to the above changes in the scope of consolidation, 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 will 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 Sarl”), 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 Sarl.

## Acquisition of Eletropaulo

On June 4, 2018 Enel, acting through Enel Sudeste, acquired control of the Brazilian distribution company Eletropaulo Metropolitana Eletricidade de São Paulo SA (“Eletropaulo”). 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.

The offer, which was a success, ended with the acquisition of control by Enel Sudeste, which had achieved a stake in Eletropaulo of 73.34%, and the transaction was completed on June 7, 2018.

Under Brazilian stock exchange rules, Eletropaulo 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 Eletropaulo, equal to 19.9% of the share capital. The overall interest acquired by Enel Sudeste therefore rose to 93.31% of Eletropaulo, which increases to 95.03% given that Eletropaulo holds 3,058,154 treasury shares.

Eletropaulo was consolidated in the Interim Financial Report at September 30, 2018 at 95.88% as the final outcome of the tender was known as of that date.

The excess of the purchase cost over shareholders’ equity amounted to €1,206 million, which has been provisionally allocated to “goodwill” pending completion of the purchase price allocation (PPA) process. The details are as follows:

### Determination of goodwill

Millions of euro	Amounts recognized at June 7, 2018
Property, plant and equipment	24
Intangible assets	1,061
Deferred tax assets	615
Other non-current assets	839
Trade receivables	778
Inventories	66
Other current assets	228
Cash and cash equivalents	226
Borrowings	(1,018)
Employee benefits	(803)
Deferred tax liabilities	(165)
Other non-current liabilities	(123)
Provisions for risks and charges	(457)
Trade payables	(375)
Other current liabilities	(544)
Non-controlling interests	(17)
<b>Net assets acquired</b>	<b>335</b>
<b>Cost of the acquisition</b>	<b>1,541</b>
<i>(of which paid in cash)</i>	1,541
Goodwill/(Badwill)	1,206

At September 30, 2018, the total cost of the acquisition of €1,541 million had been paid.

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.

Eletropaulo contributed €1,270 million in revenue and €48 million in operating income to results for the first nine months of 2018.

### 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 out of €57 million.

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

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)
<b>Net assets acquired</b>	<b>57</b>

Parques Eólicos Gestinver contributed €10 million in revenue and €4 million in operating income to results for the first nine months of 2018.

## 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 out of €83 million.

Millions of euro	Amounts recognized at July 25, 2018
Property, plant and equipment	59
Intangible assets	24
Trade receivables	3
Other current assets	1
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	(1)
Other current liabilities	(1)
Non-controlling interests	(4)
<b>Net assets acquired</b>	<b>63</b>
<b>Cost of the acquisition</b>	<b>83</b>
<i>(of which paid in cash)</i>	83
Goodwill/(Badwill)	20

## Other minor acquisitions

### Determination of goodwill

Millions of euro	EPM Eólica Dolores	Energía Limpia de Puerto Libertad	Minor acquisitions EGPE
<b>Net assets acquired</b>	-	-	<b>3</b>
<b>Cost of the acquisition</b>	<b>5</b>	<b>4</b>	<b>3</b>
<i>(of which paid in cash)</i>	4	4	3
Goodwill	5	4	-

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.

## 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 payment of the price, 60% in cash and 40% in Enel Chile shares.

Furthermore, on April 2, 2018, the merger of the renewables company Enel Green Power Latin America SA into Enel Chile and a capital increase of the latter to serve the merger took effect. 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.

## 4. 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 the developments in performance and financial position that characterized the current period, please see the appropriate section of this Interim Financial Report.

### Performance by business area

#### First nine months of 2018 <sup>(1)</sup>

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Africa, Asia and Oceania	Other, eliminations and adjustments	Total
Revenue and other income from third parties	27,031	14,830	10,428	1,698	955	73	231	55,246
Revenue and other income from transactions with other segments	551	45	4	6	1	-	(607)	-
<b>Total revenue and other income</b>	<b>27,582</b>	<b>14,875</b>	<b>10,432</b>	<b>1,704</b>	<b>956</b>	<b>73</b>	<b>(376)</b>	<b>55,246</b>
Total costs	22,131	12,253	7,419	1,324	482	33	(328)	43,314
Net income/(expense) from commodity contracts measured at fair value	99	97	3	-	5	-	(2)	202
Depreciation and amortization	1,388	1,224	899	146	193	31	19	3,900
Impairment losses	605	239	100	28	1	3	-	976
Reversals of impairment	(1)	(162)	(1)	(15)	-	-	(1)	(180)
<b>Operating income</b>	<b>3,558</b>	<b>1,418</b>	<b>2,018</b>	<b>221</b>	<b>285</b>	<b>6</b>	<b>(68)</b>	<b>7,438</b>
<b>Capital expenditure</b>	<b>1,602</b> <sup>(2)</sup>	<b>835</b>	<b>1,380</b>	<b>216</b>	<b>968</b> <sup>(3)</sup>	<b>97</b>	<b>61</b>	<b>5,159</b>

(1) Segment revenue and other income 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".

#### First nine months of 2017 <sup>(1)</sup>

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Africa, Asia and Oceania	Other, eliminations and adjustments	Total
Revenue and other income from third parties	27,291	14,671	9,812	1,725	606	72	11	54,188
Revenue and other income from transactions with other segments	508	30	18	25	2	-	(583)	-
<b>Total revenue and other income</b>	<b>27,799</b>	<b>14,701</b>	<b>9,830</b>	<b>1,750</b>	<b>608</b>	<b>72</b>	<b>(572)</b>	<b>54,188</b>
Total costs	22,960	12,165	6,717	1,341	281	25	(368)	43,121
Net income/(expense) from commodity contracts measured at fair value	399	7	4	-	(1)	-	(26)	383
Depreciation and amortization	1,304	1,140	864	147	145	31	12	3,643
Impairment losses	379	265	117	29	-	-	(1)	789
Reversals of impairment	-	(178)	(2)	(20)	-	1	-	(199)
<b>Operating income</b>	<b>3,555</b>	<b>1,316</b>	<b>2,138</b>	<b>253</b>	<b>181</b>	<b>15</b>	<b>(241)</b>	<b>7,217</b>
<b>Capital expenditure</b>	<b>1,124</b>	<b>582</b>	<b>2,094</b>	<b>208</b> <sup>(2)</sup>	<b>1,479</b>	<b>25</b>	<b>8</b>	<b>5,520</b>

(1) Segment revenue and other income 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 €27 million regarding units classified as "held for sale".

