

# **Condensed consolidated financial statements at September 30, 2019**

## Condensed Consolidated Income Statement

Millions of euro	Notes	First nine months	
		2019	2018
Total revenue	6.a	57,124	55,246
Total costs	6.b	53,043	48,010
Net income/(expense) from commodity contracts measured at fair value	6.c	118	202
<b>Operating income</b>		<b>4,199</b>	<b>7,438</b>
Financial income		3,023	2,694
Financial expense		5,024	4,566
Net income/(expense) from hyperinflation	2	96	100
<b>Total financial income/(expense)</b>	6.d	<b>(1,905)</b>	<b>(1,772)</b>
<b>Share of income/(expense) from equity investments accounted for using the equity method</b>	6.e	<b>(104)</b>	<b>54</b>
<b>Income before taxes</b>		<b>2,190</b>	<b>5,720</b>
Income taxes	6.f	647	1,686
<b>Net income from continuing operations</b>		<b>1,543</b>	<b>4,034</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>1,543</b>	<b>4,034</b>
Attributable to shareholders of the Parent Company		813	3,016
Attributable to non-controlling interests		730	1,018
<i>Basic earnings/(loss) per share attributable to shareholders of the Parent Company (euro)</i>		<i>0.08</i>	<i>0.30</i>
<i>Diluted earnings/(loss) per share attributable to shareholders of the Parent Company (euro)</i>		<i>0.08</i>	<i>0.30</i>
<i>Basic earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)</i>		<i>0.08</i>	<i>0.30</i>
<i>Diluted earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)</i>		<i>0.08</i>	<i>0.30</i>

## Statement of Consolidated Comprehensive Income

Millions of euro	First nine months	
	2019	2018
<b>Net income for the period</b>	<b>1,543</b>	<b>4,034</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	(145)	(50)
Change in fair value of hedging costs	(33)	(40)
Share of the other comprehensive income of equity investments accounted for using the equity method	(40)	6
Change in the fair value of financial assets at FVOCI	10	(3)
Change in translation reserve	(108)	(1,164)
<b>Other comprehensive income not recyclable to profit or loss (net of taxes)</b>		
Remeasurement of net employee benefit liabilities/(assets)	(176)	-
Change in fair value of equity investments in other entities	-	1
<b>Total other comprehensive income/(loss) for the period</b>	<b>(492)</b>	<b>(1,250)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>1,051</b>	<b>2,784</b>
<b>Attributable to:</b>		
- shareholders of the Parent Company	537	2,257
- non-controlling interests	514	527

# Condensed Consolidated Balance Sheet

Millions of euro

	Notes	at Sept. 30, 2019	at Dec. 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment and intangible assets		97,383	95,780
Goodwill		14,297	14,273
Equity investments accounted for using the equity method		1,990	2,099
Other non-current assets <sup>(1)</sup>		20,240	16,697
<b>Total non-current assets</b>	7.a	<b>133,910</b>	<b>128,849</b>
<b>Current assets</b>			
Inventories		2,885	2,818
Trade receivables		13,274	13,587
Cash and cash equivalents		6,753	6,630
Other current assets <sup>(2)</sup>		12,836	12,852
<b>Total current assets</b>	7.b	<b>35,748</b>	<b>35,887</b>
<b>Assets held for sale</b>	7.c	<b>302</b>	<b>688</b>
<b>TOTAL ASSETS</b>		<b>169,960</b>	<b>165,424</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Equity attributable to the shareholders of the Parent Company	7.d	30,869	31,720
Non-controlling interests		16,962	16,132
<b>Total shareholders' equity</b>		<b>47,831</b>	<b>47,852</b>
<b>Non-current liabilities</b>			
Long-term borrowings		52,531	48,983
Provisions and deferred tax liabilities		17,429	17,018
Other non-current liabilities		13,108	10,816
<b>Total non-current liabilities</b>	7.e	<b>83,068</b>	<b>76,817</b>
<b>Current liabilities</b>			
Short-term borrowings and current portion of long-term borrowings		8,706	6,983
Trade payables		11,252	13,387
Other current liabilities		19,099	19,978
<b>Total current liabilities</b>	7.f	<b>39,057</b>	<b>40,348</b>
<b>Liabilities held for sale</b>	7.g	<b>4</b>	<b>407</b>
<b>TOTAL LIABILITIES</b>		<b>122,129</b>	<b>117,572</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>169,960</b>	<b>165,424</b>

(1) Of which long-term financial receivables and other securities at September 30, 2019 equal respectively to €2,705 million (€2,912 million at December 31, 2018) and €420 million (€360 million at December 31, 2018).

(2) Of which short-term portion of long-term financial receivables, short-term financial receivables and other securities at September 30, 2019 equal respectively to €1,922 million (€1,522 million at December 31, 2018), €2,932 million (€3,418 million at December 31, 2018) and €43 million (€63 million at December 31, 2018).

# 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	Treasury share 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, 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 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/(loss)	-	-	-	-	-	(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>
<b>At January 1, 2019</b>	<b>10,167</b>	<b>7,489</b>	-	<b>2,034</b>	<b>2,262</b>	<b>(3,317)</b>	<b>(1,745)</b>	<b>(258)</b>	<b>16</b>	<b>(63)</b>	<b>(714)</b>	<b>(2,381)</b>	<b>(1,623)</b>	<b>19,853</b>	<b>31,720</b>	<b>16,132</b>	<b>47,852</b>
Distribution of interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,423)	(1,423)	(693)	(2,116)
Purchase of treasury shares	-	-	(1)	-	(10)	-	-	-	-	-	-	-	-	-	(11)	-	(11)
Reclassifications	-	7	-	-	-	-	-	-	-	-	-	-	(7)	-	-	-	-
Monetary revaluation for hyperinflation	-	-	-	-	-	-	-	-	-	-	-	-	-	80	80	139	219
Transactions in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	74	-	74	869	943
Change in scope of consolidation	-	-	-	-	-	(139)	41	-	-	-	(7)	-	(1)	(2)	(108)	1	(107)
Comprehensive income for the period	-	-	-	-	-	36	(132)	(29)	10	(37)	(124)	-	-	813	537	514	1,051
of which: - other comprehensive income/(loss)	-	-	-	-	-	36	(132)	(29)	10	(37)	(124)	-	-	-	(276)	(216)	(492)
- net income/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	813	813	730	1,543
<b>At September 30, 2019</b>	<b>10,167</b>	<b>7,496</b>	<b>(1)</b>	<b>2,034</b>	<b>2,252</b>	<b>(3,420)</b>	<b>(1,836)</b>	<b>(287)</b>	<b>26</b>	<b>(100)</b>	<b>(845)</b>	<b>(2,381)</b>	<b>(1,557)</b>	<b>19,321</b>	<b>30,869</b>	<b>16,962</b>	<b>47,831</b>

# Condensed Consolidated Statement of Cash Flows

Millions of euro	First nine months	
	2019	2018
<b>Income before taxes for the period</b>	<b>2,190</b>	<b>5,720</b>
<b>Adjustments for:</b>		
Net impairment/(reversals) of trade receivables and other receivables	721	776
Depreciation, amortization and impairment losses	8,289	3,920
Financial (income)/expense	1,905	1,772
Net income of equity investments accounting for using the equity method	104	(54)
Changes in net current assets:		
- inventories	(81)	(509)
- trade receivables	(482)	637
- trade payables	(2,129)	(1,519)
- other contract assets/liabilities	(57)	-
- other assets/liabilities	882	(184)
Interest and other financial expense and income paid and collected	(1,957)	(1,919)
Other changes	(1,714)	(1,520)
<b>Cash flows from operating activities (A)</b>	<b>7,671</b>	<b>7,120</b>
Investments in property, plant and equipment, intangible assets and non-current assets from contracts with customers	(6,593)	(5,537)
Investments in entities (or business units) less cash and cash equivalents acquired	(250)	(1,465)
Disposals of entities (or business units) less cash and cash equivalents sold	493	264
(Increase)/Decrease in other investing activities	(10)	(217)
<b>Cash flows from investing/disinvesting activities (B)</b>	<b>(6,360)</b>	<b>(6,955)</b>
Financial debt (new long-term borrowing)	5,618	12,170
Financial debt (repayments and other net changes)	(3,565)	(4,828)
Collections/(Payments) for transactions in non-controlling interests	628	(1,413)
Sale/(Purchase) of treasury shares	(1)	-
Dividends and interim dividends paid	(3,887)	(3,371)
<b>Cash flows from financing activities (C)</b>	<b>(1,207)</b>	<b>2,558</b>
<b>Impact of exchange rate fluctuations on cash and cash equivalents (D)</b>	<b>(22)</b>	<b>(176)</b>
<b>Increase/(Decrease) in cash and cash equivalents (A+B+C+D)</b>	<b>82</b>	<b>2,547</b>
Cash and cash equivalents and short-term securities at beginning of the period <sup>(1)</sup>	6,714	7,121
Cash and cash equivalents and short-term securities at the end of the period <sup>(2)</sup>	6,796	9,668

(1) Of which cash and cash equivalents equal to €6,630 million at January 1, 2019 (€7,021 million at January 1, 2018), short-term securities equal to €63 million at January 1, 2019 (€69 million at January 1, 2018) and cash and cash equivalents pertaining to assets held for sale in the amount of €21 million at January 1, 2019 (€31 million at January 1, 2018).

(2) Of which cash and cash equivalents equal to €6,753 million at September 30, 2019 (€9,598 million at September 30, 2018), short-term securities equal to €43 million at September 30, 2019 (€62 million at September 30, 2018) and cash and cash equivalents pertaining to assets held for sale in the amount of €8 million at September 30, 2018.

# Notes to the condensed consolidated financial statements at September 30, 2019

## 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 consolidated financial statements at September 30, 2019 are the same as those adopted for the consolidated financial statements at December 31, 2018 (please see the related report for more information).

In addition to the accounting standards applied in preparing the consolidated financial statements at December 31, 2018, the following standards, interpretations and amendments of existing standards relevant to the Enel Group took effect as from January 1, 2019.

