Interim Financial Report at March 31, 2018

Contents

Our mission


MISSION 2025
OPEN ENERGY TO MORE PEOPLE.
We will use and extend our global reach and scale to connect more people to secure and sustainable energy, with a special focus on Latin America and Africa.
OPEN ENERGY TO NEW TECHNOLOGIES.
We will lead development and deployment of technologies to generate and distribute energy more sustainably, with a special focus on renewables and smart grids.
OPEN UP NEW WAYS OF MANAGING ENERGY FOR PEOPLE.
We will develop more services built around people's needs to help them use and manage energy more efficiently, with a focus on smart meters and digitisation.
OPEN UP ENERGY TO NEW USES.
We will develop new services that use energy to tackle global challenges, with a focus on connectivity and e-mobility.
OPEN UP TO MORE PARTNERSHIPS.
We will unite a network of collaborators in research, technology, product development, and marketing to build new solutions together.
enel

Foreword

The Interim Financial Report at March 31, 2018 has been prepared in compliance with Article 154-*ter*, paragraph 5, of Legislative Decree 58 of February 24, 1998, with the clarification indicated in the following section, and in conformity with the recognition and measurement criteria set out in the international accounting standards (*International Accounting Standards* - IAS and *International Financial Reporting Standards* - IFRS) issued by the International Accounting Standards Board (IASB), as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 and in effect as of the close of the period. With effect from January 1, 2018, two new accounting standards have been introduced, IFRS 9 and IFRS 15, which although being applied retrospectively, only required the restatement of the opening balances of a number of financial statement items as a result of the simplification provisions envisaged in the standards themselves for first-time adoption. For a more thorough discussion of the accounting policies and measurement criteria, as well as their effects on the opening balances of certain items of the balance sheet, please refer to notes 1 and 2 of the notes to the condensed consolidated quarterly financial statements.

Article 154-*ter*, paragraph 5, of the Consolidated Financial Intermediation Act, as recently amended by Legislative Decree 25/2016, no longer requires issuers to publish an interim financial report at the close of the 1st and 3rd Quarters of the year. The new rules give CONSOB the power to issue a regulation requiring issuers, following an impact analysis, to publish periodic financial information in addition to the annual and semi-annual financial reports. In view of the foregoing, pending a possible modification of the regulatory framework by CONSOB, Enel intends to continue voluntarily publishing an interim financial report at the close of the 1st and 3rd Quarters of each year in order to satisfy investor expectations and conform to consolidated best practice in the main financial markets, while also taking due account of the quarterly reporting requirements of a number of major listed subsidiaries.

Definition of performance indicators

In order to facilitate the assessment of the Group’s performance and financial position, for this Interim Financial Report at March 31, 2018, Enel has prepared separate reclassified schedules that differ from those envisaged under the IFRS-EU it has adopted. These reclassified schedules contain different performance indicators from those obtained directly from the condensed consolidated quarterly financial statements, which management feels are useful in monitoring Group performance and representative of the financial performance of the Group’s business.
As regards those indicators, on December 3, 2015, CONSOB issued Communication no. 92543/15, which gives force to the Guidelines issued on October 5, 2015, by the European Securities and Markets Authority (ESMA) concerning the presentation of alternative performance measures in regulated information disclosed or prospectuses published as from July 3, 2016. These Guidelines, which update the previous CESR Recommendation (CESR/05-178b), are intended to promote the usefulness and transparency of alternative performance indicators included in regulated information or prospectuses within the scope of application of Directive 2003/71/EC in order to improve their comparability, reliability and comprehensibility.
Accordingly, in line with the regulations cited above, the criteria used to construct these indicators are as follows:

Gross operating margin: an operating performance indicator, calculated as “Operating income” plus “Depreciation, amortization and impairment losses”.

Ordinary gross operating margin: this is calculated by correcting the "gross operating margin" for all items generated by non-recurring transactions, such as acquisitions or disposals of firms (for example, capital gains and losses), with the exception of those in the renewables development segment, in line with the new "Build, Sell and Operate" business model launched in the 4th Quarter of 2016, in which the income from the disposal of projects in that sector is the result of an ordinary activity for the Group.

Ordinary operating income: this is calculated by correcting "operating income" for the effects of the non-recurring transactions referred to with regard to the gross operating margin, as well as significant impairment losses on assets following impairment testing or classification under "assets held for sale".