## Financial position by business area

At September 30, 2018

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Africa, Asia and Oceania	Other, eliminations and adjustments	Total
Property, plant and equipment	26,080	23,679	17,103	3,055	5,334	754	58	76,063
Intangible assets	1,735	15,812	13,436	733	789	107	71	32,683
Trade receivables	7,651	2,437	3,986	313	294	29	(850)	13,860
Other	3,765	1,779	1,371	172	264	15	(4)	7,362
<b>Operating assets</b>	<b>39,231</b> <sup>(1)</sup>	<b>43,707</b>	<b>35,896</b>	<b>4,273</b>	<b>6,681</b>	<b>905</b>	<b>(725)</b>	<b>129,968</b>
Trade payables	6,018	2,180	2,786	303	648	94	(807)	11,222
Sundry provisions	2,699	3,508	2,480	97	40	17	495	9,336
Other	10,069	4,497	2,728	628	377	86	(304)	18,081
<b>Operating liabilities</b>	<b>18,786</b> <sup>(2)</sup>	<b>10,185</b>	<b>7,994</b>	<b>1,028</b>	<b>1,065</b>	<b>197</b>	<b>(616)</b>	<b>38,639</b>

(1) Of which €75 million regarding units classified as "held for sale".

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

At December 31, 2017

Millions of euro	Italy	Iberia	South America	Europe and North Africa	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
<b>Operating assets</b>	<b>40,399</b> <sup>(1)</sup>	<b>43,482</b>	<b>32,307</b>	<b>4,314</b> <sup>(2)</sup>	<b>7,208</b> <sup>(3)</sup>	<b>903</b>	<b>(1,076)</b>	<b>127,537</b>
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
<b>Operating liabilities</b>	<b>16,860</b>	<b>9,555</b>	<b>6,566</b>	<b>824</b> <sup>(4)</sup>	<b>1,065</b> <sup>(5)</sup>	<b>154</b>	<b>(554)</b>	<b>34,470</b>

(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 Sept. 30,2018	at Dec. 31,2017
<b>Total assets</b>	<b>169,973</b>	<b>155,641</b>
Equity investments accounted for using the equity method	1,880	1,598
Other non-current financial assets	6,024	4,704
Long-term tax receivables included in "Other non-current assets"	267	260
Current financial assets	12,645	6,923
Cash and cash equivalents	9,598	7,021
Deferred tax assets	8,015	6,354
Tax receivables	1,566	1,094
Financial and tax assets of "Assets held for sale"	10	150
<b>Segment assets</b>	<b>129,968</b>	<b>127,537</b>
<b>Total liabilities</b>	<b>121,872</b>	<b>103,480</b>
Long-term borrowings	50,476	42,439
Non-current financial liabilities	2,844	2,998
Short-term borrowings	6,109	1,894
Current portion of long-term borrowings	4,426	7,000
Current financial liabilities	7,820	3,214
Deferred tax liabilities	8,166	8,348
Income tax payable	1,119	284
Other tax payables	2,272	1,323
Financial and tax liabilities classified as "Liabilities held for sale"	1	1,510
<b>Segment liabilities</b>	<b>38,639</b>	<b>34,470</b>



## Revenue and other income

### 5.a Revenue and other income – €55,246 million

Millions of euro	First nine months			
	2018	2017	Change	
Revenue from the sale of electricity	31,800	32,333	(533)	-1.6%
Revenue from the transport of electricity	7,713	7,373	340	4.6%
Fees from network operators	720	607	113	18.6%
Transfers from institutional market operators	1,268	1,254	14	1.1%
Revenue from the sale of gas	3,123	2,832	291	10.3%
Revenue from the transport of gas	424	391	33	8.4%
Other revenue and income	10,198	9,398	800	8.5%
<b>Total revenue and other income</b>	<b>55,246</b>	<b>54,188</b>	<b>1,058</b>	<b>2.0%</b>

In the first nine months of 2018 **revenue from the sale of electricity** amounted to €31,800 million, a decrease of €533 million on the corresponding period of the previous year (-1.6%). The total included revenue from electricity sales to end users in the amount of €24,193 million (€23,445 million in the first nine months of 2017), revenue from wholesale electricity sales (not including fees from network operators) in the amount of €6,021 million (€6,483 million in the first nine months of 2017) and revenue from electricity trading in the amount of €1,586 million (€2,405 million in the first nine months of 2017).

The decrease reflects:

- > an increase of €748 million in revenue from the sale of electricity to end users, largely attributable to an increase in revenue in South America connected with an increase in volumes following the acquisition of Eletropaulo and an increase in prices, only partly offset by adverse exchange rate developments, as well as an increase in revenue in Italy and Romania connected with an increase quantities sold on the free market, partially offset by a reduction in volumes on the regulated market as result of the shift in customers to the free market. These developments were partially offset by a reduction in the revenue of the Spanish companies as a result of a reduction in quantities sold;
- > a decline of €462 million in revenue from sales on the wholesale market, attributable to a decrease in revenue in Italy as a result of a decline in volumes transacted using bilateral contracts, only partly offset by an increase in renewables output, which led to an increase in quantities sold on the Power Exchange, as well as a decline in Russia as a result of a reduction in prices and quantities sold;
- > a decline of €819 million in revenue from electricity trading as a result of a contraction in volumes handled in Italy.

**Revenue from the transport of electricity** amounted to €7,713 million in the first nine months of 2018, an increase of €340 million compared with the same period of the previous year. The total included revenue from electricity transported to end users in the regulated market in the amount of €2,390 million (€2,279 million in the same period of 2017) and in the free market in the amount of €1,700 million (€1,646 million in the same period of 2017), as well as revenue from the transport of electricity to other operators in the amount of €3,623 million (€3,448 million in the same period of 2017). The increase in revenue was mainly concentrated in South America and Spain, partly offset by a contraction in revenue in Italy, which experienced a decline in revenue from transport on the regulated market, in line with the decrease in quantities sold and in the number of customers served.

Revenue from **fees from network operators** in the first nine months of 2018 amounted to €720 million, an increase of €113 million compared with the same period of the previous year. The rise reflects an increase in fees for the remuneration of generation plants in Italy designated as units “essential” to the secure operation of the electrical system.

Revenue from **transfers from institutional market operators** amounted to €1,268 million in the first nine months of 2018, up €14 million on the same period of the previous year.

**Revenue from the sale of gas** to end users in the first nine months of 2018 amounted to €3,123 million, an increase of €291 million, largely reflecting an increase in revenue in Spain and Italy due to an increase in quantities sold, as well as higher revenue in South America.

**Revenue from the transport of gas** in the first nine months of 2018 amounted to €424 million, an increase of €33 million reflecting higher revenue in Italy.

**Other revenue and income** in the first nine months of 2018 amounted to €10,198 million, an increase of €800 million that largely reflected:

- > an increase of €203 million in revenue from the sale of fuels in trading activities;
- > an increase of €218 million in revenue recognized by EnerNOC for its value-added services, mainly associated with its demand-response business. EnerNOC performs this activity as an aggregator of commercial and industrial consumers, which agree to balance their consumption on the basis of grid requirements, reducing their consumption at peakload times in exchange for contractually specified remuneration;
- > an increase of €215 million in revenue from sales of environmental certificates, largely the sale of CO<sub>2</sub> allowances in Italy and Spain;
- > an increase of €146 million in revenue from the recognition of the income of E-Distribuzione connected with the reimbursement by the Energy & Environmental Services Fund of system charges paid but not levied pursuant to ARERA Resolution no. 50/2018;
- > an increase in revenue from the recognition of €128 million in respect of the agreement reached by E-Distribuzione with F2i and 2i Rete Gas on the early all-inclusive settlement of the indemnity connected with the sale of the interest in Enel Rete Gas;
- > an increase in income connected with a capital gain of €152 million recognized by Enel Green Power following the disposal of 80% of the share capital of eight special purpose vehicles that own eight plants in operation or under construction in Mexico ("Kino project") and income from the remeasurement at fair value of the Group's remaining interest (€40 million);
- > a €152 million decline in grants for environmental certificates.