- > “IFRS 16 – Leases”, issued on January 2016, which replaces “IAS 17 – Leases”, “IFRIC 4 – Determining whether an Arrangement contains a Lease”, “SIC 15 – Operating Leases-Incentives” and “SIC 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurements of the lease liability as an adjustment to the right-of-use asset. Previously, the Group – in compliance with IAS 17 – recognized operating lease expense on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized. Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating and finance leases. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a term of 12 months or less). In view of the complexity of the assessment of the lease contracts and their long-term expiration date, the application of IFRS 16 has required considerable recourse to professional judgements. In particular, the main assumptions used are:
  - the application of the definition of a lease to the cases typical of the sectors in which the Group operates;
  - the identification of the non-lease component in the lease arrangements;
  - the evaluation of the term of the lease and the exercise of any renewable option included into the lease arrangements identified, also considering the probability if the exercise of any eventual termination option;
  - the identification of any variable lease payments that depend on an index or a rate to determine where those changes impacts the future lease payments and also the amount of the right-of-use asset;

- the estimate of the discount rate to calculate the present value of the lease payments. This is equal to the incremental borrowing rate of the lessee when the interest rate implicit in the lease cannot be readily determined. This is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. It can be determined on a contract individual level or on a portfolio basis.

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

At initial application of the new accounting standard, the Group elected to use the following practical expedients:

- to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4;
- to use the modified retrospective approach, under which the Group did not perform any restatement of comparative information for the previous year;
- to measure the lease liability at the present value of the remaining lease payments, using the incremental borrowing rate of the Enel Group lessee entities at January 1, 2019, as the discount rate;
- to recognize a right-of-use asset at the date of initial application in an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease and recognized in the balance sheet immediately before the date of initial application;
- to rely on its assessment of whether right-of-use assets are recoverable at January 1, 2019 on the basis of the assessment of whether the leases are onerous in accordance with IAS 37.

The most significant cases affected by the new provisions of IFRS 16 mainly regard the right-of-use in respect of buildings and the ground lease of renewable energy plants.

- > “Amendments to IAS 19 – *Plan Amendment, Curtailment or Settlement*”, issued in February 2018. The amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments (i) clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements; and (ii) do not address the accounting for “significant market fluctuations” in the absence of a plan amendment, curtailment or settlement.
- > “Amendments to IAS 28 – *Long-term interests in associates and joint ventures*”, issued in October 2017; the amendments clarify that an entity must apply “IFRS 9 – Financial instruments” to non-current interests in associates and joint ventures to which the equity method is not applied.
- > “*Annual improvements to IFRSs 2015-2017 cycle*”, issued in December 2017; the document contains formal modifications and clarifications of existing standards. More specifically, the following standards were amended:
  - “IFRS 3 – Business combinations”; the amendments clarify that when a joint operator obtains control of a business that is a joint operation, it shall remeasure its previously held interest in the joint operation at fair value at the acquisition date;
  - “IFRS 11 – Joint arrangements”; the amendments clarify that a party that participates in, but does not have joint control of, a joint operation and obtains joint control of the joint operation that constitutes a business as defined in IFRS 3 is not required to remeasure previously held interests in the joint operation;



- “IAS 12 – Income taxes”; the amendments clarify that an entity shall recognize the income tax consequences of dividends (as defined in IFRS 9) when it recognizes a liability to pay a dividend in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated distributable profits;
  - “IAS 23 – Borrowing costs”; the amendments clarify that an entity shall include borrowings made specifically for the purpose of obtaining a qualifying asset outstanding when the asset is ready for its intended use or sale in the generic borrowings of the entity.
- > “IFRIC 23 – *Uncertainty over Income Tax Treatments*”, issued in June 2017; the interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The uncertainty over income tax treatments may affect both current and deferred tax. The interpretation establishes that an entity must recognize a tax asset or liability when it is probable that the taxation authority will accept or not a given tax treatment assuming that the taxation authority will examine amounts it has a right to examine and have full knowledge of all related information. The interpretation also requires an entity to reassess any judgments and estimates made if a change in facts and circumstances might change an entity’s conclusions about the acceptability of a tax treatment or the entity’s estimate of the effect of uncertainty, or both.

## **Seasonal effects**

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, 2019 is provided.

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

With effect from January 1, 2019, the new “IFRS 16 – Leases” endorsed by the European Commission with Regulation (EU) no. 2017/1986 of October 31, 2017 was applied for the first time.

On first-time adoption, the Group adopted the modified retrospective approach provided for in the standard itself, which led to the restatement of a number of balance sheet items as at January 1, 2019. Specifically, the Group recognized a lease liability (with a negative impact on net financial debt of €1,370 million) and an asset represented by the right to use the underlying asset. For more details, see note 1 above.

Millions of euro

	at Dec. 31, 2018 IFRS 16 effect at Jan. 1, 2019		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment and intangible assets	95,780	1,370	97,150
Goodwill	14,273	-	14,273
Equity investments accounted for using the equity method	2,099	-	2,099
Other non-current assets	16,697	-	16,697
<b>Total non-current assets</b>	<b>128,849</b>	<b>1,370</b>	<b>130,219</b>
<b>Current assets</b>			
Inventories	2,818	-	2,818
Trade receivables	13,587	-	13,587
Cash and cash equivalents	6,630	-	6,630
Other current assets	12,852	-	12,852
<b>Total current assets</b>	<b>35,887</b>	<b>-</b>	<b>35,887</b>
<b>Assets held for sale</b>	<b>688</b>	<b>2</b>	<b>690</b>
<b>TOTAL ASSETS</b>	<b>165,424</b>	<b>1,372</b>	<b>166,796</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Equity attributable to the shareholders of the Parent Company	31,720	-	31,720
<b>Total shareholders' equity</b>	<b>47,852</b>	<b>-</b>	<b>47,852</b>
<b>Non-current liabilities</b>			
Long-term borrowings	48,983	1,311	50,294
Provisions and deferred tax liabilities	17,018	-	17,018
Other non-current liabilities	10,816	-	10,816
<b>Total non-current liabilities</b>	<b>76,817</b>	<b>1,311</b>	<b>78,128</b>
<b>Current liabilities</b>			
Short-term borrowings and current portion of long-term borrowings	6,983	59	7,042
Trade payables	13,387	-	13,387
Other current liabilities	19,978	-	19,978
<b>Total current liabilities</b>	<b>40,348</b>	<b>59</b>	<b>40,407</b>
<b>Liabilities held for sale</b>	<b>407</b>	<b>2</b>	<b>409</b>
<b>TOTAL LIABILITIES</b>	<b>117,572</b>	<b>1,372</b>	<b>118,944</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>165,424</b>	<b>1,372</b>	<b>166,796</b>

The following table reports the impact of the application of IFRS 16 on the income statement for the first nine months of 2019:

Millions of euro	First nine months 2019
	IFRS 16 effect
Total costs <sup>(1)</sup>	(19)
<b>Operating income</b>	<b>19</b>
Financial expense	42
<b>Income before taxes</b>	<b>(23)</b>
Income taxes <sup>(2)</sup>	(6)
<b>Net income for the period (shareholders of the Parent Company and non-controlling interests)</b>	<b>(17)</b>

(1) The figure reflects a decrease in costs for services, leases and rentals of €188 million and an increase in depreciation of €169 million.

(2) Tax rate of 27%.

## 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 at September 30, 2019 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. In addition to already being reflected in the opening balance sheet, the accounting effects of that remeasurement also incorporate changes in the period. More specifically, the effect of the remeasurement of the non-monetary items, the components of equity and the components of the income statement recognized in the first nine months of 2019 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.

The cumulative changes in the general price indices at December 31, 2018 and September 30, 2019 are shown in the following table:

Periods	Cumulative change in general consumer price index
From July 1, 2009 to December 31, 2018	346.30%
From January 1, 2019 to September 30, 2019	37.41%

In the first nine months of 2019, the application of IAS 29 involved the recognition of net financial income (gross of tax) of €96 million.

The following tables report the effects of IAS 29 on the balance sheet at September 30, 2019, as well as the impact of hyperinflation on the main income statement items for the first nine months of 2019, 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 Dec. 31, 2018	Hyperinflation effect for the period	Exchange differences	Cumulative hyperinflation effect at September 30, 2019
<b>Total assets</b>	<b>765</b>	347	(225)	<b>887</b>
<b>Total liabilities</b>	<b>197</b>	94	(102)	<b>189</b>
<b>Shareholders' equity</b>	<b>568</b>	253 <sup>(1)</sup>	(123)	<b>698</b>

(1) The figure includes net income for the first nine months of 2019, equal to €35 million.

Millions of euro

First nine months of 2019

	IAS 29 effect	Exchange rate differences	Total
Revenue	172	(263)	(91)
Costs	168 <sup>(1)</sup>	(189) <sup>(2)</sup>	(21)
<b>Operating income</b>	<b>4</b>	<b>(74)</b>	<b>(70)</b>
Net financial income/(expense)	(30)	28	(2)
Net income/(expense) from hyperinflation	96	-	96
<b>Income before taxes</b>	<b>70</b>	<b>(46)</b>	<b>24</b>
Income taxes	35	(17)	18
<b>Net income for the year (shareholders of the Parent Company and non-controlling interests)</b>	<b>35</b>	<b>(29)</b>	<b>6</b>
Attributable to shareholders of the Parent Company	23	(13)	10
Attributable to non-controlling interests	12	(15)	(3)

(1) Includes impact on depreciation, amortization and impairment losses of €43 million.

(2) Includes impact on depreciation, amortization and impairment losses of €15 million.

### 3. Restatement of comparative figures

With regard to operating segment disclosures, note that as of this reporting date (September 30, 2019) the Enel Group has modified its primary and secondary segments in accordance with the provisions of IFRS 8. Specifically, bearing in mind that in 2019, management, understood as the highest level of operational decision-making for the purpose of adopting decisions on the resources to be allocated to the sector and for measuring and assessing results, has begun to disclose its results to the market on the basis of business areas, the Group has consequently adopted the following segment approach:

- > primary sector: business area; and
- > secondary sector: geographical area.

The business area is therefore the prime discriminant and is the predominant focus of the analyses performed and decisions taken by the management of the Enel Group. This is fully consistent with the internal reporting prepared for these purposes since the results are measured and evaluated primarily for each business area and only subsequently are broken down by country.

The new business structure is divided as follows: Thermal Generation and Trading, Enel Green Power, Infrastructure and Networks, End-user markets, Enel X, Services and Holding/Other.

Finally, as from September 2019, Latin America in the Enel Green Power Business Line also includes Panama, Costa Rica, Guatemala, El Salvador and Nicaragua, which had previously been classified in the North and Central America geographical area (now renamed North America and comprising the United States, Canada and Mexico).

In order to ensure the comparability of the figures in the light of the new structure of IFRS 8 disclosures between our primary and secondary reporting segments and for the reallocation of countries in the Enel Green Power segment, it was necessary to restate the comparative figures for 2018 appropriately.

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

At September 30, 2019, the scope of consolidation had changed with respect to September 30, 2018 and December 31, 2018, as a result of the following main transactions.