Group ordinary net income: this is defined as "Group net income" generated by Enel's core business and is equal to "Group net income" less the effects on net income (including the impact of any tax effects or non-controlling interests) of the items referred to in the comments on "ordinary operating income".

Gross global value added from continuing operations: this is defined as value created for stakeholders and is equal to "revenue", including "net income/(expense) from commodity management" net of external costs defined as the algebraic sum of "cost of fuels", "cost of electricity purchases", "costs of materials", "capitalized costs of internal projects", "other costs" and "costs for services, rentals and leases", with the latter net of "costs for fixed water diversion fees" and "costs for public land usage fees".

Net non-current assets: calculated as the difference between "Non-current assets" and "Non-current liabilities" with the exception of:
> "Deferred tax assets";
> "Securities held to maturity", "Financial investments in funds or portfolio management products measured at fair value through profit or loss" and "Other financial receivables" included in "Other non-current financial assets";
> "Long-term borrowings";
> "Employee benefits";
> "Provisions for risks and charges (non-current portion)";
> "Deferred tax liabilities".

Net current assets: calculated as the difference between "Current assets" and "Current liabilities" with the exception of:
> "Current portion of long-term financial receivables", "Factoring receivables", "Securities held to maturity", "Cash collateral" and "Other financial receivables" included in "Other current financial assets";
> "Cash and cash equivalents";
> "Short-term borrowings" and the "Current portion of long-term borrowings";
> "Provisions for risks and charges (current portion)";
> "Other financial payables" included in "Other current liabilities".

Net assets held for sale: calculated as the algebraic sum of "Assets held for sale" and "Liabilities held for sale".

Net capital employed: calculated as the algebraic sum of "Net non-current assets" and "Net current assets", "Provisions for risks and charges", "Employee benefits", "Deferred tax liabilities" and "Deferred tax assets", as well as "Net assets held for sale".

Net financial debt: a financial structure indicator, determined by:

> "Long-term borrowings" and "Short-term borrowings and the current portion of long-term borrowings", taking account of "Short-term financial payables" included in "Other current liabilities";
> net of "Cash and cash equivalents";
> net of the "Current portion of long-term financial receivables", "Factoring receivables", "Cash collateral" and "Other financial receivables" included in "Other current financial assets";
> net of "Securities held to maturity", "Securities available for sale", "Financial investments in funds or portfolio management products measured at fair value through profit or loss" and "Other financial receivables" included in "Other non-current financial assets".

More generally, the net financial debt of the Enel Group is calculated in conformity with paragraph 127 of Recommendation CESR/05-054b implementing Regulation (EC) no. 809/2004 and in line with the CONSOB instructions of July 26, 2007, net of financial receivables and long-term securities.

Enel organizational model

On April 28, 2017, The Enel Group adopted a new organizational structure, introducing a new Global Business Line, called “Enel X”. It is intended to foster greater customer focus and digitization as accelerators of value within the 2017-2019 Strategic Plan:

More specifically, the new Enel Group structure is organized, like the previous one, into a matrix that comprises:

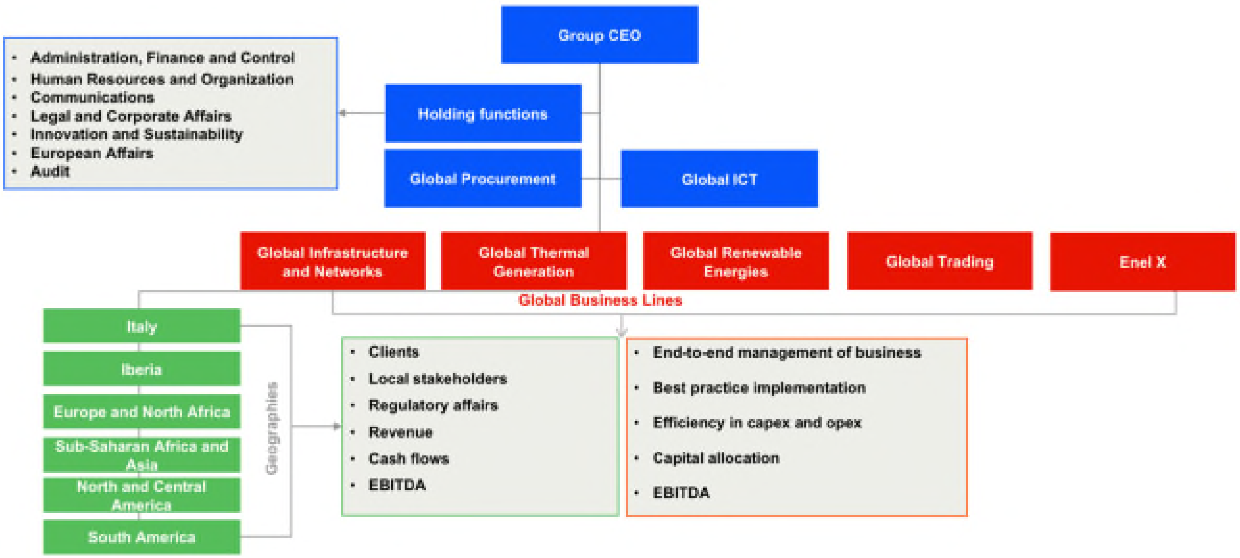
> *Divisions* (Global Thermal Generation and Trading, Global Infrastructure and Networks, Renewable Energy, Enel X), which are responsible for managing and developing assets, optimizing their performance and the return on capital employed in the various geographical areas in which the Group operates. The divisions are also tasked with improving the efficiency of the processes they manage and sharing best practices at the global level. The Group will benefit from a centralized industrial vision of projects in the various business lines. Each project will be assessed not only on the basis of its financial return but also in relation to the best technologies available at the Group level;