## Costs

### 5.b Costs – €48,010 million

Millions of euro	First nine months			
	2018	2017	Change	
Electricity purchases	14,464	14,764	(300)	-2.0%
Consumption of fuel for electricity generation	3,639	3,919	(280)	-7.1%
Fuel for trading and gas for sale to end users	8,273	7,903	370	4.7%
Materials	1,241	846	395	46.7%
Personnel	3,327	3,349	(22)	-0.7%
Services, leases and rentals	11,771	11,495	276	2.4%
Depreciation, amortization and impairment losses	4,696	4,233	463	10.9%
Costs of environmental certificates	798	857	(59)	-6.9%
Other operating expenses	1,284	1,164	120	10.3%
Capitalized costs	(1,483)	(1,176)	(307)	-26.1%
<b>Total costs</b>	<b>48,010</b>	<b>47,354</b>	<b>656</b>	<b>1.4%</b>

Costs for **electricity purchases** amounted to €14,464 million in the first nine months of 2018, a decrease of €300 million compared with the same period of 2017 (-2.0%). These costs include purchases through bilateral contracts on domestic and foreign markets of €8,890 million (€9,337 million in the first nine months of 2017), purchases on electricity exchanges of €5,461 million (€5,229 million in the first nine months of 2017) and other purchases on local and foreign markets and as part of dispatching and balancing services totaling €113 million (€198 million in the first nine months of 2017).

Costs for the **consumption of fuel for electricity generation** in the first nine months of 2018 amounted to €3,639 million, a decrease of €280 million (-7.1%) compared with the same period of the previous year, largely attributable to a decrease in requirements due to the fall in thermal generation, particularly in South America, Russia, Italy and Spain.

Costs for the purchase of **fuel for trading and gas for sale to end users** amounted to €8,273 million in the first nine months of 2018, an increase of €370 million. The change mainly reflected the increase in volumes handled, largely on the domestic market, as a result of an increase in gas purchases, and on the Spanish market.

Costs for **materials** in the first nine months of 2018 amounted to €1,241 million, an increase of €395 million compared with the same period of the previous year. The change mainly reflects an increase in purchases of materials and equipment in Italy and Spain and an increase in costs for the purchase of environmental certificates, essentially due to an increase in the trading of CO<sub>2</sub> allowances in Italy.

**Personnel** costs in the first nine months of 2018 totaled €3,327 million, a decrease of €22 million (-0.7%) compared with the same period of the previous year.

The decrease mainly reflected:

- > a decline in costs due to the general depreciation of currencies in South America against the euro;
- > an increase in costs connected with the change in the scope of consolidation, mainly regarding the acquisitions of Eletropaulo (€76 million) and EnerNOC (€47 million);
- > a decrease of €45 million in provisions for early termination incentives by Enel Distribuição Goiás following efficiency enhancement efforts in the 1st Half of 2017;

- > an increase of €29 million in costs for early termination incentives in Spain.

The Enel Group workforce at September 30, 2018 numbered 69,909, of which 39,239 employed outside of Italy. The workforce increased by 7,009 in the first nine months of 2018, despite the negative impact of the balance between new hires and terminations (-697). This was more than offset by the impact of the change in the scope of consolidation (+7,706), which mainly reflected the acquisition of Eletropaulo in Brazil in June, the YouSave business unit in Italy in July and Empresa de Alumbrado Eléctrico de Ceuta and Empresa de Alumbrado Eléctrico de Ceuta Distribución in Spain in August.

The overall change compared with December 31, 2017 breaks down as follows:

<b>Balance at December 31, 2017</b>	<b>62,900</b>
Hirings	2,645
Terminations	(3,342)
Change in scope of consolidation	7,706
<b>Balance at September 30, 2018</b>	<b>69,909</b>

Costs for **services, leases and rentals** in the first nine months of 2018 amounted to €11,771 million, an increase of €276 million compared with the same period of the previous year. The change mainly reflected:

- > an increase of €160 million in grid access fees, mainly accounted for by the Spanish companies (€133 million) following the reversal in 2017 of grid access charges provisioned in previous years for self-consumption that were no longer due;
- > an increase of €25 million in wheeling costs, essentially regarding South America, partially offset by a decrease in wheeling costs in Spain and Russia;
- > an increase of €129 million in costs for IT services, especially in Italy;
- > an increase of €166 million in costs for value-added services, mainly due to Enel X for the demand-response services of EnerNOC;
- > a reduction of €123 million in costs for maintenance and repairs, mainly in Spain and South America;
- > a reduction of €105 million in commercial fees and commissions in Italy and Spain, due mainly to the application of IFRS 15, which introduced the capitalization of customer acquisition costs;
- > a reduction of €30 million for gas connections to third parties, which in Italy are no longer recognized through profit or loss following adoption of IFRS 15.

**Depreciation, amortization and impairment losses** in the first nine months of 2018 amounted to €4,696 million, an increase of €463 million. The increase essentially reflected:

- > an increase of €257 million in depreciation and amortization, mainly reflecting the application of IFRS 15 (€119 million), in particular the amortization charge for contract costs, as well as an increase in the depreciation due to the entry in service of new plants in Italy and North America and an increase in amortization as a result of the acquisition of Eletropaulo and EnerNOC;
- > an increase of €25 million in impairment losses net of writebacks on property, plant and equipment and intangible assets;
- > an increase of €181 million in impairment net of writebacks on trade receivables and other assets, mainly in Italy.

**Costs of environmental certificates** amounted to €798 million in the first nine months of 2018, a decrease of €59 compared with the same period of 2017. The change largely reflects:

- > a decrease of €102 million in charges for energy efficiency certificates, due to a decline in the quantity of certificates;

- > an increase in charges for emissions allowances, mainly in Italy, connected with an increase in the cost of allowances (EUAs and CERs).

**Other operating expenses** in the first nine months of 2018 amounted to €1,284 million, an increase of €120 million compared with the same period of 2017. The increase is essentially due to:

- > an increase of €27 million in taxes and duties, mainly in Spain and largely attributable to an increase in taxes on thermal generation, nuclear generation in Catalonia and an increase in fees for use of public land;
- > an increase of €39 million in charges connected with the electrical system, mainly attributable to the recognition of costs in respect of the “*bono social*” in Spain, partially offset by a reduction in charges in South America;
- > an increase of €40 million in provisions for risk and charges, due essentially to an increase compared with the year-earlier period in provisions recognized by E-Distribuzione and in South America.