##### 2018

- > Disposal, on March 12, 2018, of 86.4% of Erdwärme Oberland GmbH, a company developing geothermal plants headquartered in Germany. The total price of the transaction was €0.9 million, with a 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;
- > on April 3, 2018, acting through Enel Green Power España, the acquisition 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 obtaining control of the Brazilian distribution company Eletropaulo Metropolitana Eletricidade de São Paulo SA following initial participation of shareholders. The acquisition was carried out through a public tender offer for 100% of the shares that ended on July 4, 2018. At September 30, 2018, the company was consolidated assuming that the Group held 95.88% in view of the factors discussed in greater detail elsewhere 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;
- > sale, on October 18, 2018, by Enel Green Power SpA of the Finale Emilia biomass generation plant;
- > disposal, on December 14, 2018, by Enel Green Power SpA, of its wholly owned subsidiary Enel Green Power Uruguay SA, which in turn owned the 50 MW Melowind wind farm at Cerro Largo through the vehicle company Estrellada SA.

## 2019

- > Disposal, on March 1, 2019, of 100% of Mercure Srl, a company to which the business unit consisting of the Mercure biomass plant and the related legal relationships had been previously transferred. As envisaged in the preliminary contract agreed on May 30, 2018, the company was sold for a provisional €162 million, corresponding to the valuation of the business unit at the reference date of January 1, 2018. At June 30, 2019, this amount was subject to a subsequent adjustment on the basis of certain specified variables;
- > acquisition, on March 14, 2019, by Enel Green Power SpA, acting through its US renewables subsidiary Enel Green Power North America (“EGPNA”), of 100% of seven companies that own operating renewable generation plants from Enel Green Power North America Renewable Energy Partners (“EGPNA REP”), a joint venture 50% owned by EGPNA and 50% by General Electric Capital’s Energy Financial Services;
- > acquisition, on March 27, 2019, by Enel Green Power SpA (“EGP”), acting through its US renewables subsidiary EGPNA, of Tradewind Energy, a renewable energy project development company based in Lenexa, Kansas. EGP has incorporated the entire Tradewind development platform, which includes 13 GW of wind, solar and storage projects located in the United States. The agreement also provided for the sale, which took place in June, of Savion, a wholly owned subsidiary of Tradewind;
- > on April 30, 2019, Enel X Italia acquired 100% di Yousave SpA, an Italian company operating in the energy services sector, providing assistance to large electricity consumers;
- > on May 31, 2019, the finalization, acting through the renewables subsidiary Enel Green Power Brasil Participações Ltda, of the disposal of 100% of three renewables plants in Brazil. The total price of the transaction was about R\$2.7 billion, the equivalent of about €603 million.

## Other changes

In addition to the above changes in the scope of consolidation, recent developments include 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:

- > Enel SpA increased its interest in Enel Américas by 3.66% during the first nine months of 2019, in accordance with the provisions of the Share Swap contracts agreed with a financial institution and following a non-proportional capital increase at the subsidiary, raising the Group’s total stake to 57.89%;
- > on March 25, 2019, Enel X International acquired 40% of EnerNOC Japan K.K., bringing its stake to 100%;
- > on September 5, 2019, Enel Green Power Development acquired 23.44% of the interest held in Enel Green Power India, raising its total stake to 100%.

## Acquisition of geothermal, solar and wind plants from Enel Green Power North America Renewable Energy Partners

On March 14, 2019, by Enel Green Power SpA, acting through its US subsidiary Enel Green Power North America (“EGPNA”), acquired 100% of 13 companies owning seven operating renewable generation plants with a total capacity of 650 GW from Enel Green Power North America Renewable Energy Partners (“EGPNA REP”), a joint venture 50% owned by EGPNA and 50% by General Electric Capital’s Energy Financial Services.

The acquisition involved a cash outflow of €225 million, of which €198 million for the equity acquired and €27 million for the settlement with the counterparty of a number of creditor positions that the latter had in respect of the companies acquired.

The 13 companies included in the transaction own the following seven plants: Cove Fort, Salt Wells, Stillwater (two plants), Cimarron Bend, Lindahl, Sheldon Springs.

The transaction involved the provisional recognition of negative goodwill of €106 million and the concomitant recognition of a loss by EGPNA REP, which is accounted for using the equity method, reflecting the capital loss (-€88 million pertaining to EGPNA) on the sale of the 13 companies to EGPNA.

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

Millions of euro	Carrying amount prior to March 14, 2019	Adjustments from purchase price allocation	Carrying amount at March 14, 2019
Property, plant and equipment	947	86	1.033
Intangible assets	20	(20)	-
Goodwill	13	(13)	-
Investments accounted for using the equity method	(10)	-	(10)
Inventories	2	-	2
Trade receivables	6	-	6
Other current assets	7	-	7
Cash and cash equivalents	6	-	6
Borrowings	(579)	(24)	(603)
Provisions for risks and charges – non- current	(9)	7	(2)
Deferred tax liabilities	-	(56)	(56)
Other non-current liabilities	(2)	(5)	(7)
Short-term borrowings	(2)	-	(2)
Current portion of long-term borrowings	(41)	8	(33)
Trade payables	(8)	-	(8)
Other current liabilities	(2)	-	(2)
Non-controlling interests			-
<b>Net assets acquired</b>	<b>348</b>	<b>(17)</b>	<b>331</b>
<b>Cost of the acquisition</b>	<b>225</b>	<b>-</b>	<b>225</b>
<i>(of which paid in cash)</i>	<i>225</i>	<i>-</i>	<i>225</i>
Goodwill/(Badwill)	(123)	17	(106)

The companies acquired contributed €76 million in revenue and €24 million in operating income to results for the first nine months of 2019.

## Acquisition of Tradewind Energy

On March 27, 2019, Enel Green Power acquired Tradewind Energy, a renewables project development company with 13 GW of wind, solar and storage projects located in the United States.

Under the terms of the agreement, Savion, a 100% subsidiary of Tradewind, which has a 6 GW development platform of solar and storage projects, would be sold to the Green Investment Group, part of the Australian multinational Macquarie and the Cheyenne Ridge company would be sold to Xcel. At June 30, 2019, those disposals had been finalized. Definitive regulatory approval of the disposal of Savion was obtained in July 2019.

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

Millions of euro	Carrying amount prior to March 27, 2019	Adjustments from purchase price allocation	Carrying amount at March 27, 2019
Property, plant and equipment	8	-	8
Intangible assets	2	-	2
Deferred tax assets	11	-	11
Other non-current assets	31	79	110
Trade receivables	3	-	3
Other current assets	1	-	1
Cash and cash equivalents	4	-	4
Short-term borrowings	(87)	-	(87)
Trade payables	(6)	-	(6)
Other current financial liabilities	(54)	-	(54)
Other current liabilities	(3)	-	(3)
<b>Net assets acquired</b>	<b>(90)</b>	<b>79</b>	<b>(11)</b>
<b>Cost of the acquisition</b>	<b>6</b>	<b>-</b>	<b>6</b>
<i>(of which paid in cash)</i>	6	-	6
Goodwill/(Badwill)	96	(79)	17



## Acquisition of YouSave

On April 30, 2019, Enel X Italia acquired 100% of YouSave SpA, an Italian company that operates in the energy services sector, providing assistance to large energy consumers in the industrial, services and government sectors with the aim of significantly reducing energy expenditure by jointly improving prices and the amount of power consumed.

The total consideration, equal to €29 million, based on the structure of the operation, was divided as follows:

- > price at the date the agreement was signed, equal to €20 million;
- > a final price adjustment of €9 million.

The acquisition involved a cash outlay of €26 million, including the payment of €3 million into an escrow account.

This residual amount of €3 million represents a deferred component to be paid on the 18th month from the execution date, unless the conditions for the payment of the indemnity by the seller to the buyer with respect to a dispute pending before the Court of Bergamo should exist.

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

Millions of euro	Carrying amount prior to April 30, 2019	Adjustments from purchase price allocation	Carrying amount at April 30, 2019
<b>Net assets acquired</b>	<b>15</b>	<b>6</b>	<b>21</b>
<b>Cost of the acquisition</b>	<b>29</b>	<b>-</b>	<b>29</b>
Goodwill/(Badwill)	14	(6)	8

## Disposal of eight companies owning renewables plants in Brazil

On May 31, 2019 the disposal of 100% of three operating renewables plants in Brazil was finalized through the renewables subsidiary Enel Green Power Brasil Participações Ltda. The total consideration in the transaction, paid to Enel at closing, was equal to the enterprise value of the plants and amounted to about R\$2.7 billion, equivalent to about €603 million.

Millions of euro	
Value of the transaction	603
Net assets sold	(565)
Transaction costs	(4)
Reversal of OCI reserve	(41)
<b>Capital loss</b>	<b>(7)</b>

## 5. Segment information

The presentation 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 period under review, please see the appropriate section of this Interim Financial Report.

### Performance by business area

#### First nine months of 2019 <sup>(1)</sup>

Millions of euro	Thermal Generation and Trading	Enel Green Power	Infrastructure and Networks	End-user markets	Enel X	Services	Other, eliminations and adjustments	Total
Revenue from third parties	20,202	5,245	14,920	14,668	729	1,330	30	57,124
Revenue from transactions with other segments	1,076	302	1,239	9,554	106	55	(12,332)	-
<b>Total revenue</b>	<b>21,278</b>	<b>5,547</b>	<b>16,159</b>	<b>24,222</b>	<b>835</b>	<b>1,385</b>	<b>(12,302)</b>	<b>57,124</b>
Total costs	20,180	2,223	10,011	21,851	728	1,251	(12,211)	44,033
Net income/(expense) from commodity contracts measured at fair value	143	(20)	-	(4)	-	-	(1)	118
Depreciation and amortization	907	916	1,964	250	99	124	24	4,284
Impairment losses	4,017	9	265	589	14	2	1	4,897
Reversals of impairment losses	(13)	(9)	(42)	(102)	(2)	(2)	(1)	(171)
<b>Operating income</b>	<b>(3,670)</b>	<b>2,388</b>	<b>3,961</b>	<b>1,630</b>	<b>(4)</b>	<b>10</b>	<b>(116)</b>	<b>4,199</b>
<b>Capital expenditure</b>	<b>498</b>	<b>2,894<sup>(2)</sup></b>	<b>2,643</b>	<b>299</b>	<b>171</b>	<b>61</b>	<b>23</b>	<b>6,589</b>

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

(2) Does not include €4 million regarding units classified as "held for sale".