> *Regions and Countries* (Italy, Iberia, South America, Europe and North Africa, North and Central America, Sub-Saharan Africa and Asia), which are responsible for managing relationships with institutional bodies and regulatory authorities, as well as selling electricity and gas, in each of the countries in which the Group is present, while also providing staff and other service support to the divisions;

The following functions provide support to Enel’s business operations:

> *Global service functions* (Procurement and ICT), which are responsible for managing information and communication technology activities and procurement at the Group level;

> *Holding company functions* (Administration, Finance and Control, Human Resources and Organization, Communication, Legal and Corporate Affairs, Audit, European Union Affairs, and Innovation and Sustainability), which are responsible for managing governance processes at the Group level.



Summary of results

Performance and financial position

Millions of euro	1st Quarter		
	2018	2017	
Revenue	18,946	19,366	
Gross operating margin	4,037	3,914	
Operating income	2,538	2,525	
Net income attributable to the shareholders of the Parent Company and non-controlling interests	1,528	1,304	
Net income attributable to the shareholders of the Parent Company	1,169	983	
Group net income per share in circulation at period-end (euro)	0.11	0.10	
Net capital employed	86,703	89,571	(1)
Net financial debt	37,871	37,410	(1)
Shareholders' equity (including non-controlling interests)	48,832	52,161	(1)
Group shareholders' equity per share in circulation at period-end (euro)	3.13	3.42	(1)
Cash flows from operating activities	1,898	1,740	
Capital expenditure on property, plant and equipment and intangible assets	1,229 (2)	1,453	

(1) At December 31, 2017.
(2) Does not include €150 million regarding units classified as "held for sale" at March 31, 2018.

Revenue in the first three months of 2018 amounted to €18,946 million, a decrease of €420 million (-2.2%) on the same period of 2017. The decline largely reflects the impact of adverse exchange rate developments, especially in the countries of South America (€434 million). In addition, a reduction in revenue from the sale of electricity as a result of a contraction in volumes against a background of declining average prices was largely offset by an increase in revenue from the distribution of fuel, especially natural gas, the greater revenue posted by the Argentine distribution company following the rate revision, the effects of the consolidation of EnerNOC, the increase in revenue registered by the Volta Grande hydroelectric plant, which was acquired in November 2017, and the greater contribution of Enel Distribuição Goiás compared with the same period of the previous year (it was consolidated as from February 2017). Finally, revenue in the 1st Quarter of 2018 also include the fee of €128 million from the agreement reached by e-distribuzione with F2i and 2i Rete Gas for the early all-inclusive settlement of the earn-out connected with the disposal of the interest in Enel Rete Gas. In the 1st Quarter of 2017, revenue included the proceeds of the disposal of the interest in Electrogas in Chile in the amount of €151 million.