In the first nine months of 2018 **capitalized costs** amounted to €1,483 million, an increase of €307 million on the same period of the previous year.

### 5.c Net income/(expense) from commodity contracts measured at fair value – €202 million

**Net income/(expense) from commodity contracts measured at fair value** showed net income of €202 million in the first nine months of 2018 (€383 million in the same period of the previous year) and break down as follows:

- > net income from cash flow hedge derivatives of €18 million (€217 million in the first nine months of 2017);
- > net income from derivatives measured at fair value through profit or loss of €184 million (€166 million in the first nine months of 2017).

### 5.d Net financial expense – €1,772 million

**Net financial expense** decreased by €391 million on the corresponding period of 2017.

More specifically, financial income in the first nine months of 2018 amounted to €2,694 million, down €183 million on the year-earlier period (€2,877 million). The change was largely attributable to a decline of €800 million in exchange rate gains, mainly reflecting developments in exchange rates associated with net borrowing in currencies other than the euro. That decrease is mainly connected with Enel Finance International (-€849 million) and Enel SpA (-€192 million), partly offset by an increase in exchange rate gains posted by the Enel Américas Group (€171 million).

This factor was partly offset by:

- > an increase in interest and other income on financial assets in the amount of €10 million, essentially reflecting short- and long-term financial receivables;
- > an increase of €493 million in income from derivatives, mainly used to hedge exchange rate risk on borrowings denominated in currencies other than the euro;
- > an increase in other income of €105 million, due essentially to an increase of €34 million in interest and other income on financial assets connected with public concession arrangements held by the Brazilian companies, an increase of €28 million in default interest, above all recognized by E-Distribuzione and in South America, an increase of €10 million in financial income of Enel SpA in connection with the non-binding voluntary exchange offer promoted by the Company for the restructuring of a hybrid bond and increase of €10 million in the financial income of the Enel Américas Group, largely due to the consolidation of Eletropaulo, and a rise of €14 million in that of Enel Green Power Brazil;

- > an increase of €9 million in income from equity investments in other enterprises.

Financial expense in the first nine months of 2018 amounted to €4,566 million, a decrease of €474 million compared with the first nine months of 2017. The decline reflected:

- > a decrease of €881 million in expense on derivatives, essentially related to the hedging of exchange rate risk on borrowings;
- > a decrease of €43 million in interest expense and other charges on financial debt, due essentially to the reduction in interest on bonds (-€51 million), partially offset by an increase of €18 million in interest expense in respect of tax partnerships;
- > a decrease of €121 million in other charges, essentially reflecting the effect of the recognition in 2017 of financial charges by Enel Finance International (€107 million) following the early redemption of bonds under the “make whole call option” provided for in the original contract, as well as the financial charges connected with the acquisition of Enel Distribuição Goiás (€53 million). These factors were partially offset by an increase in the financial expense of Enel SpA (€30 million) connected with the voluntary non-binding tender offer promoted by the Company to restructure a hybrid bond and by an increase in charges recognized by Enel Green Power Brazil (€15 million);
- > a decrease of €51 million in charges for the accretion of other provisions, essentially regarding the Enel Américas Group (€46 million), due to exchange rate effects and a decline in the discounting of a number of prior-period fines in litigation in Argentina.

These factors were partially offset by:

- > an increase of €504 million in exchange rate losses, mainly accounted for by the Enel Américas Group (€288 million), Enel Green Power Brazil (€130 million), Enel Finance International (€46 million) and Enel SpA (€44 million);
- > a reduction of €55 million in capitalized interest;
- > an increase in other financial expense in respect of the assignment of receivables with derecognition (€23 million), interest expense on security deposits from customers (€10 million), impairment of financial receivables (€13 million) and default interest expense (€8 million)

Net financial income from hyperinflation in the first nine months of 2018 amounted to €100 million. It was recognized following the application of IAS 29 concerning financial reporting in hyperinflationary economies to the Argentine companies, as discussed in greater detail in note 2.

### **5.e Share of income/(expense) from equity investments accounted for using the equity method – €54 million**

The **share of income/(expense) from equity investments accounted for using the equity method** showed net income of €54 million in the first nine months of 2018.

### **5.f Income taxes – €1,686 million**

**Income taxes** in the first nine months of 2018 amounted to €1,686 million, equal to 29.5% of taxable income (compared with 29.1% in the first nine months of 2017). The increase in the effective tax rate in the first nine months of 2018 on the corresponding period of the previous year mainly reflects the increase in the effective tax rate in Mexico over the theoretical tax rate associated with the disposal of the Kino companies (€97 million), partly offset by:

- > the recognition of the earn-out in respect of the disposal of the interest in Enel Rete Gas, which generated proceeds benefitting from tax relief under the participation exemption (PEX);

- > the recognition of deferred tax assets (€86 million) for prior-year losses of 3Sun, which are expected to be recovered through the merger with Enel Green Power SpA.

## Assets

### 6.a Non-current assets - €125,949 million

*Property, plant and equipment and intangible assets* (including investment property) amounted to €93,789 million at September 30, 2018, an increase of €2,051 million. The change is mainly accounted for by investments during the period (€5,159 million), changes in the scope of consolidation (€1,348 million), which mainly regarded the acquisition of Eletropaulo, the recognition of contract costs of €434 million following the application of IFRS 15 and the impact of hyperinflation in Argentina (€683 million) at January 1, 2018 following the application of IAS 29. These factors were partly offset by depreciation, amortization and impairment losses on those assets (totaling €3,909 million) and the effect of the translation of financial statements denominated in currencies other than the euro (a negative €1,812 million).

*Goodwill*, amounting to €14,989 million, increased by €1,243 million compared with December 31, 2017. The rise mainly reflected the recognition of goodwill in respect of the acquisition of Eletropaulo, a Brazilian distribution company.

*Equity investments accounted for using the equity method* amounted to €1,880 million, an increase of €282 million on the end of 2017.

The change reflected the acquisition of Ufinet International (€150 million) and the disposal of 80% of the share capital of the Mexican companies involved in the "Kino project" (€81 million), which led to them being accounted for using the equity method.

*Other non-current assets* totaled €15,291 million at September 30, 2018 and include:

Millions of euro	at Sept. 30, 2018	at Dec. 31, 2017	Change	
Deferred tax assets	8,015	6,354	1,661	26.1%
Receivables and securities included in net financial debt	2,670	2,444	226	9.2%
Other non-current financial assets	3,354	2,260	1,094	48.4%
Receivables due from institutional market operators	230	200	30	15.0%
Other long-term receivables	1,022	864	158	18.3%
<b>Total</b>	<b>15,291</b>	<b>12,122</b>	<b>3,169</b>	<b>26.1%</b>

The increase for the period amounted to €3,169 million and essentially reflected:

- > an increase of €1,661 million in deferred tax assets, largely due to the application of the new IFRS 15, which involved the recognition of the tax component of the adjustments made at January 1, 2018 to a number of balance sheet items;
- > an increase of €1,094 million in other non-current financial assets, essentially attributable to service concession arrangements, whose increase included €733 million from the consolidation of Eletropaulo and the change in the fair value of cash flow hedge derivatives;

- > an increase in receivables and securities included in net financial debt in the amount of €226 million, due essentially to the increase of €239 million in long-term financial receivables, partly offset by a decline of €13 million in the securities of the Dutch insurance companies;
- > an increase of €158 million on other long-term receivables, largely attributable to the change in the scope of consolidation with Eletropaulo, which mainly included receivables for security deposits;
- > an increase of €30 million in non-current receivables due from institutional market operators, mainly attributable to the Spanish companies.