Millions of euro	Thermal Generation and Trading	Enel Green Power	Infrastructure and Networks	End-user markets	Enel X	Services	Other, eliminations and adjustments	Total
Revenue from third parties	19,152	5,418	13,362	15,396	1,294	93	531	55,246
Revenue from transactions with other segments	651	340	1,226	9,833	45	46	(12,141)	-
<b>Total revenue</b>	<b>19,803</b>	<b>5,758</b>	<b>14,588</b>	<b>25,229</b>	<b>1,339</b>	<b>139</b>	<b>(11,610)</b>	<b>55,246</b>
Total costs	19,238	2,322	8,930	22,975	1,277	272	(11,700)	43,314
Net income/(expense) from commodity contracts measured at fair value	249	(108)	-	11	53	(2)	(1)	202
Depreciation and amortization	813	810	1,790	345	68	13	61	3,900
Impairment losses	17	25	272	657	2	-	3	976
Reversals of impairment losses	(10)	(4)	(31)	(132)	(3)	-	-	(180)
<b>Operating income</b>	<b>(6)</b>	<b>2,497</b>	<b>3,627</b>	<b>1,395</b>	<b>48</b>	<b>(148)</b>	<b>25</b>	<b>7,438</b>
<b>Capital expenditure</b>	<b>395</b>	<b>1,779<sup>(3)</sup></b>	<b>2,552</b>	<b>248</b>	<b>118</b>	<b>47</b>	<b>20</b>	<b>5,159</b>

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

(2) The figures have been restated to ensure comparability with the figures for the first nine months of 2019, which are presented using "business area" as the primary reporting segment.

(3) Does not include €378 million regarding units classified as "held for sale".

## Financial position by business area

At September 30, 2019

Millions of euro	Thermal Generation and Trading	Enel Green Power	Infrastructure and Networks	End-user markets	Enel X	Services	Other, eliminations and adjustments	Total
Property, plant and equipment	12,191	29,262	35,984	187	351	667	8	78,650
Intangible assets	64	1,258	15,708	1,117	290	412	14,351	33,200
Trade receivables	2,770	1,638	8,111	4,363	200	663	(4,471)	13,274
Other	1,834	1,566	2,503	538	700	563	(340)	7,364
<b>Operating assets</b>	<b>16,859<sup>(1)</sup></b>	<b>33,724<sup>(2)</sup></b>	<b>62,306<sup>(3)</sup></b>	<b>6,205</b>	<b>1,541<sup>(4)</sup></b>	<b>2,305</b>	<b>9,548</b>	<b>132,488</b>
Trade payables	2,617	1,622	5,501	4,647	465	722	(4,322)	11,252
Sundry provisions	3,551	830	3,967	538	37	627	480	10,030
Other	1,114	1,550	15,384	2,733	144	190	(556)	20,559
<b>Operating liabilities</b>	<b>7,282</b>	<b>4,002</b>	<b>24,852<sup>(5)</sup></b>	<b>7,918</b>	<b>646</b>	<b>1,539</b>	<b>(4,398)</b>	<b>41,841</b>

(1) Of which €294 million regarding units classified as "held for sale".

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

(3) Of which €5 million regarding units classified as "held for sale".

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

(5) Of which €4 million regarding units classified as "held for sale".

At December 31, 2018 <sup>(1)</sup>

Millions of euro	Thermal Generation and Trading	Enel Green Power	Infrastructure and Networks	End-user markets	Enel X	Services	Other, eliminations and adjustments	Total
Property, plant and equipment	15,448	25,971	35,026	73	344	371	10	77,243
Intangible assets	38	1,220	15,875	1,078	347	414	14,343	33,315
Trade receivables	4,345	1,290	7,582	4,640	282	696	(5,224)	13,611
Other	2,498	1,042	2,772	555	160	1,804	(1,992)	6,839
<b>Operating assets</b>	<b>22,329<sup>(2)</sup></b>	<b>29,523<sup>(3)</sup></b>	<b>61,255<sup>(4)</sup></b>	<b>6,346</b>	<b>1,133</b>	<b>3,285</b>	<b>7,137<sup>(5)</sup></b>	<b>131,008</b>
Trade payables	4,680	1,806	5,555	5,535	381	890	(5,458)	13,389
Sundry provisions	2,490	768	4,644	551	35	669	524	9,681
Other	1,867	1,617	13,902	2,495	270	1,323	(1,139)	20,335
<b>Operating liabilities</b>	<b>9,037</b>	<b>4,191<sup>(6)</sup></b>	<b>24,101</b>	<b>8,581</b>	<b>686</b>	<b>2,882</b>	<b>(6,073)</b>	<b>43,405</b>

(1) The figures have been restated to ensure comparability with the figures at September 30, 2019, which are presented using "business area" as the primary reporting segment

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

(3) Of which €635 million regarding units classified as "held for sale".

(4) Of which €5 million regarding units classified as "held for sale".

(5) Of which €23 million regarding units classified as "held for sale".

(6) Of which €4 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, 2019	at Dec. 31, 2018
<b>Total assets</b>	<b>169,960</b>	<b>165,424</b>
Equity investments accounted for using the equity method	1,990	2,099
Other non-current financial assets	7,776	6,774
Long-term tax receivables included in "Other non-current assets"	1,682	231
Current financial assets	8,320	9,074
Cash and cash equivalents	6,753	6,630
Deferred tax assets	9,167	8,305
Tax receivables	1,784	1,282
Financial and tax assets of "Assets held for sale"	-	21
<b>Segment assets</b>	<b>132,488</b>	<b>131,008</b>
<b>Total liabilities</b>	<b>122,129</b>	<b>117,572</b>
Long-term borrowings	52,531	48,983
Non-current financial liabilities	3,373	2,609
Short-term borrowings	4,535	3,616
Current portion of long-term borrowings	4,171	3,367
Current financial liabilities	3,759	5,131
Deferred tax liabilities	8,616	8,650
Income tax payable	1,289	333
Other tax payables	2,014	1,093
Financial and tax liabilities of "Liabilities held for sale"	-	385
<b>Segment liabilities</b>	<b>41,841</b>	<b>43,405</b>

## Revenue

### 6.a Revenue – €57,124 million

Millions of euro	First nine months			
	2019	2018	Change	
Sale of electricity	33,416	31,800	1,616	5.1%
Transport of electricity	7,752	7,713	39	0.5%
Fees from network operators	688	720	(32)	-4.4%
Transfers from institutional market operators	1,225	1,268	(43)	-3.4%
Sale of gas	2,405	3,123	(718)	-23.0%
Transport of gas	453	424	29	6.8%
Other revenue and income	11,185	10,198	987	9.7%
<b>Total</b>	<b>57,124</b>	<b>55,246</b>	<b>1,878</b>	<b>3.4%</b>

In the first nine months of 2019 revenue from the **sale of electricity** increased mainly as a result of:

- > an increase in revenue from sales of electricity for distribution operations in Brazil (€1,097 million) largely due to the acquisition of Enel Distribuição São Paulo in June 2018 (€863 million) and rate increases, especially for Enel Distribuição Goiás;
- > an increase in revenue from distribution operations in Argentina (€71 million), reflecting an increase in prices, which offset the adverse impact of hyperinflation in that country;
- > an increase in sales revenue from distribution operations in Chile (€60 million) following an increase in consumption on the free market;
- > an increase in revenue from electricity trading amounting to €733 million, reflecting an increase in volumes handled, largely in Italy.

These increases were partly offset by a decrease in sales of electricity on regulated markets, largely in Spain and Italy (€604 million).

The increase in revenue from the **transport of electricity** mainly regarded the Italian companies and mainly reflected the regulatory change introduced with ARERA Resolution no. 654/15 (regulatory lag), partly offset by a reduction in revenue in Latin America.

The decline in revenue from **transfers from institutional market operators** is attributable to Italian companies for the reduction in transfers for electricity generated from renewables due to expiry of incentives for a number of Enel Green Power plants. These effects were only partly offset by an increase in transfers received by the Spanish companies.

The decrease in revenue from the **sale of gas** essentially reflects a decrease in quantities sold, largely on the free market, especially in Spain (€740 million) in reflection of a decrease in customers and consumption.

The change in **other revenue and income** mainly reflects:

- > an increase in revenue from the sale of fuels, which in the first nine months of 2019 totaled €6,771 million (€6,179 million in the first nine months of 2018), an increase of €592 million due to an increase in volumes handled in trading activities in Italy;
- > the gain on the disposal of Mercure Srl, a vehicle company to which Enel Produzione had previously transferred the Valle del Mercure biomass plant (€108 million);

- > the negative goodwill (€106 million) from the provisional allocation of the purchase price by independent experts following the acquisition by EGPNA of a number of companies from Enel Green Power North America Renewable Energy Partners LLC (“EGPNA REP”);
- > an increase in revenue in Argentina following the agreement reached between Edesur and the government to settle reciprocal outstanding claims originating between 2006 and 2016 (€228 million) and as a result of hyperinflation accounting;
- > the indemnity provided for contractually following the exercise of the right of withdrawal by a major industrial customer from an electricity supply contract with Enel Generación Chile (€160 million), of which €80 million regarding thermal generation and the remaining €80 million regarding renewables generation;
- > the adjustment of the price for the acquisition of eMotorwerks in 2017 following the application of a number of contractual clauses (€58 million);
- > the payment of €50 million from the agreement reached by e-distribuzione with F2i and 2i Rete Gas for the early all-inclusive settlement of the second indemnity connected with the disposal in 2009 of the interest held by e-distribuzione in Enel Rete Gas.

These factors were partly offset by a reduction of €157 million in revenue from the sale of CO<sub>2</sub> allowances, a reduction of €98 million in grants received for energy efficiency certificates due to the reduction in the unit grant decided by ARERA for 2019 and the effect of the recognition in 2018 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.

## Costs

### 6.b Costs – €53,043 million

Millions of euro	First nine months			
	2019	2018	Change	
Electricity purchases	15,363	14,464	899	6.2%
Consumption of fuel for electricity generation	3,240	3,639	(399)	-11.0%
Fuel for trading and gas for sale to end users	8,415	8,273	142	1.7%
Materials	1,330	1,241	89	7.2%
Personnel	3,461	3,327	134	4.0%
Services, leases and rentals	11,845	11,771	74	0.6%
Depreciation, amortization and impairment losses	9,010	4,696	4,314	91.9%
Costs of environmental certificates	792	798	(6)	-0.8%
Other operating expenses	1,140	1,284	(144)	-11.2%
Capitalized costs	(1,553)	(1,483)	(70)	-4.7%
<b>Total</b>	<b>53,043</b>	<b>48,010</b>	<b>5,033</b>	<b>10.5%</b>

Costs for **electricity purchases** rose due to the increase in purchases for distribution operations in Brazil (€655 million, of which the acquisition of Enel Distribuição São Paulo in June 2018 accounted for €598 million), Argentina (€134 million due to an increase in consumption) and Chile (€65 million).