Millions of euro	1st Quarter			
	2018	2017	Change	
Italy	10,109	10,293	(184)	-1.8%
Iberia	5,092	5,210	(118)	-2.3%
South America	3,086	3,247	(161)	-5.0%
Europe and North Africa	602	642	(40)	-6.2%
North and Central America	234	177	57	32.2%
Sub-Saharan Africa and Asia	24	21	3	14.3%
Other, eliminations and adjustments	(201)	(224)	23	10.3%
Total	**18,946**	**19,366**	**(420)**	**-2.2%**

The **gross operating margin** in the 1st Quarter 2018 amounted to €4,037 million, an increase of €123 million (+3.1%) on the same period of 2017. More specifically, the improvement in the margin was attributable to the renewables and distribution sectors, especially in Argentina and Brazil and end-user markets in Iberia as a result of the decline in average provisioning costs for electricity and gas, as well as the benefits associated with first-time adoption of IFRS 15 concerning the capitalization of "contract costs" (€42 million) in Italy, Spain and Romania. These positive factors were partly offset by the contraction in the margin due to adverse exchange rate developments, especially in South America (€125 million), and the recognition in the 1st Quarter of 2017 of the gain on the disposal of Electrogas in Chile. In Italy, the improvement due to the recognition of the earn-out, noted above, was more than offset by a decline in margins on sales of electricity, especially on wholesale transactions and those on the enhanced protection market, with the latter's decline mainly attributable to the reduction of equalization for volumes and customers served.

Millions of euro	1st Quarter			
	2018	2017	Change	
Italy	1,943	1,947	(4)	-0.2%
Iberia	859	694	165	23.8%
South America	1,012	1,087	(75)	-6.9%
Europe and North Africa	126	144	(18)	-12.5%
North and Central America	121	113	8	7.1%
Sub-Saharan Africa and Asia	13	12	1	8.3%
Other	(37)	(83)	46	55.4%
Total	**4,037**	**3,914**	**123**	**3.1%**

The **ordinary gross operating margin** amounted to €3,909 a million, an increase of €146 million on the first three months of 2017 (+3.9%). Extraordinary items in the first three months of 2018 regarded the earn-out fee of €128 million noted under the comments on revenue, while extraordinary items in the same period of 2017 were entirely accounted for by the gain on the disposal of Electrogas (€151 million).

Millions of euro	1st Quarter			
	2018	2017	Change	
Italy	1,815	1,947	(132)	-6.8%
Iberia	859	694	165	23.8%
South America	1,012	936	76	8.1%
Europe and North Africa	126	144	(18)	-12.5%
North and Central America	121	113	8	7.1%
Sub-Saharan Africa and Asia	13	12	1	8.3%
Other	(37)	(83)	46	55.4%
Total	**3,909**	**3,763**	**146**	**3.9%**

Operating income in the 1st Quarter of 2018 amounted to €2,538 million, an increase of €13 million (+0.5%) on the same period of 2017, taking account of an increase of €110 million in depreciation, amortization and impairment losses, which included the amortization charge for contract costs in the amount of €34 million following adoption of IFRS 15 and an increase in writedowns of trade receivables, especially in Italy.

Millions of euro	1st Quarter			
	2018	2017	Change	
Italy	1,308	1,404	(96)	-6.8%
Iberia	434	278	156	56.1%
South America	708	775	(67)	-8.6%
Europe and North Africa	73	91	(18)	-19.8%
North and Central America	59	62	(3)	-4.8%
Sub-Saharan Africa and Asia	-	2	(2)	-
Other	(44)	(87)	43	49.4%
Total	**2,538**	**2,525**	**13**	**0.5%**

Ordinary operating income, which does not include the same items excluded from the ordinary gross operating margin, amounted to €2,410 million, an increase of €36 million (+1.5%) on the same period of 2017.

Millions of euro	1st Quarter			
	2018	2017	Change	
Italy	1,180	1,404	(224)	-16.0%
Iberia	434	278	156	56.1%
South America	708	624	84	13.5%
Europe and North Africa	73	91	(18)	-19.8%
North and Central America	59	62	(3)	-4.8%
Sub-Saharan Africa and Asia	-	2	(2)	-
Other	(44)	(87)	43	49.4%
Total	**2,410**	**2,374**	**36**	**1.5%**

Group net income in the 1st Quarter of 2018 amounted to €1,169 million, an increase of €186 million (+18.9%) on the same period of 2017. The increase reflected a decline in net financial expense connected with the recognition of interest expense on bonds, and a reduction in tax liabilities. The latter mainly reflected the prepaid taxes on prior-year losses of 3Sun and the recognition of the fee for the earn-out associated with the disposal of Enel Rete Gas in the amount of €128 million, which is essentially tax exempt under the participation exemption mechanism ("PEX"). In addition, the gain on the disposal of Electrogas generated taxes of €42 million in the 1st Quarter of 2017.