## 6.b Current assets - €43,939 million

*Inventories* amounted to €3,240 million, an increase of €518 million, mainly in Italy, due to the increase in CO<sub>2</sub> emissions allowances and stocks of gas and other fuels.

*Trade receivables* amounted to €13,860 million, down €669 million, essentially reflecting the decrease in receivables posted in Italy as a result of a greater recourse to the assignment of receivables and greater writedowns. That change was partially offset by an increase in receivables in South America.

*Other current assets* amounted to €17,241 million and break down as follows:

Millions of euro	at Sept. 30 2018	at Dec. 31, 2017	Change	
Current financial assets included in debt	5,644	4,459	1,185	26.6%
Other current financial assets	7,001	2,464	4,537	-
Tax receivables	1,566	1,094	472	43.1%
Receivables due from institutional market operators	869	854	15	1.8%
Other short-term receivables	2,161	1,324	837	63.2%
<b>Total</b>	<b>17,241</b>	<b>10,195</b>	<b>7,046</b>	<b>69.1%</b>

The increase for the period amounted to €7,046 million, largely reflecting:

- > an increase of €4,537 million in other current financial assets, connected with the increase in the fair value of derivatives;
- > an increase of €1,185 million in current financial assets included in debt, associated with the increase in the financial receivable in respect of the deficit of the Spanish electrical system and the financial receivable of Enel Finance International due from the Mexican companies involved in the “Kino project”, which are accounted for using the equity method;
- > an increase of €837 million in other short-term receivables, largely in respect of an increase in assets in respect of construction contracts.

## 6.c Assets held for sale - €85 million

The item, which primarily regards Enel Green Power Finale Emilia (€81 million), mainly includes assets valued at their estimated realizable value based on the current state of negotiations that, in view of the decisions taken by management, meet the requirements of IFRS 5 for classification under this item.

The change for the period mainly reflects the sale of 80% of the share capital of eight Mexican project companies (“Kino project”) classified under this item at December 31, 2017 and now accounted for using the equity method as well as the



reclassification of the project companies involved in the Kafireas wind farm as no longer available for sale following the disappearance of the conditions to continue with the disposal.

## Liabilities and shareholders' equity

### 6.d Equity attributable to the shareholders of the Parent Company - €31,717 million

The decrease in the first nine months of 2018 in equity attributable to the shareholders of the Parent Company mainly reflects the retrospective application of IFRS 9 and IFRS 15 (-€3,688 million), the loss recognized directly in equity (-€759 million) and dividends authorized during the period (-€1,342 million). The decline was only partially offset by net income for the period (€3,016 million).

### 6.e Non-current liabilities - €78,001 million

*Long-term borrowings*, totaling €50,476 million (€42,439 million at December 31, 2017), consist of bonds in the amount of €39,334 million (€32,285 million at December 31, 2017) and bank debt and other borrowings in the amount of €11,142 million (€10,154 million at December 31, 2017). The change in the first nine months is essentially due to an increase in bonds of €7,049 million, of which Enel Chile in the amount of €836 million, Eletropaulo in the amount of €751 million and Enel Finance International in the amount of €5,331 million, mainly reflecting the issue of a bond of about €3,500 million on the US market.

*Provisions and deferred tax liabilities* came to €16,268 million at September 30, 2018 (€15,576 million at December 31, 2017) and include:

- > post-employment and other employee benefits totaling €3,062 million, up €655 million compared with December 31, 2017, essentially reflecting the change in the scope of consolidation with the acquisition of Eletropaulo;
- > provisions for risks and charges amounting to €5,040 million (€4,821 million at December 31, 2017). The item includes, among others, the litigation provision of €1,161 million (€861 million at December 31, 2017), the nuclear decommissioning provision of €549 million (€538 million at December 31, 2017), the plant dismantling and site restoration provision of €860 million (€814 million at December 31, 2017), the provision for taxes and duties of €293 million (€300 million at December 31, 2017) and the early retirement incentive provision of €1,438 million (€1,530 million at December 31, 2017);
- > deferred tax liabilities, totaling €8,166 million (€8,348 million at December 31, 2017), a decrease of €182 million. The effect of the application of the new IFRS 15 and IFRS 9, which caused a decrease of €473 million, was partially offset by the increase in the scope of consolidation with the acquisition of Eletropaulo (€163 million) and the effect of hyperinflation in Argentina (€172 million).

*Other non-current liabilities*, amounting to €11,257 million (€5,001 million at December 31, 2017), increased by €6,256 million, essentially due to the effect of deferred income connected with revenue from grid connection contracts following the retrospective application of IFRS 15. Of the total, €2,090 million regarded E-Distribuzione and €2,289 million regarded Endesa. The increase was partially offset by the change in the fair value of financial derivatives (-€154 million).

## 6.f Current liabilities - €43,867 million

Short-term borrowings and current portion of long-term borrowings increased by €1,641 million, going from €8,894 million at the end of 2017 to €10,535 million at September 30, 2018. The rise is essentially connected with an increase of €4,215 million in short-term borrowings, reflecting an increase in issues of commercial paper (+€3,292 million). This was only partially offset by a decline of €2,574 million in the current portion of long-term borrowings, largely regarding the short-term portion of long-term bonds (€2,739 million).

Trade payables amounted to €11,219 million (€12,671 million at December 31, 2017), down €1,452 million, essentially reflecting decreases in Iberia (€470 million), Enel Global Trading (€416 million), Enel Green Power North America (€173 million) and Enel Energia (€160 million).

Other current liabilities, totaling €22,113 million, break down as follows:

Millions of euro	at Sept. 30,2018	at Dec. 31,2017	Change	
Payables due to customers	1,762	1,824	(62)	-3.4%
Payables due to institutional market operators	4,044	4,766	(722)	-15.1%
Current financial liabilities	7,820	3,214	4,606	-
Social security contributions payable and payables to employees	571	638	(67)	-10.5%
Tax payables	3,391	1,607	1,784	-
Other	4,525	5,121	(596)	-11.6%
<b>Total</b>	<b>22,113</b>	<b>17,170</b>	<b>4,943</b>	<b>28.8%</b>

The increase for the period of €4,943 million is essentially due to:

- > an increase of €4,606 million in current financial liabilities, largely due to the increase in the fair value of financial derivatives (€4,822 million), mainly related to derivatives measured at fair value through profit or loss hedging commodity price risk;
- > an increase of €1,784 million in tax payables, attributed essentially to the estimate for income taxes for the period net of taxes paid and payables for value-added tax;
- > a decrease of €722 million in payables due to institutional market operators, of which €453 million attributable to E-Distribuzione as a result of a decline in the rates of general system charges and €119 million to Endesa;
- > a decrease of €596 million in other payables, essentially due the decrease in the payable for dividends paid in the first nine months of 2018, only partially offset by an increase in other payables as a result of the change in the scope of consolidation due to the acquisition of Eletropaulo.