The decrease in costs for the **consumption of fuel for electricity generation** is mainly attributable a decline in the use of thermal generation plants. That fall was only partly offset by an increase in costs connected with the writedown of fuel inventories (totaling €104 million), directly connected with the process that led to the writedown of a number of coal-fired plants in Italy and Spain.

The rise in costs for the purchase of **fuel for trading and gas for sale to end users** reflects the increase in the average purchase cost of gas and an increase in volumes handled, mainly by Italian companies. The increase was partly offset by the reduction in costs for the purchase of gas by Endesa Energía on behalf of its sister company Endesa Generación, for which Endesa Energía provides a pass-through service (with an impact on the balance sheet only) that had previously been recognized under costs and revenue. An analogous change was recognized under revenue for sales of gas.

Costs for **materials** increased due mainly to the writedown of inventories of materials and spare parts for the coal-fired plants on which impairment losses were recognized in Italy (€78 million) and in Spain (€21 million) as they were not considered recoverable through use in the production process.

In the first nine months of 2019, the increase in **personnel** costs mainly reflected:

- > an increase of €78 million in costs in Brazil, mainly due to the inclusion of Enel Distribuição São Paulo in the Group in June 2018;
- > an increase of €47 million in costs in Spain, mainly reflecting provisions for termination incentive plans;
- > an increase in costs in North America due to the changes in the scope of consolidation connected with the acquisition in March 2019 of Tradewind;
- > a decrease in costs in Italy, mainly attributable to e-distribuzione, where the average workforce contracted by 3%.

The Enel Group workforce at September 30, 2019 numbered 68,374, of whom 38,784 employed abroad. In the first nine months of 2019, the workforce contacted by 898, mainly reflecting the balance between new hires and terminations (-952) and changes in the scope of consolidation (54), mainly due to the disposal of the Mercure plant by Enel Produzione in Italy and the acquisition in March of Tradewind in the United States.

The overall change compared with December 31, 2018 breaks down as follows:

<b>Balance at December 31, 2018</b>	<b>69,272</b>
Hirings	2,648
Terminations	(3,600)
Change in scope of consolidation	54
<b>Balance at September 30, 2019</b>	<b>68,374</b>

The increase in costs for **services, leases and rentals** is largely attributable to the acquisition of Enel Distribuição São Paulo in June 2018 (€205 million) and the increase in variable costs connected with the expansion of the business of Enel X in Italy. These factors were only partly offset by a reduction in costs for leases and rentals as a result of the application of IFRS 16 (€188 million).

**Depreciation, amortization and impairment losses** largely reflected the writedowns recognized in the first nine months of 2019 on a number of coal-fired plants in Italy, Spain, Chile (Bocamina I and Tarapacá) and Russia (Reftinskaya) for a total of €4,002 million, including dismantling costs.

These writedowns are attributable to:

- > the reduced competitiveness of plants with higher levels of CO<sub>2</sub> emissions than other generation technologies, above all in Spain and Italy owing to developments in the local operating environment in terms of commodity prices and increased compliance costs for CO<sub>2</sub> emissions, as well as the further penalization in Italy associated with the introduction of new rules for the remuneration of capacity on the Capacity Market, which narrow the scope of application for plants with higher levels of CO<sub>2</sub> emissions;
- > the agreement reached with the Chilean government on the early closure of the two coal-fired Tarapacá and Bocamina I (by May 31, 2020 and December 31, 2023, respectively), as part of the decarbonization process begun in Chile (€364 million);
- > the adjustment to fair value (of €125 million) of the Reftinskaya plant after its classification under assets held for sale as a result of the binding sale agreement approved by the parties involved in June 2019.

The change also includes the depreciation charge for the rights of use in respect of leased assets, which as from January 1, 2019 are recognized as leased property, plant and equipment and depreciated over the term of the associated leases following application of IFRS 16 (€169 million).

**Costs of environmental certificates** in the first nine months of 2019 amounted to €792 million, a decrease of €6 million compared with the same period of 2018.

**Other operating expenses** declined during the period, essentially reflecting the reduction in charges for taxes and duties of €156 million, largely in Spain owing to the suspension of taxes on electricity generation and on the use of hydrocarbons for generation under the provisions of Royal Decree 15/2018 of October 5, 2018, as well as a reduction in taxes on nuclear generation.

In the first nine months of 2019 **capitalized costs** amounted to €1,553 million, an increase of €70 million compared with the same period of the previous year.



## 6.c Net income/(expense) from commodity contracts measured at fair value – €118 million

**Net income from commodity contracts measured at fair value** amounted to €118 million in the first nine months of 2019 (net income of €202 million in the corresponding period of the previous year). More specifically, the net income for the first nine months of 2019 comprised:

- > net income from cash flow hedges in the amount of €127 million (€18 million of net income in the first nine months of 2018)
- > net expense on derivatives measured at fair value through profit or loss in the amount of €9 million (€184 million of net income in the first nine months of 2018).

## 6.d Net financial expense – €1,905 million

Net financial expense rose by €133 million compared with the same period of 2018.

More specifically, financial income in the first nine months of 2019 amounted to €3,640 million, an increase of €616 million on the previous period (€3,024 million). The change largely reflects:

- > an increase of €288 million in exchange rate gains, which largely regards Latin America (€240 million), Enel Finance International (€37 million) and Russia (€35 million);
- > an increase of €285 million in the financial income of the Argentine companies in application of IAS 29 concerning accounting for hyperinflationary economies;
- > an increase of €101 million in interest and other income on financial assets, connected essentially with short-term financial receivables, above all for Enel Finance International and Latin America.

These factors were partly offset by a decrease of €102 million in income from derivatives, which are largely used to hedge exchange rate risk on borrowings denominated in foreign currency.

Financial expense in the first nine months of 2019 amounted to €5,545 million, an increase of €749 million compared with the first nine months of 2018. The increase is mainly attributable to:

- > an increase of €482 million in exchange rate losses, largely regarding Enel Finance International (€372 million), Latin America (€69 million) and Enel SpA (€41 million);
- > an increase in financial expense recognized by generation operations in Italy in respect of the impairment loss recognized on the residual financial receivable connected with the disposal of Slovak Power Holding (€29 million);
- > an increase of €290 million in the financial expense of the Argentine companies attributable to the application of IAS 29 concerning accounting for hyperinflationary countries;
- > an increase of €130 million in interest and other expense on financial debt. The change is largely attributable to the increase in interest on bonds (€80 million) and financial expense deriving from the application of IFRS 16 (€42 million);
- > an increase of €94 million in financial expense connected with the discounting of non-current liabilities for:
  - employee benefits in the amount of €57 million, essentially in Spain (€29 million) and Latin America (€28 million);
  - non-current liabilities of €23 million, mainly regarding North America for the discounting of liabilities in respect of tax partnerships;
  - provisions for risks and charges in the amount of €14 million, essentially attributable to Latin America (€11 million) in respect of Enel Distribuição São Paulo.

These factors were partly offset by a reduction of €252 million in expense on derivatives, essentially in respect of hedges of foreign exchange risk on outstanding borrowings.

## 6.e Share of income/(expense) from equity investments accounted for using the equity method – €104 million

The **share of income/(expense) from equity investments accounted for using the equity method** in the first nine months of 2019 showed net expense of €104 million. The change mainly reflects the impact of repurchasing 13 companies from EGPNA REP (€88 million), which involved the recognition of a capital loss by EGPNA REP, and the writedown of the interest in Slovak Power in the amount of €31 million following changes in the parameters used in determining the price.

Other changes reflect the portion pertaining to the Group of the net income of companies measured using the equity method.

## 6.f Income taxes – €647 million

**Income taxes** for the first nine months of 2019 amounted to €647 million, representing an effective tax rate of 29.5% (29.5% in the first nine months of 2018). Although the tax rate is the same in the two periods, in reality it reflects the following contrasting factors:

- > a reduction in taxes in Italy following an agreement with the tax authorities concerning the optional “patent box” mechanism, which allows the application of a preferential tax regime for income from the use of intellectual property (+€53 million);
- > a decrease in taxes (€40 million) recognized in Argentina in the 1st Quarter of 2019 by the generation companies Enel Generación Costanera and Central Dock Sud following their election to participate in the preferential “*revalúo impositivo*” mechanism. Subject to payment of a tax in lieu, this mechanism permits the monetary revaluation for tax purposes of certain tangible assets, with the consequent recognition of deferred tax assets and an increase in the deductibility of depreciation in the future;
- > the reversal of deferred tax liabilities at EGPNA, the ancillary effect of the acquisition of a number of companies from EGPNA REP;
- > an increase in deferred tax assets as a result of the supervening tax deductibility of the goodwill resulting from the merger of Gas Atacama into Enel Generación Chile;
- > the effect of greater taxes recognized in 2018 in Mexico associated with the disposal of a number of renewables companies (Project Kino);
- > an increase in withholdings on Enel Finance International loans to Enel Brasil for the acquisition of Enel Distribuição São Paulo (€40 million);
- > the effect of greater deferred tax assets recognized in 2018 (€86 million) against the recoverability for tax purposes of the losses of the investee 3Sun (prior to the acquisition of control of the company by Enel) following the merger with Enel Green Power SpA;
- > application of the participation exemption (PEX) to the indemnity in respect of the disposal of the interest in Enel Rete Gas in 2018.

## Assets

### 7.a Non-current assets - €133,910 million

*Property, plant and equipment and intangible assets*, including investment property, amounted to €97,383 million at September 30, 2019, an overall increase of €1,603 million. This change is mainly attributable to investments in the period (€6,589 million), the effects amounting to €1,370 million as at January 1, 2019 of the application of IFRS 16 to plant, property and machinery, in addition to new leases entered into during the first nine months for a total of €84 million. Adding to these effects are changes in the scope of consolidation in the amount of €1,064 million.

The latter are largely attributable to the acquisition of control of a number of companies of EGPNA REP, a 50% joint venture owned by EGPNA and the remaining 50% by General Electric Capital's Energy Financial Services, which had previously been measured using the equity method (€1,033 million), and the acquisition of Tradewind Energy, a company that develops renewable energy projects in the United States.