Group ordinary net income for the first three months of 2018 amounted to €1,041 million (€943 million in the first three months of 2017), an increase of €98 million compared with the same period of 2017 (+10.4%).The following table provides a reconciliation of Group net income and Group ordinary net income in the 1st Quarter of 2018, reporting the ordinary items and their respective impacts on net income, excluding the associated tax effects and non-controlling interests.

Millions of euro	1st Quarter			
	2018	**2017**	Change	
Group net income	**1,169**	**983**	**186**	**18.9%**
Disposal of e-distribuzione interest in Enel Rete Gas	(128)	-	(128)	**-**
Gain on disposal of Electrogas	-	(40)	40	**-**
Group ordinary net income (1)	**1,041**	**943**	**98**	**10.4%**

(1) Taking account of tax effect and non-controlling interests.

Net financial debt at March 31, 2018 amounted to €37,871 million, an increase of €461 million on December 31, 2017. At March 31, 2018, the debt/equity ratio was 0.78 (0.72 at December 31, 2017). The percentage increase in leverage primarily reflects the reduction in the Group's consolidated shareholders' equity as a result of the retrospective application of IFRS 9 and IFRS 15 (€3,696 million).

Capital expenditure amounted to €1,229 million in the 1st Quarter of 2018, a decline of 15.4% on the same period of 2017, essentially reflecting a decrease in investment in wind and solar facilities in Brazil, the completion of wind and solar plants in North and Central America that were under construction in the 1st Quarter of 2017 and adverse developments in exchange rates, which eroded the positive impact of new capital expenditure.

Millions of euro	1st Quarter				
	2018		2017	Change	
Italy	408		314	94	29.9%
Iberia	181		144	37	25.7%
South America	321		566	(245)	-43.3%
Europe and North Africa	36	(1)	41	(5)	-12.2%
North and Central America	262	(2)	380	(118)	-31.1%
Sub-Saharan Africa and Asia	1		8	(7)	-87.5%
Other, eliminations and adjustments	20		-	20	-
Total	**1,229**		**1,453**	**(224)**	**-15.4%**

(1) Does not include €14 million regarding units classified as "held for sale".
(2) Does not include €136 million regarding units classified as "held for sale".

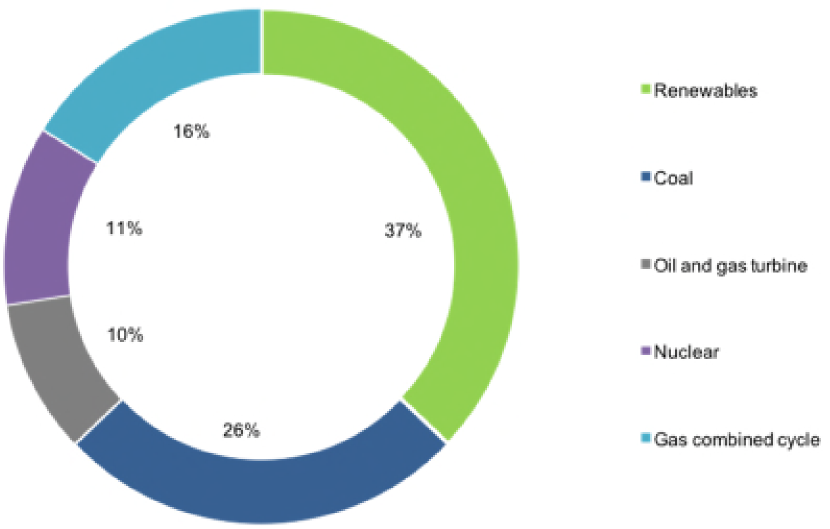
Operations

	1st Quarter					
	Italy	Abroad	**Total**	Italy	Abroad	**Total**
		2018			2017	
Net electricity generated by Enel (TWh)	13.1	49.1	**62.2**	14.2	49.1	**63.3**
Electricity transported on the Enel distribution network (TWh) (1)	56.7	55.2	**111.9**	56.7	53.2	**109.9**
Electricity sold by Enel (TWh)	27.2	45.1	**72.3**	26.0	45.3	**71.3**
Gas sales to end users (billions of m^3)	2.2	1.9	**4.1**	2.2	2.0	**4.2**
Employees at period-end (no.) (2)	30,946	31,687	**62,633**	31,114	31,786	**62,900**

(1) The figure for the 1st Quarter of 2017 reflects a more accurate calculation of quantities transported.
(2) Comparative figures at December 31, 2017.

