



Enel S.p.A.

Consolidated financial statements as at December 31, 2018

Independent auditor's report pursuant to article 14 of
Legislative Decree n. 39, dated 27 January 2010, and article
10 of EU Regulation n. 537/2014

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Enel S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Enel Group (the Group), which comprise the balance sheet as at December 31, 2018, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Enel S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
<p>Recoverability of non-current assets</p> <p>The consolidated financial statements include, within the non-current assets balance, Property, Plant and Equipment for Euro 76.631 million, Intangible Assets for Euro 19.014 million and Goodwill for Euro 14.273 million.</p> <p>The Directors tested for impairment the carrying values of the Cash Generating Units (CGUs) as of the balance sheet date, which include goodwill, intangible assets with indefinite useful lives and other non-current assets where indication of impairment were noted.</p> <p>The process adopted by management and the methodologies for assessing and determining the recoverable amount of each CGU are sometimes based on complex assumptions which, due to their nature, require the Directors to exercise their judgment. Such a judgment relates, primarily, to the cash flow projections deriving from the Industrial Plan 2019-2023 as well as from the determination of the long-term growth rates and the discount rates applied to these projections.</p> <p>In relation to the above, the key assumptions made by the Directors relate to future economic trends, including future trends of the electricity and gas demand and the related expected prices, the availability of renewable resources as well as certain assumptions such as inflation, exchange and interest rates.</p> <p>Because of the judgment required and the complexity of assumptions used to estimate the recoverable amount of the non-current assets, we identified this area as a Key Audit Matter.</p> <p>The disclosures related to the impairment of non-current assets are included in Note 2. "Accounting policies and measurement criteria - Recoverability of non-financial assets", Note 16. "Property, Plant and Equipment" and Note 21. "Goodwill".</p>	<p>Our audit procedures in response to this Key Audit Matter included, among others:</p> <ul style="list-style-type: none"> • Assessment of the impairment process of non-current assets and related controls implemented by the Group; • Assessment of the criteria adopted to identify the CGUs and the reconciliation of their carrying amounts to the consolidated financial statements; • Assessment of the key assumptions underlying the Industrial Plan 2019-2023 and relevant future cash flows, including the comparison with industry data and forecasts; • Assessment of the consistency of the cash flow projections for each CGU with the Industrial Plan 2019-2023; • Assessment of the existence of IAS 36 requirements to reverse the previously recognized impairment losses; • Assessment of the management's ability to make accurate projections, through the comparison of the actual results with the previous forecasts. <p>In performing our procedures we engaged our valuation experts in order to verify the methodologies used in the process, the mathematical accuracy of the model, the reasonableness of the long-term growth rates and the discount rates as well as the results of the sensitivity analysis performed by the management.</p> <p>Lastly, we reviewed the adequacy of the disclosures provided in the notes to the financial statements relating this Key Audit Matter.</p>

Key Audit Matter	Audit Response
<p>Revenues from unbilled sale of electricity and gas</p> <p>Revenues from sales of electricity and gas to retail customers are recognized upon delivery and include, in addition to amounts invoiced based on periodic meter readings or on the volumes notified by distributors and transporters, an estimate of the electricity and gas delivered during the year but not yet invoiced. Revenues accrued between the date of the last meter reading and year-end are based on estimates of the daily consumption of customers, primarily determined on their historical information, adjusted to reflect the climate factors or other matters that may affect the estimated consumption.</p> <p>Because of the complexity of assumptions used to estimate the revenues from unbilled sale of electricity and gas, we identified this area as a Key Audit Matter.</p> <p>The disclosures related to the revenues from unbilled sale of electricity and gas are included in Note 2. "Accounting policies and measurement criteria – Use of estimates – Revenue Recognition".</p>	<p>Our audit procedures in response to this Key Audit Matter included, among others:</p> <ul style="list-style-type: none"> • assessment of the process related to the recognition of revenues from sales of electricity and gas and related key controls, including Information Technology controls, implemented by the entities within the Group; • assessment of the algorithms and data in the ERP systems of such Group entities, also with the support of our Information Technology specialists; • testing of a sample of data used by management to determine the accrued revenues, including, whenever applicable, the comparison of quantities entered into the network as made available by transporters and distributors; • look-back analysis of prior estimates against actual data subsequently reported. <p>Lastly, we reviewed the adequacy of the disclosures provided in the notes to the financial statements relating this Key Audit Matter.</p>

Key Audit Matter	Audit Response
<p data-bbox="209 405 440 439">Legal proceedings</p> <p data-bbox="209 501 794 1106">The Group is involved in several civil, administrative and tax disputes arising from the normal course of business, for which final outcomes cannot be easily predicted and could potentially results in significant liabilities. The assessment of the risks associated with the litigations is based on complex assumptions, which, by their nature, require the use of the Directors' judgment. Such judgment relates, primarily, to the assessment of the uncertainties connected to the prediction of the outcome of the proceedings and to the adequacy of the disclosures in the financial statements; it is also based on the assessment made by internal and external legal counsels. Because of the judgment required, the materiality of such litigations and the complexity of the assessment process, we identified this area as a Key Audit Matter.</p> <p data-bbox="209 1137 794 1294">The disclosures related to legal proceedings are included in Note 2. "Accounting policies and measurement criteria - Use of estimates - Litigation" and Note 52. "Contingent liabilities and assets".</p>	<p data-bbox="820 501 1366 562">Our audit procedures in response to this Key Audit Matter included, among others:</p> <ul data-bbox="820 566 1394 1238" style="list-style-type: none"> • assessment of the process and relevant controls implemented to identify legal and tax litigations, and pending administrative proceedings; • assessment of the assumptions used in the valuation of potential legal and tax risks performed by the legal and tax departments within the Group; • inquiry with the legal and tax departments regarding the status of the most significant disputes and inspection of the key relevant documentation, also with the support of our tax and legal experts; • analysis of the external confirmations received from the external legal and tax counsels assisting the Group entities involved in such disputes, and assessment of the consistency of the information obtained with the risk assessment performed by management and the legal and tax departments. <p data-bbox="820 1270 1345 1395">Lastly, we reviewed the adequacy of the disclosures provided in the notes to the financial statements relating this Key Audit Matter.</p>

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Enel S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Enel S.p.A., in the general meeting held on April 29, 2011, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2011 to December 31, 2019.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e) of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998

The Directors of Enel S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Enel S.p.A. as at December 31, 2018, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of the Enel Group as at December 31, 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of the Enel Group as at December 31, 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e) of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Enel S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Rome, April 17, 2019

EY S.p.A.
Signed by: Massimo Antonelli, partner

This report has been translated into the English language solely for the convenience of international readers.