These results were partly offset not only by depreciation and amortization of €4,282 million, but also by the impairment recognized in the total amount of €3,877 million, mainly relating to the adjustment of the carrying amounts (including dismantling charges) of the Bocamina I and Tarapacá plants in Chile and a number of plants in Italy and Spain for the reasons already discussed in the report on operations.

*Goodwill*, amounting to €14,297 million, increased by €24 million compared with December 31, 2018. In addition to exchange rate gains of €11 million, the increase reflected the change in the scope of consolidation in the amount of €13 million, mainly attributable to the acquisition of Tradewind Energy, a company that develops renewable energy projects in the United States, which also reflected the provisional allocation of goodwill to a number of projects sold.

*Equity investments accounted for using the equity method* amounted to €1,990 million, a decrease of €109 million on the value posted at the end of the previous year. The decline mainly reflected the losses pertaining to the Group of companies accounted for using the equity method. More specifically, transactions included the repurchase by Enel, acting through its subsidiary EGPNA, of 13 companies owning seven plants operating in the renewables business from EGPNA REP and the writedown of the interest in Slovak Power in the amount of €31 million following changes in the reference parameters used in determining the price formula.

*Other non-current assets* include:

Millions of euro

	at Sept. 30, 2019	at Dec. 31, 2018	Change	
Deferred tax assets	9,167	8,305	862	10.4%
Receivables and securities included in net financial debt	3,125	3,272	(147)	-4.5%
Other non-current financial assets	4,651	3,502	1,149	32.8%
Receivables due from institutional market operators	279	200	79	39.5%
Other long-term receivables	3,018 <sup>(1)</sup>	1,418	1,600	-
<b>Total</b>	<b>20,240</b>	<b>16,697</b>	<b>3,543</b>	<b>21.2%</b>

(1) The item includes investments in assets in respect of contracts with customers amounting to €469 million.

The increase for the period was essentially attributable to:

- > an increase in deferred tax assets attributable to the recognition of deferred taxes allocated on the writedowns described above;
- > an increase in other non-current financial assets, essentially referring to the increase in financial derivatives (€975 million, mainly associated with designated cash flow hedges of exchange rate risk) and to assets in respect of service concession arrangements in the amount of €171 million;
- > an increase in other long-term receivables, which are essentially related to the tax receivables recognized by Enel Distribuição São Paulo and Enel Distribuição Ceará attributable to the PIS/COFINS dispute in Brazil.

The PIS (Social Integration Program) and the COFINS (Social Security Financing Contribution) are federal contributions paid by companies in Brazil. Their objective is to finance programs for employees, public health, social assistance and social security through the application of tax rates to

the gross revenue of each company. The ICMS (the tax on the circulation of goods and services) is similar to VAT and is applied to sales of goods and services, telecommunications and transport. The electricity distribution companies in Brazil took separate legal action against the Brazilian government contesting the application of the PIS/COFINS to the amount of the ICMS. These companies included Enel Distribuição São Paulo, Enel Distribuição Ceará, Enel Distribuição Goiás and Enel Distribuição Rio.

The Brazilian court ultimately upheld the argument of the companies that the additional ICMS tax should not be included in the tax base of the PIS and COFINS. Despite this ruling, the Federal Government appealed.

In 2019, Enel Distribuição São Paulo and Enel Distribuição Ceará were notified of the ruling, which allows the full deductibility of the ICMS for the purposes of the calculation of the PIS and COFINS for the periods between December 2013 and December 2014 for Enel Distribuição São Paulo and from May 2001 onwards for Enel Distribuição Ceará;

- > an increase of €79 million in non-current receivables from institutional market operators;
- > a decrease in receivables and securities included in net financial debt, due essentially, following changes in the scope of consolidation, to a decline of €206 million in medium and long-term financial receivables, partially offset by an increase of €59 million in securities measured at FVOCI held by the Dutch insurance companies, which in order to align the risk profiles they manage expanded their long-term portfolio.

## 7.b Current assets - €35,748 million

*Inventories* amounted to €2,885 million, an increase of €67 million, mainly registered in Italy, where the writedown of inventories of the coal-fired plants and the reduction in fuel purchases were more than offset by an increase in CO<sub>2</sub> emissions allowances as well as greater purchases of materials for medium and low-voltage grids to be used for maintenance and operating activities, and in Latin America. The decrease in inventories in Iberia, reflecting the writedown of fuel and materials inventories and the reduction in purchases for coal-fired plants, partly offset the increases mentioned above.

*Trade receivables* amounted to €13,274 million, a decrease of €313 million, with the change essentially reflecting a reduction in Italy and Iberia, partly offset by an increase in receivables for electricity sales and transport, especially in Latin America.

*Other current assets* break down as follows:

Millions of euro

	at Sept. 30, 2019	at Dec. 31, 2018	Change	
Current financial assets included in debt	4,897	5,003	(106)	-2.1%
Other current financial assets	3,423	4,071	(648)	-15.9%
Tax receivables	1,784	1,282	502	39.2%
Receivables due from institutional market operators	742	745	(3)	-0.4%
Other short-term receivables	1,990	1,751	239	13.6%
<b>Total</b>	<b>12,836</b>	<b>12,852</b>	<b>(16)</b>	<b>-0.1%</b>

The decrease for the period is mainly due to:

- > a reduction in current financial assets included in debt, mainly due to the decrease in other short-term financial receivables (€500 million), partly offset by an increase in the short-term portion of medium and long-term financial receivables (€400 million), which mainly reflected an increase in financial receivables from the Spanish electrical system for financing the rate deficit;
- > a decrease in other current financial assets, mainly related to the decline in the fair value of financial derivatives that largely regarded hedges of the price risk on energy commodities employing derivatives measured at fair value through profit or loss;
- > an increase in other short-term receivables, mainly relating to an increase in prepayments and assets in respect of construction contracts;
- > an increase in tax receivables, essentially reflecting an increase in receivables for corporate income taxes in Italy.

## 7.c Assets held for sale - €302 million

The item essentially includes assets measured 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 balance at September 30, 2019 mainly includes the Refinskaya GRES plant which, in view of the state of negotiations under way for its sale, was classified under assets held for sale and recognized at the lower of the sale price, net of transaction costs, and its net book value.

The change for the period reflects the sale of a number of Brazilian companies previous classified as held for sale.

## Liabilities and shareholders' equity

### 7.d Equity attributable to the shareholders of the Parent Company - €30,869 million

The decrease in the first nine months of 2019 in equity attributable to the shareholders of the Parent Company amounted to €851 million and mainly reflected the recognition of dividends authorized during the period (-€1,423 million) and the loss recognized directly in equity (-€276 million). These factors were only partly offset by net income for the period (€813 million).

On September 19, 2019, the Board of Directors of the Company approved the launch of a share buyback program, for a maximum amount of €10.5 million and a number of shares not exceeding 2.5 million (the "Program"), equivalent to about 0.02% of Enel's share capital.

The purpose of the Program is to serve the 2019 Long-Term Incentive Plan reserved to the management of Enel and/or of its subsidiaries pursuant to Article 2359 of the Italian Civil Code, which the shareholders approved at their meeting of May 16, 2019. The Program will run from September 23 to December 13, 2019.

At September 30, 2019, treasury shares are represented by 129,550 ordinary shares of Enel SpA with a par value of €1 each, purchased through an authorized intermediary for a total value of about €1 million.

### 7.e Non-current liabilities - €83,068 million

*Long-term borrowings* amounted to €52,531 million (€48,983 million at December 31, 2018). They consist of bonds in the amount of €41,168 million (€38,633 million at December 31, 2018) and bank debt and other borrowings in the amount of €11,363 million (€10,350 million at December 31, 2018). The change registered in the period essentially reflects an increase in bonds of €2,535 million, mainly following the issue of a €2,500 million bond, and an increase in financing from lease companies following the application of IFRS 16 in the amount of €1,125 million.

*Provisions and deferred tax liabilities* amounted to €17,429 million at September 30, 2019 (€17,018 million at December 31, 2018) and include:

- > post-employment and other employee benefits totaling €3,302 million, down €115 million compared with December 31, 2018;
- > provisions for risks and charges amounting to €5,511 million (€5,181 million at December 31, 2018). The item includes, among others, the litigation provision of €879 million (€1,315 million at December 31, 2018), whose sharp decrease essentially reflects the closure of a dispute between Enel Distribuição São Paulo and Electrobras, the nuclear decommissioning provision of €689 million (€552 million at December 31, 2018), the plant dismantling and site restoration provision of €1,727 million (€986 million at December 31, 2018), with the change largely regarding an increase in provisions in respect of the planned early closure of coal-fired plants in Italy and Spain, the provision for taxes and duties of €376 million (€409 million at December 31, 2018) and the early retirement incentive provision of €1,122 million (€1,177 million at December 31, 2018);
- > deferred tax liabilities amounting to €8,616 million (€8,650 million at December 31, 2018), a decrease of €34 million.

*Other non-current liabilities* amounted to €13,108 million (€10,816 million at December 31, 2018) an increase of €2,292 million, essentially reflecting the change in the fair value of financial derivatives (€765 million), due essentially to an increase in the fair value of derivatives designated as cash flow hedges, as well as an increase in non-current liabilities attributable to the consolidation of Enel Distribuição São Paulo.

## 7.f Current liabilities - €39,057 million

Short-term borrowings and current portion of long-term borrowings increased by €1,723 million. The change was essentially connected with the increase in commercial paper issues (€785 million) and cash collateral (€259 million), the increase in the short-term portion of bonds (€575 million) and the increase in the current portion of financing from lease companies following the application of IFRS 16 (€211 million), partly offset by a decrease of €77 million in financial liabilities in respect of factoring companies.

Trade payables amounted to €11,252 million (€13,387 million at December 31, 2018), down €2,135 million.

Other current liabilities break down as follows:

Millions of euro

	at Sept. 30, 2019	at Dec. 31, 2018	Change	
Payables due to customers	1,588	1,773	(185)	-10.4%
Payables due to institutional market operators	4,622	3,945	677	17.2%
Current financial liabilities	3,759	5,131	(1,372)	-26.7%
Social security contributions payable and payables to employees	602	683	(81)	-11.9%
Tax payables	3,303	1,426	1,877	-
Other	5,225	7,020	(1,795)	-25.6%
<b>Total</b>	<b>19,099</b>	<b>19,978</b>	<b>(879)</b>	<b>-4.4%</b>

The change for the period is essentially due to:

- > a decrease in current financial liabilities, mainly attributable to the reduction in the fair value of financial derivatives (€1,329 million), associated mainly with instruments hedging price and exchange rate risk on commodities, as well as a decrease in accrued financial liabilities (€113 million). This was partly offset by an increase in financial payables for interest payable (€56 million) and financial payables to the Spanish electrical system (about €15 million);
- > a reduction in other payables, essentially attributable to dividends paid during the first nine months of 2019;
- > a decrease in social security contributions payable and payables to employees, particularly concentrated in Italy and linked to early termination incentives;
- > an increase in tax payables, essentially related to the estimated income tax liability for the period net of tax payments made and liabilities connected with value added tax.