Net electricity generated by Enel in the 1st Quarter of 2018 totaled 62.2 TWh, down 1.7% compared with the same period of 2017. The change is due to the reduction in amounts generated in Italy (-1.1 TWh), mainly attributable to the decline in conventional thermal generation. As regards the technology mix, coal and fuel-oil generation decreased (-2.45 TWh) in all countries, only partly offset by an increase in hydroelectric, solar and wind generation in Italy, Iberia and the United States.

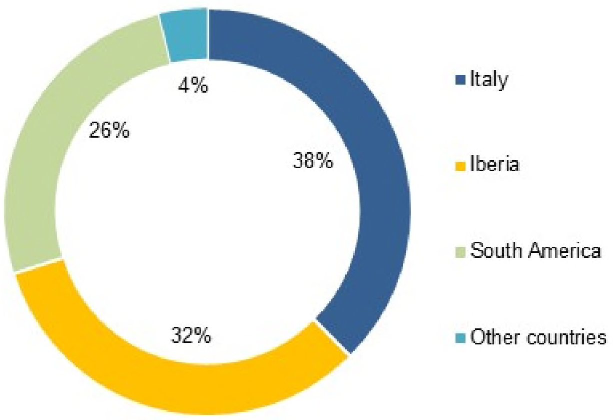
Net electricity generation by source (1st Quarter of 2018)



Electricity transported on the Enel distribution network in the 1st Quarter of 2018 came to 111.9 TWh, an increase of 2.0 TWh (+1.8%), reflecting the increase in electricity demand in Italy and abroad.

Electricity sold by Enel in the 1st Quarter of 2018 amounted to 72.3 TWh, an increase of 1.0 TWh (+1.4%), attributable to an increase in sales in Italy (+1.2 TWh) thanks to an expansionary commercial policy in the "business" segment, partly offset by a decrease in amounts sold abroad (-0.2 TWh).

Electricity sold by geographical area (1st Quarter of 2018)



Gas sales in the 1st Quarter of 2018 amounted to 4.1 billion cubic meters, down 0.1 billion cubic meters compared with the same period of the previous year.

At March 31, 2018, Enel Group **employees** numbered 62,633, of whom 50.6% employed in Group companies located in countries other than Italy. The change for the quarter (-267) is entirely attributable to the net negative balance of new hires and terminations.

No.

	at Mar. 31, 2018	at Dec. 31, 2017
Italy	28,685	28,684
Iberia	9,597	9,711
South America	13,857	13,903
Europe and North Africa	5,743	5,733
North and Central America	2,075	2,050
Sub-Saharan Africa and Asia	209	198
Other	2,467	2,621
Total	**62,633**	**62,900**

Group performance

Millions of euro	1st Quarter			
	2018	2017	Change	
Total revenue	18,946	19,366	(420)	-2.2%
Total costs	14,945	15,702	(757)	-4.8%
Net income/(expense) from commodity contracts measured at fair value	36	250	(214)	-85.6%
Gross operating margin	**4,037**	**3,914**	**123**	**3.1%**
Depreciation, amortization and impairment losses	1,499	1,389	110	7.9%
Operating income	**2,538**	**2,525**	**13**	**0.5%**
Financial income	1,045	569	476	83.7%
Financial expense	1,611	1,233	378	30.7%
Total financial income/(expense)	**(566)**	**(664)**	**98**	**14.8%**
Share of income/(losses) from equity investments accounted for using the equity method	**37**	**39**	**(2)**	**-5.1%**
Income before taxes	**2,009**	**1,900**	**109**	**5.7%**
Income taxes	481	596	(115)	-19.3%
Net income from continuing operations	**1,528**	**1,304**	**224**	17.2%
Net income from discontinued operations	**-**	**-**	**-**	-
Net income (Group and non-controlling interests)	**1,528**	**1,304**	**224**	17.2%
Net income attributable to shareholders of Parent Company	1,169	983	186	18.9%
Net income attributable to non-controlling interests	359	321	38	11.8%