## 6.g Liabilities held for sale – €4 million

The item is entirely accounted for by Enel Green Power Finale Emilia Srl. The change for the period regards the developments noted in “Assets held for sale”.

## 7. Net financial position

Pursuant to the CONSOB instructions of July 28, 2006, the following table reports the net financial position at September 30, 2018 and December 31, 2017, reconciled with net financial debt as prepared in accordance with the presentation procedures of the Enel Group.

Millions of euro	at Sept. 30,2018	at Dec. 31,2017	Change	
Cash and cash equivalents on hand	217	343	(126)	-36.7%
Bank and post office deposits	8,633	6,487	2,146	33.1%
Other investments of liquidity	748	191	557	-
Securities	62	69	(7)	-10.1%
<b>Liquidity</b>	<b>9,660</b>	<b>7,090</b>	<b>2,570</b>	<b>36.2%</b>
Short-term financial receivables	3,812	3,253	559	17.2%
Factoring receivables	-	42	(42)	-
Current portion of long-term financial receivables	1,770	1,094	676	61.8%
<b>Current financial receivables</b>	<b>5,582</b>	<b>4,389</b>	<b>1,193</b>	<b>27.2%</b>
Bank debt	(861)	(249)	(612)	-
Commercial paper	(4,181)	(889)	(3,292)	-
Current portion of long-term bank borrowings	(1,527)	(1,346)	(181)	-13.4%
Bonds issued (current portion)	(2,690)	(5,429)	2,739	50.5%
Other borrowings (current portion)	(210)	(225)	15	-
Other short-term financial payables <sup>(1)</sup>	(1,089)	(756)	(333)	-44.0%
<b>Total current financial debt</b>	<b>(10,558)</b>	<b>(8,894)</b>	<b>(1,664)</b>	<b>-18.7%</b>
<b>Net current financial position</b>	<b>4,684</b>	<b>2,585</b>	<b>2,099</b>	<b>81.2%</b>
Debt to banks and financing entities	(9,597)	(8,310)	(1,287)	-15.5%
Bonds	(39,334)	(32,285)	(7,049)	-21.8%
Other borrowings	(1,545)	(1,844)	299	16.2%
<b>Non-current financial position</b>	<b>(50,476)</b>	<b>(42,439)</b>	<b>(8,037)</b>	<b>-18.9%</b>
<b>NET FINANCIAL POSITION as per CONSOB instructions</b>	<b>(45,792)</b>	<b>(39,854)</b>	<b>(5,938)</b>	<b>-14.9%</b>
<b>Long-term financial receivables and securities</b>	<b>2,670</b>	<b>2,444</b>	<b>226</b>	<b>9.2%</b>
<b>NET FINANCIAL DEBT</b>	<b>(43,122)</b>	<b>(37,410)</b>	<b>(5,712)</b>	<b>-15.3%</b>

(1) Includes current financial payables included in Other current financial liabilities.

## Other information

### 8. 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
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)
ESO - 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
EMO - Energy Markets Operator	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Sale of electricity on the Power Exchange (EMO) Purchase of electricity on the Power Exchange for pumping and plant planning (EMO)
Leonardo Group	Directly controlled by the Ministry for the Economy and Finance	Purchase of IT services and supply of goods

Finally, Enel also maintains relationships with the pension funds FOPEN and FONDENEL, as well as 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 carried out in the first nine months of 2018 and 2017 and outstanding at September 30, 2018 and December 31, 2017.

Millions of euro

	Single Buyer	EMO	Cassa Depositi and Prestiti Group	ESO	Other	Key management personnel	Total first nine months of 2018	Associates and joint arrangements	Overall total first nine months of 2018	Total in financial statements	% of total
<b>Income statement</b>											
Revenue and other income	-	1,556	1,839	315	161	-	3,871	91	3,962	55,246	7.2%
Financial income	-	-	-	-	1	-	1	21	22	3,024	0.7%
Electricity, gas and fuel purchases	2,385	2,210	932	9	-	-	5,536	137	5,673	26,196	21.7%
Services and other materials	-	39	1,704	3	133	-	1,880	88	1,968	13,193	14.9%
Other operating expenses	5	197	3	-	-	-	205	-	205	2,082	9.8%
Net income/(expense) from commodity contracts measured at fair value	-	-	(2)	-	-	-	(2)	8	6	202	3.0%
Financial expense	-	-	-	8	1	-	9	31	40	4,796	0.8%

Millions of euro

	Single Buyer	EMO	Cassa Depositi and Prestiti Group	ESO	Other	Key management personnel	<b>Total at Sept. 30, 2018</b>	Associates and joint arrangements	<b>Overall total at Sept. 30, 2018</b>	<b>Total in financial statements</b>	<b>% of total</b>
<b>Balance sheet</b>											
Trade receivables	-	155	762	24	142	12	<b>1,095</b>	183	<b>1,278</b>	<b>13,860</b>	<b>9.2%</b>
Other current assets	-	23	14	131	1	-	<b>169</b>	60	<b>229</b>	<b>17,241</b>	<b>1.3%</b>
Other non-current liabilities	-	-	-	-	6	-	<b>6</b>	64	<b>70</b>	<b>11,257</b>	<b>0.6%</b>
Long-term borrowings	-	-	849	-	-	-	<b>849</b>	-	<b>849</b>	<b>50,476</b>	<b>1.7%</b>
Trade payables	621	184	588	929	229	40	<b>2,592</b>	164	<b>2,756</b>	<b>11,219</b>	<b>24.6%</b>
Other current liabilities	-	-	12	-	19	1	<b>32</b>	76	<b>108</b>	<b>22,113</b>	<b>0.5%</b>
Current portion of long-term borrowings	-	-	89	-	-	-	<b>89</b>	-	<b>89</b>	<b>4,426</b>	<b>2.0%</b>
<b>Other information</b>											
Guarantees given	-	250	361	-	115	-	<b>726</b>	-	<b>726</b>		
Guarantees received	-	-	135	-	16	-	<b>151</b>	-	<b>151</b>		
Commitments	-	-	35	-	8	-	<b>43</b>	-	<b>43</b>		