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

The change for the period reflects the sale of a number of Brazilian companies previously classified as held for sale.

## 8. Net financial position

Pursuant to the CONSOB instructions of July 28, 2006, the following table reports the net financial position at September 30, 2019 and December 31, 2018, reconciled with net financial debt as prepared in accordance with the presentation procedures of the Enel Group.

Millions of euro

	at Sept. 30, 2019	at Dec. 31, 2018	Change	
Cash and cash equivalents on hand	102	328	(226)	-68.9%
Bank and post office deposits	5,808	5,531	277	5.0%
Other investments of liquidity	843	771	72	9.3%
Securities	43	63	(20)	-31.7%
<b>Liquidity</b>	<b>6,796</b>	<b>6,693</b>	<b>103</b>	<b>1.5%</b>
Short-term financial receivables	2,932	3,418	(486)	-14.2%
Current portion of long-term financial receivables	1,922	1,522	400	26.3%
<b>Current financial receivables</b>	<b>4,854</b>	<b>4,940</b>	<b>(86)</b>	<b>-1.7%</b>
Bank debt	(512)	(512)	-	-
Commercial paper	(3,178)	(2,393)	(785)	-32.8%
Current portion of long-term bank borrowings	(1,864)	(1,830)	(34)	-1.9%
Bonds issued (current portion)	(1,916)	(1,341)	(575)	-42.9%
Other borrowings (current portion)	(391)	(196)	(195)	-
Other short-term financial payables <sup>(1)</sup>	(888)	(739)	(149)	-20.2%
<b>Total current financial debt</b>	<b>(8,749)</b>	<b>(7,011)</b>	<b>(1,738)</b>	<b>-24.8%</b>
<b>Net current financial position</b>	<b>2,901</b>	<b>4,622</b>	<b>(1,721)</b>	<b>-37.2%</b>
Debt to banks and financing entities	(8,821)	(8,819)	(2)	-
Bonds	(41,168)	(38,633)	(2,535)	-6.6%
Other borrowings	(2,542)	(1,531)	(1,011)	-66.0%
<b>Non-current financial position</b>	<b>(52,531)</b>	<b>(48,983)</b>	<b>(3,548)</b>	<b>-7.2%</b>
<b>NET FINANCIAL POSITION as per CONSOB instructions</b>	<b>(49,630)</b>	<b>(44,361)</b>	<b>(5,269)</b>	<b>-11.9%</b>
<b>Long-term financial receivables and securities</b>	<b>3,125</b>	<b>3,272</b>	<b>(147)</b>	<b>-4.5%</b>
<b>NET FINANCIAL DEBT</b>	<b>(46,505)</b>	<b>(41,089)</b>	<b>(5,416)</b>	<b>-13.2%</b>

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



## Other information

### 9. 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 2019 and 2018 and outstanding at September 30, 2019 and December 31, 2018.

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Millions of euro

	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel	Total first nine months of 2019	Associates and joint arrangements	Overall total first nine months of 2019	Total in financial statements	% of total
<b>Income statement</b>											
Total revenue	-	1,056	1,622	210	136	-	3,024	215	3,239	57,124	5.7%
Financial income	-	-	-	-	-	-	-	78	78	3,640	2.1%
Purchases of electricity, gas and fuel	2,067	2,411	601	425	-	-	5,504	133	5,637	26,852	21.0%
Costs for services and other materials	1	42	2,052	3	67	-	2,165	102	2,267	13,341	17.0%
Other operating expenses	2	167	4	1	-	-	174	-	174	1,932	9.0%
Net income/(expense) from commodity contracts measured at fair value	-	-	11	-	-	-	11	(3)	8	118	6.8%
Financial expense	-	-	11	-	-	-	11	11	22	5,545	0.4%

Millions of euro

	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel	Total at Sept. 30, 2019	Associates and joint arrangements	Overall total at Sept. 30, 2019	Total in financial statements	% of total
<b>Balance sheet</b>											
Other non-current asset	-	-	-	-	-	-	-	19	19	20,240	0.1%
Trade receivables	-	28	751	13	17	-	809	210	1,019	13,274	7.7%
Other current assets	-	32	76	124	1	-	233	70	303	12,836	2.4%
Other non-current liabilities	-	-	2	-	37	-	39	118	157	13,108	1.2%
Long-term borrowings	-	-	759	-	-	-	759	-	759	52,531	1.4%
Trade payables	682	62	972	1,819	15	-	3,550	45	3,595	11,252	31.9%
Other current liabilities	-	-	13	-	48	-	61	68	129	19,099	0.7%
Current portion of long-term borrowings	-	-	89	-	-	-	89	-	89	4,171	2.1%
<b>Other information</b>											
Guarantees given	-	250	354	-	141	-	745	-	745		
Guarantees received	-	-	126	-	23	-	149	-	149		
Commitments	-	-	15	-	5	-	20	-	20		

Millions of euro

	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	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>											
Total revenue	-	1,556	1,839	315	161	-	<b>3,871</b>	91	<b>3,962</b>	<b>55,246</b>	<b>7.2%</b>
Financial income	-	-	-	-	1	-	<b>1</b>	21	<b>22</b>	<b>3,024</b>	<b>0.7%</b>
Purchases of electricity, gas and fuel	2,385	2,210	932	9	-	-	<b>5,536</b>	137	<b>5,673</b>	<b>26,196</b>	<b>21.7%</b>
Costs for services and other materials	-	39	1,704	3	133	-	<b>1,880</b>	88	<b>1,968</b>	<b>13,193</b>	<b>14.9%</b>
Other operating expenses	5	197	3	-	-	-	<b>205</b>	-	<b>205</b>	<b>2,082</b>	<b>9.8%</b>
Net income/(expense) from commodity contracts measured at fair value	-	-	(2)	-	-	-	<b>(2)</b>	8	<b>6</b>	<b>202</b>	<b>3.0%</b>
Financial expense	-	-	-	8	1	-	<b>9</b>	31	<b>40</b>	<b>4,796</b>	<b>0.8%</b>

Millions of euro

	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel	Total at Dec. 31, 2018	Associates and joint arrangements	Overall total at Dec. 31, 2018	Total in financial statements	% of total
<b>Balance sheet</b>											
Trade receivables	-	120	717	20	36	-	893	192	1,085	13,587	8.0%
Other current assets	-	8	10	146	-	-	164	74	238	12,852	1.9%
Other non-current liabilities	-	-	-	-	6	-	6	80	86	10,816	0.8%
Long-term borrowings	-	-	804	-	-	-	804	-	804	48,983	1.6%
Trade payables	871	160	983	833	19	-	2,866	58	2,924	13,387	21.8%
Other current liabilities	-	2	18	-	14	-	34	95	129	19,978	0.6%
Current portion of long-term borrowings	-	-	89	-	-	-	89	-	89	3,367	2.6%
<b>Other information</b>											
Guarantees given	-	250	354	-	132	-	736	-	736		
Guarantees received	-	-	135	-	16	-	151	-	151		
Commitments	-	-	29	-	7	-	36	-	36		

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 2019, 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.

## 10. 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, 2019	at Dec. 31, 2018	Change
<b>Guarantees given:</b>			
- sureties and other guarantees granted to third parties	9,887	10,310	(423)
<b>Commitments to suppliers for:</b>			
- electricity purchases	101,936	109,638	(7,702)
- fuel purchases	49,925	43,668	6,257
- various supplies	1,302	3,122	(1,820)
- tenders	3,097	3,133	(36)
- other	4,223	3,270	953
<b>Total</b>	<b>160,483</b>	<b>162,831</b>	<b>(2,348)</b>
<b>TOTAL</b>	<b>170,370</b>	<b>173,141</b>	<b>(2,771)</b>

Commitments for electricity amounted to €101,936 million at September 30, 2019, of which €24,420 million refer to the period October 1, 2019-2023, €23,392 million to the period 2024-2028, €18,627 million to the period 2029-2033 and the remaining €35,497 million beyond 2033.

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, 2019 amounted to €49,925 million, of which €25,590 million refer to the period October 1, 2019-2023, €14,182 million to the period 2024-2028, €7,047 million to the period 2029-2033 and the remaining €3,106 million beyond 2033.

## 11. Contingent assets and liabilities

Compared with the consolidated financial statements at December 31, 2018, which the reader is invited to consult for more information, the following main changes have occurred in contingent assets and liabilities.

### **Porto Tolle thermal plant – Air pollution – Criminal proceedings against Enel directors and employees**

With regard to the appeal lodged by Enel with the Court of Cassation in February 2015 of the ruling of the Venice Court of Appeal of July 10, 2014, on September 25, 2018, the Court of Cassation upheld one of the grounds of the appeal, overturning the general ruling in favor of the Ministry of the Environment and referring the proceeding to the Venice Court of Appeal for it to rule on any damages. The Ministry did not appeal the case to the Venice Court of Appeal by the deadline and, accordingly, the case has been extinguished and the Ministry cannot advance any claims with regard to the proceeding.

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

Following the ruling of February 8, 2019 issued by the Lecce Court of Appeal, the appeal lodged by the Province of Brindisi against that ruling was granted. The Court of Appeal acknowledged that a material error had been made and therefore the generic entitlement of the Province to damages. The defendants filed an appeal against ruling with the Court of Cassation on June 22, 2019.

The proceeding before the Court of Vibo Valentia is still pending in the argument stage (it was first adjourned to October 28, 2019 and then adjourned again to February 24, 2020), as the Court recently ruled that the term of limitations offences had not expired.

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

With regard to the appeal of Enel SpA (“Enel”), Enel Energia SpA (“EE”) and Servizio Elettrico Nazionale SpA (“SEN”) of the measure issued by the Competition Authority on December 20, 2018, pending the decision, these three companies filed an appeal with the Lazio Regional Administrative Court asking for the suspension of the enforceability of the provision, which was denied August 1, 2019, in consideration of the proximity of the hearing for the substantive discussion of the case that was held on October 2, 2019. Following this hearing, on October 7, 2019, at Enel’s request the court issued the operative part of the respective judgments and: (i) partially upheld the appeals of EE and SEN concerning the illegitimacy of the determination of the penalty, thereby voiding the sanction, ordering the Competition Authority to recalculate the penalty in accordance with specific parameters established by the Lazio Regional Administrative Court itself in the ruling and, in particular, in consideration of the substantial reduction of the period in which the alleged illegal conduct was maintained; and (ii) denied Enel’s appeal regarding only its imputed parental liability as the Parent Company. Due to the voiding of the penalty, no payment was due from the three companies, which are currently evaluating what actions they should take next.

### **BEG litigation**

The next hearing in the appeal filed by Enel SpA and Enelpower SpA with the Rome Appeals Court against the decision of the Rome Court to deny the petition, declaring that BEG SpA had no capacity to be sued, originally scheduled for May 8, 2019, was postponed until November 14, 2019 and then May 7, 2020.

In the Netherlands, with regard to the proceeding before the Amsterdam Court of Appeal with regard to the subordinate question raised by Albania BEG Ambient Shpk in the appeal proceedings, on April 8, 2019 arguments were heard and the parties replied to a number of documents filed just before the hearing began by the deadline set by the Court of Appeal. A decision is pending.

## **Violations of Legislative Decree 231/2001**

With regard to the notice of charges brought before the Court of Ancona against Enel Green Power SpA on July 14, 2017, for alleged violation of Legislative Decree 231/2001 concerning the administrative liability of legal persons, at the hearing of July 17, 2019, following the argument stage, the court issued a ruling declaring that the period of limitations had expired for the crime of destruction of natural habitat on which the “231” liability of the company was founded. With regard to the other two charges connected with the same events, which involved an agent of the company and other individuals, in one case it was declared that the period of limitations had expired as well and in the other the defendants were acquitted because there is no case to answer.

With regard to the proceeding before the Court of Milan for alleged unauthorized handling of waste (Article 256 of the Uniform Environment Code) and violation of the provisions of the Cultural Heritage Code (Legislative Decree 42/2004) concerning the removal of a power line, at the hearing of May 23, 2019 a number of prosecution witnesses testified. The next hearing is set for November 14, 2019 to hear the final prosecution witness and the witnesses of the defendants.

## **Bono Social – Spain**

With the rulings of October 24 and 25, 2016 and November 2, 2016, the Spanish Supreme Court declared Article 45.4 of the Electricity Industry Law no. 24 of December 26, 2013 void for incompatibility with Directive 2009/72/EC of the European Parliament and of the Council of July 13, 2009, granting the appeals filed by Endesa against the obligation to finance the “*Bono Social*” (Social Bonus) mechanism. The Supreme Court recognized Endesa’s right to receive all amounts that had been paid to users, in addition to legal interest (equal to about €214 million), under the “*Bono Social*” system, provided for in the law declared void by the Supreme Court. The government challenged these rulings of the Supreme Court, requesting that they be overturned, but the related appeals were denied. Subsequently, the government initiated two appeals before the Constitutional Court requesting the reopening of the Supreme Court proceedings so that the latter may ask for a preliminary ruling from the European Court of Justice. The Constitutional Court accepted the appeals and, accordingly, the preliminary ruling is now pending before the European Court of Justice. The government has not requested the repayment of any sum so far.

## **Furnas-Tractebel litigation – Brazil**

With regard to the suit filed by Furnas in May 2010 for CIEN’s (now Enel CIEN) failure to deliver electricity, on May 31, 2019 Furnas filed a special appeal (“*recurso especial*”) with the *Superior Tribunal de Justiça*, the third level of jurisdiction, against the decision with which the *Tribunal de Justiça* denied Furnas’ appeal on August 21, 2018. CIEN filed its reply to that appeal on July 4, 2019. On August 22, 2019, the *Tribunal de Justiça* denied the appeal of Furnas with a decision that became definitive on October 18, 2019.

## **Cibran litigation - Brazil**



With regard to the second of the six suits filed by Cibran against Ampla regarding the years from 1987 to 2002, on June 1, 2015 a ruling was issued ordering Ampla to pay non-pecuniary damages of 80,000 Brazilian reals (about €19,000), in addition to the payment of pecuniary damages quantified in the amount of 96,465,103 Brazilian reals (about €23 million euros), plus interest. On July 8, 2015, Ampla filed an appeal against this decision before the *Tribunal de Justiça* of Rio de Janeiro. With a decision of November 6, 2019, the latter granted Ampla's appeal, denying all of Cibran's claims.

### **Neoenergia arbitration – Brazil**

With regard to the arbitration action brought by Neoenergia on June 18, 2018 against Eletropaulo (now Enel Distribuição São Paulo) before the *Câmara de Arbitragem do Mercado* (CAM) concerning the investment agreement signed by the two companies on April 16, 2018, the issue of the ruling is pending.

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

On October 8, 2018, the GEB announced it was seeking a new arbitration proceeding against Enel Américas SA before the Arbitration Board of Bogotá. The arbitration request regarded an alleged breach of contract concerning the failure of Enel Emgesa and Enel Codensa to distribute dividends in 2016, 2017 and 2018 and breaches of a number of provisions of the shareholders' agreement. The claim amounts to about €514 million plus interest. The proceeding is at a preliminary stage.

### **SAPE (formerly Electrica) arbitration proceedings – Romania**

With regard to the arbitration proceeding initiated by SAPE before the International Chamber of Commerce in Paris in respect of Enel SpA and Enel Investment Holding BV concerning an alleged contractual breach for failure to distribute dividends from E-Distribuție Muntenia and Enel Energie Muntenia, on May 3, 2019 the arbitration board denied all of SAPE's claims, ordering to pay the defendant companies \$400,000 in arbitration costs. SAPE paid that amount on July 12, 2019.

### **Gabčíkovo dispute – Slovakia**

With regard to the two joined suits launched by Vodohospodárska Výstavba Štátny Podnik ("VV") and MH Manazment in the Slovakian courts to void the VEG Indemnity Agreement owing to the alleged connection of the latter with the VEG Operating Agreement, in the first appeal filed by VV a decision is pending, while the appeal filed by MH Manazment was denied by the Bratislava Court of Appeal on June 8, 2019, upholding the ruling by the trial court in favor of Slovenské elektrárne ("SE"). Also at the local level, VV has brought a number of suits against SE alleging unjustified enrichment of the latter (estimated at about €360 million, plus interest) for the period from 2006 to 2015. SE has filed counter-suits in all these proceedings, specifically: (i) for 2006, 2007 and 2008, at the hearing of June 26, 2019, the Court of Bratislava denied the petition filed by both parties for procedural reasons. The ruling was appealed by both VV and SE and an exchange of briefs is under way; (ii) for the proceeding involving 2011, the next hearing is set for December 12, 2019; and (iii) with regard to the proceeding for 2012, at the hearing of April 24, 2019, the Court denied the petition of VV, which filed an appeal on June 21, 2019 and the appeal proceeding is continuing. Finally, in another proceeding pending before the Court of Bratislava, VV asked SE to repay the consideration for the transfer from SE to VV of the technological assets of the Gabčíkovo plant, which took place as part of the privatization, in the amount of about €43 million, plus interest. The parties have exchanged briefs. The next hearing is scheduled for November 19, 2019.

## Administrative and precautionary proceeding in Chucas arbitration

ICE has appealed the award issued in December 2017 before the local courts and on September 5, 2019 Chucas was notified of the ruling, in which ICE's appeal to void the award was partially upheld, limited to certain formal aspects of the arbitration proceedings, which has therefore been declared void. On September 11, 2019, Chucas filed a "*recurso de aclaración y adición*" with the same court and the associated decision is pending.

## GasAtacama Chile – Chile

With regard to the appeal filed by GasAtacama Chile against the fine levied by the *Superintendencia de Electricidad y Combustibles* (SEC) on August 4, 2016, of \$8.3 million (about 5.8 billion Chilean pesos), on April 9, 2019, the Court of Appeal issued a ruling reducing the fine from \$8.7 million to about \$431,900 (about 290 million Chilean pesos). Both GasAtacama Chile and the SEC have appealed this decision before the Supreme Court of Chile. On June 28, 2019, a hearing was held for both parties to submit arguments. The decision is pending.

## 12. Subsequent events

### Enel completes transfer of Reftinskaya GRES to Kuzbassenergo

On October 1, 2019, Enel SpA announced that, as of that date, the ownership of the Reftinskaya GRES coal-fired power plant had been transferred from its subsidiary Enel Russia PJSC (“Enel Russia”) to JSC Kuzbassenergo (“Kuzbassenergo”), owned by Siberian Generating Company.

The transfer was completed following the federal registration of ownership transfer for the immovable property of Reftinskaya GRES.

With a total consideration for the transaction of 20.7 billion rubles following contractually established price adjustments (equivalent to around €292 million), Enel Russia has so far received the first two installments for a total of 16.7 billion rubles (around €236 million).

The remaining tranche will be paid when Kuzbassenergo obtains all the licenses and permits necessary to operate the plant and in any case within one year of the October 1 transfer date. Until that time, Enel Russia will continue to operate Reftinskaya GRES under an agreement approved by Russia’s Federal Antimonopoly Service.

A contingent component of up to 3 billion rubles (about €42 million) is also envisaged, to be paid within five years from the transfer date subject to specific conditions.

### Disclosure of purchase of treasury shares supporting the long-term incentive plan

With regard to the start of a share buyback program launched to serve the 2019 Long-Term Incentive Plan, on October 1, 2019, Enel SpA announced that between September 23 and 27, 2019 it had acquired 154,850 treasury shares at a weighted average price of €6.72 per share on the Mercato Telematico Azionario organized and operated by Borsa Italiana SpA (“MTA”), for a total of €1,040,519.42.

On October 8, Enel SpA announced that between September 30 and October 4, 2019 it had acquired 294,400 treasury shares at a weighted average price of €6.71 per share on the MTA for a total of €1,976,554.82.

### Enel successfully places its first “General Purpose SDG Linked Bond”

On October 10, 2019, Enel Finance International NV (“EFI”), a subsidiary of Enel SpA (“Enel”), launched a multi-tranche “sustainable” bond for institutional investors on the European market totaling €2.5 billion.

The bond is linked to the achievement of the United Nations Sustainable Development Goals (SDGs) and is the Group’s first “General Purpose SDG Linked Bond” issued on the European market.

The bond, which is guaranteed by Enel and launched as part of Enel and EFI’s medium-term bond issue program, was almost four times oversubscribed, with total orders of about €10 billion and the significant participation by Socially Responsible Investors (SRIs), enabling the Enel Group to continue to diversify its investor base.

## **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, 2019 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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