Millions of euro

	Single Buyer	EMO	Cassa Depositi and Prestiti Group	ESO	Other	Key management personnel	Total first nine months of 2017	Associates and joint arrangements	Overall total first nine months of 2017	Total in financial statements	% of total
<b>Income statement</b>											
Revenue and other income	1	1,260	2,046	304	67	-	<b>3,678</b>	114	<b>3,792</b>	<b>54,188</b>	<b>7.0%</b>
Financial income	-	-	-	-	1	-	<b>1</b>	4	<b>5</b>	<b>2,877</b>	<b>0.2%</b>
Electricity, gas and fuel purchases	2,472	1,783	1,034	-	1	-	<b>5,290</b>	263	<b>5,553</b>	<b>26,421</b>	<b>21.0%</b>
Services and other materials	-	62	1,794	4	106	-	<b>1,966</b>	86	<b>2,052</b>	<b>12,506</b>	<b>16.4%</b>
Other operating expenses	3	378	4	-	-	-	<b>385</b>	-	<b>385</b>	<b>2,021</b>	<b>19.0%</b>
Net income/(expense) from commodity contracts measured at fair value	-	-	22	-	-	-	<b>22</b>	(5)	<b>17</b>	<b>383</b>	<b>4.4%</b>
Financial expense	-	-	-	1	1	-	<b>2</b>	19	<b>21</b>	<b>5,040</b>	<b>0.4%</b>

Millions of euro

	Single buyer	EMO	Cassa Depositi and Prestiti Group	ESO	Other	Key management personnel	Total at Dec. 31, 2017	Associates and joint arrangements	Overall total at Dec. 31, 2017	Total in financial statements	% of total
<b>Balance sheet</b>											
Trade receivables	-	77	526	57	34	-	694	138	832	14,529	5.7%
Other current assets	-	-	24	129	1	-	154	22	176	10,195	1.7%
Other non-current liabilities	-	-	-	-	6	-	6	30	36	5,001	0.7%
Long-term borrowings	-	-	893	-	-	-	893	-	893	42,439	2.1%
Trade payables	682	110	543	977	11	-	2,323	42	2,365	12,671	18.7%
Other current liabilities	-	-	10	-	-	-	10	36	46	17,170	0.3%
Current portion of long-term borrowings	-	-	89	-	-	-	89	-	89	7,000	1.3%
<b>Other information</b>											
Guarantees given	-	280	360	-	108	-	748	-	748		
Guarantees received	-	-	208	-	23	-	231	-	231		
Commitments	-	-	46	-	6	-	52	-	52		



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 (available at <https://www.enel.com/investors/bylaws-rules-and-policies/transactions-with-related-parties.html>) in implementation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In the first nine months of 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 no. 17221 of March 12, 2010, as amended with Resolution no. 17389 of June 23, 2010.

## 9. 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 Sept. 30,2018	at Dec. 31,2017	Change
<b>Guarantees given:</b>			
- sureties and other guarantees granted to third parties	9,094	8,171	923
<b>Commitments to suppliers for:</b>			
- electricity purchases	107,948	79,163	28,785
- fuel purchases	39,677	42,302	(2,625)
- various supplies	3,020	3,119	(99)
- tenders	2,676	3,334	(658)
- other	3,184	2,912	272
<b>Total</b>	<b>156,505</b>	<b>130,830</b>	<b>25,675</b>
<b>TOTAL</b>	<b>165,599</b>	<b>139,001</b>	<b>26,598</b>

Commitments for electricity amounted to €107,948 million at September 30, 2018, of which €23,605 million refer to the period October 1, 2018-2022, €20,785 million to the period 2023-2027, €19,562 million to the period 2028-2032 and the remaining €43,996 million beyond 2032.

Commitments for the purchase of fuels are determined with reference to the contractual parameters and exchange rates applicable at the end of the period (given that fuel prices vary and are mainly set in foreign currencies). The total at September 30, 2018 amounted to €39,677 million, of which €22,365 million refer to the period October 1, 2018-2022, €10,728 million to the period 2023-2027, €5,048 million to the period 2028-2032 and the remaining €1,536 million beyond 2032.

## 10. Contingent assets and liabilities

Compared with the consolidated financial statements at December 31, 2017, which the reader is invited to consult for more information, the following main changes have occurred in contingent assets and liabilities, 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**

With regard to the appeal filed by Enel with the Court of Cassation in February 2015 against the July 10, 2014 ruling of the Venice Court of Appeal, on September 25, 2018 the Court of Cassation upheld one of the grounds of the appeal, voiding the general ruling in favor of the Ministry of the Environment and referring the proceeding to the Venice Court of Appeal for it to rule on any damages.

### **Brindisi Sud thermal generation plant - Criminal proceedings against Enel employees**

With regard to the appeal proceedings begun against the ruling of the Court of Brindisi on October 26, 2016 by 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, the first hearing of the appeal was held on June 15, 2018 with the opening statement of the prosecutor, following by testimony of a number of civil parties to the proceeding. At the hearing of October 19, 2018, other civil parties testified and the hearing was adjourned until November 16, 2018.

### **Out-of-court disputes and litigation connected with the blackout of September 28, 2003**

With regard to the appeal filed by Cattolica against the trial court ruling of October 21, 2013, in a ruling published on October 9, 2018, the Rome Court of Appeal denied the appeal of Cattolica, thereby upholding the original ruling.

### **Enel Energia and Servizio Elettrico Nazionale antitrust proceeding**

With regard to measure no. 26581 notified on May 11, 2017, with which the Competition Authority began proceedings for alleged abuse of a dominant position against Enel SpA (“Enel”), Enel Energia SpA (“EE”) and Servizio Elettrico Nazionale SpA (“SEN”), on August 3, 2018, Enel and the other Group companies involved were notified of the Communication of Findings with which the Competition Authority essentially confirmed its allegations on the original measure, although it did drop the allegation advanced by Green Network SpA that they had adopted winback policies as no evidence was uncovered. Enel and the other Group companies involved have until November 14 to file briefs, while the final hearing before the Authority has been scheduled for November 19, 2018. The time limit for closing the proceeding has been set for December 30, 2018. It is currently not possible to forecast any financial impact of the proceeding.

### **Environmental incentives – Spain**

With regard to the investigation opened by the European Commission's Directorate-General for Competition 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, 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**

With regard to the suit filed in May 2010 by Furnas against CIEN for alleged failure to deliver electricity, requesting payment of about R\$520 million (about €116 million), in addition to unspecified damages, the claims advanced by Furnas were denied by the trial court in August 2014, and on August 21, 2018, the *Tribunal de Justiça* denied Furnas' appeal, upholding the position of CIEN.

### **ANEEL litigation – Brazil**

In 2014, Eletropaulo brought an action before the federal courts seeking the voidance of an administrative measure issued by ANEEL (Brazil's national electricity agency) that, in 2012, had retroactively introduced a negative coefficient to be used in determining rates for the next regulatory period (2011-2015). With the measure, the authority required the restitution of the value of certain grid components previously included in rates because they were held not to exist. The measure also denied Eletropaulo's request to include other components in rates. On September 9, 2014, ANEEL's measure was suspended on a precautionary basis. The first-level proceeding is at a preliminary stage and the value of the dispute is R\$833 million (about €178 million).

### **Neoenergia arbitration – Brazil**

On June 18, 2018, Neoenergia brought an arbitration action against Eletropaulo before the *Câmara de Arbitragem do Mercado* (CAM) concerning the investment agreement signed by the two companies on April 16, 2018. 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.

### **Emgesa and Codensa arbitration – Colombia**

On August 22, 2018, Enel Americas was informed that Grupo Energía de Bogotá ("GEB") had abandoned its action of December 4, 2017 initiating an arbitration proceeding before the *Centro de Arbitraje y Conciliación de la Cámara de Comercio de Bogotá* to resolve disputes between the parties concerning the distribution of profits for 2016 for Emgesa and Codensa. On October 8, 2018, GEB announced it was seeking a new arbitration proceeding before the Arbitration Board of Bogotá, the content of which had not yet been disclosed.

### **Gabčíkovo dispute – Slovakia**

With regard to the civil proceeding initiated by Vodohospodárska Výstavba Štátny Podnik ("VV") against Slovenské elektrárne ("SE") asking for the voidance of the VEG Indemnity Agreement, following a ruling of the Court of Bratislava at the hearing of September 27, 2017, in which the court denied the request of the plaintiff for procedural reasons, VV appealed that ruling and that appeal is currently under way. With regard to suits filed by VV for alleged unjustified enrichment for the period from 2006 to 2015, SE filed counter-claims for the proceedings initiated by VV for all years except 2015. The proceedings are currently under way.

## Tax litigation - withholding tax - Ampla – Brazil

In 1998, Ampla Energia e Serviços SA financed the acquisition of Coelce with the issue of bonds totaling \$350 million (Fixed Rate Notes - FRN) subscribed by a Panamanian subsidiary, which had been formed to raise funds abroad. Under the special rules then in force, the interest paid by Ampla to its subsidiary were exempt from withholding tax in Brazil with the proviso that the bond not be redeemed before 2008.

However, the 1998 financial crisis forced the Panamanian subsidiary to seek refinancing from its Brazilian parent, which for that purpose obtained a loan from local banks. The tax authorities argued that the latter financing was the equivalent of the early redemption of the original bond, with the consequent loss of tax-exempt status.

In December 2005, Ampla Energia e Serviços SA carried out a spin-off of assets to Ampla Investimentos e Serviços SA that involved the transfer of the residual FRN debt and the associated rights and obligations.

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 clarification. 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 on which the parties may file comments.

The amount involved in the dispute at September 30, 2018 was about €270 million.

## Tax litigation - ICSM - Ampla, Coelce and Eletropaulo – Brazil

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 SA (2003, 2004 and 2006-2012) and Eletropaulo (2008-2016), challenging the deduction of the ICMS tax (*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 €86 million at September 30, 2018.

## Tax litigation - withholding tax - Endesa Brasil – Brazil

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 totaled about €60 million at September 30, 2018.

## 11. Events after the reporting period

### Enel Green Power España begins construction of three wind farms in Spain

On October 9, 2018, Enel Green Power España ("EGPE") began construction of three wind farms with a total capacity of 128 MW in the municipalities of Muniesa and Alacón, in the region of Aragon's Teruel province. The three projects are the 46.8 MW Muniesa, the 41.4 MW Farlán and the 39.9 MW San Pedro de Alacón wind farms. The new facilities will involve a total investment of about €130 million. The three facilities are expected to begin operation by the end of 2019. Once fully operational, the wind farms will be able to generate 412 GWh annually, avoiding the emission of over 270 thousand metric tons of CO<sub>2</sub> into the atmosphere.

### Enel prepares to increase its stake in Enel Américas by a maximum of 5%

On October 16, 2018, Enel announced that it had entered into two share swap transactions (the "Share Swap Transactions") with a financial institution to increase its equity stake in its listed Chilean subsidiary Enel Américas SA ("Enel Américas"). Based on these Share Swap Transactions, Enel may acquire, on dates that are expected to occur no later than the 4th Quarter of 2019: (i) up to 1,895,936,970 shares of Enel Américas' common stock, and (ii) up to 19,533,894 of Enel Américas' American Depositary Shares ("ADSs"), each representing 50 shares of Enel Américas' common stock.

All of the above shares total up to 5.0% of Enel Américas' entire capital.

The number of shares of Enel Américas' common stock and Enel Américas' ADSs actually acquired by Enel pursuant to the Share Swap Transactions will depend on the ability of the financial institution acting as the counterparty to establish its hedge positions as part of the transactions.

The increase in Enel's interest in Enel Américas is in line with Enel Group's 2018-2020 Strategic Plan announced to the markets, which remains focused on reducing minority shareholders in the Group companies operating in South America.

### Disposal of Enel Finale Emilia

On October 18, 2018 Enel Green Power finalized the sale of the biomass generation plant at Finale Emilia for a price of €59 million.

The sale is part of an agreement between the Enel Group and F2i SGR for the sale of the entire portfolio of biomass generation plants in Italy with a total net installed capacity of about 108 MW. More specifically, the agreement involves the plants in operation at Mercure and Finale Emilia, located respectively in Calabria and Emilia Romagna, 50% of PowerCrop – the Enel Maccaferri joint venture – which owns the plants under construction of Russi and Macchiareddu, located respectively in Emilia Romagna and Sardinia, and the project for the construction of the plant at Casei Gerola, in Lombardy, which is currently waiting for authorization.

Among other things, the completion of the transaction is subject to receiving authorization from the antitrust authorities and will be implemented with individual sales of the various plants between 2018 and 2019.

The transaction, which is part of the Group's strategy for the active management and turnover of assets, provides for a price for the sale of the entire portfolio of plants of about €335 million.

### Enel Green Power begins construction of a 475 MW photovoltaic plant in Brazil

On October 22, 2018, Enel Green Power Brasil Participações Ltda ("EGPB") started construction of the 475 MW São Gonçalo solar park at São Gonçalo do Gurguéia, in Brazil's northeastern state of Piauí. São Gonçalo, which is expected to start operations in 2020, is the largest photovoltaic facility currently under construction in South America. The Enel

Group will be investing around R\$1.4 billion, equivalent to about €390 million, in the construction of the São Gonçalo photovoltaic plant. Once fully up and running, the plant will be able to generate over 1,200 GWh per year while avoiding the emission of over 600 thousand metric tons of CO<sub>2</sub> into the atmosphere. Of São Gonçalo's 475 MW of installed capacity, 388 MW were awarded to the Enel Group in Brazil's A-4 public tender in December 2017 and are supported by 20-year power supply contracts with a pool of distribution companies operating in the country's regulated market. The remaining 87 MW will generate power for the free market.

## **Declaration of the officer responsible for the preparation of the Company financial reports pursuant to the provisions of Article 154-*bis*, paragraph 2 of Legislative Decree 58/1998**

The officer responsible for the preparation of the Company's financial reports, Alberto De Paoli, hereby certifies, pursuant to Article 154-*bis*, paragraph 2, of the Consolidated Law on Financial Intermediation, that the accounting information contained in the Interim Financial Report at September 30, 2018 corresponds with that contained in the accounting documentation, books and records.

*Disclaimer*

This Report issued in Italian  
has been translated into  
English solely for the convenience  
of international readers

**Enel**

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