Revenue

Millions of euro	1st Quarter			
	2018	2017	Change	
Sale of electricity	10,241	11,295 (1)	(1,054)	-9.3%
Transport of electricity	2,482	2,472	10	0.4%
Fees from network operators	242	145	97	66.9%
Transfers from institutional market operators	379	443	(64)	-14.4%
Sale of gas	1,641	1,555	86	5.5%
Transport of gas	260	239	21	8.8%
Other sales, services and revenue	3,701	3,217	484	15.0%
Total	**18,946**	**19,366**	**(420)**	**-2.2%**

(1) The figure for revenue from the sale of electricity in the 1st Quarter of 2017 reflects a reclassification of revenue generated by Enel Distribuição Goiás (€134 million) in order to improve presentation.

In the 1st Quarter of 2018 revenue from the **sale of electricity** amounted to €10,241 million, a decrease of €1,054 million compared with the same period of the previous year (-9.3%). The decline essentially reflects:

> a decrease of €486 million in revenue from wholesale electricity sales, largely due to the reduction in prices and volumes sold under bilateral contracts, on local electricity exchanges and on foreign markets, especially in Italy, Spain and Russia;

> a decrease of €439 million in revenue from electricity trading, essentially due to a reduction in volumes handled, while prices on international markets rose;

> a decrease of €251 million in revenue from the sale of electricity on the regulated market, especially in Italy, due to the decline in quantities sold and customer served;

- adverse exchange rate developments in the countries of South America, which more than offset the increase in rates in Argentina following the latest rate revision in February 2017 (Resolution ENRE no. 64/2017) and the effects of the different period of consolidation of Enel Distribuição Goiás (which was consolidated as from February 2017);
- an increase of €129 million in revenue from the sale of electricity to end users on the free market, mainly reflecting the increase in quantities sold in Italy in business-to-business transactions and in Romania due to the sharp increase in the number of customers as a result of effective commercial efforts.

Revenue from the **transport of electricity** amounted to €2,482 million in 1st Quarter of 2018, an increase of €10 million, mainly attributable to the increase in revenue in Spain (€32 million), essentially as a result of rate adjustments, only partly offset by adverse exchange rate developments in the countries in South America.

Revenue from **transfers from institutional market operators** totaled €379 million in the 1st Quarter of 2018, down €64 million on the 1st Quarter of 2017, essentially in Spain as a result of a decline in transfers from the Non-Peninsular Electrical System (€42 million) due to a decline in generation costs on the Balearic and Canary Islands.

Revenue from the **sale of gas** in the 1st Quarter of 2018 amounted to €1,641 million, an increase of €86 million (+5.5%) compared with the same period of the previous year, reflecting an increase in the average price of gas.

Revenue from the **transport of gas** in the 1st Quarter of 2018 amounted to €260 million, an increase of €21 million (+8.8%), mirroring developments in sales of that commodity.

Revenue under **other sales, services and revenue** amounted to €3,701 million in the 1st Quarter of 2018, an increase of €484 million (+15.0%) on the €3,217 million posted in the year-earlier period. The change mainly reflects:

- an increase of €459 million in revenue from the sale of fuels, especially natural gas (€452 million), as a result of trading in the period by Enel Global Trading;
- an increase in €128 million associated with the recognition of the fee paid under the agreement reached by e-distribuzione with F2i and 2i Rete Gas for the early all-inclusive settlement of the earn-out granted in the sale of the interest in Enel Rete Gas;
- a reduction of €150 million in gains on the disposal of assets, essentially attributable to the gain on the sale of the investment in Electrogas in Chile in the 1st Quarter of 2017, in which the Group held a stake of 42.5%.

Costs

Millions of euro	1st Quarter			
	2018	2017	Change	
Electricity purchases	4,377	5,350	(973)	-18.2%
Consumption of fuel for electricity generation	1,111	1,363	(252)	-18.5%
Fuel for trading and gas for sale to end users	3,619	3,145	474	15.1%
Materials	326	239	87	36.4%
Personnel	1,091	1,173	(82)	-7.0%
Services, leases and rentals	4,005	3,958	47	1.2%
Other operating expenses	800	781	19	2.4%
Capitalized costs	(384)	(307)	(77)	-25.1%
Total	**14,945**	**15,702**	**(757)**	**-4.8%**

Costs for **electricity purchases** in the 1st Quarter of 2018 decreased by €973 million on the same period of 2017, a reduction of 18.2%. This primarily reflected:

> a reduction of €434 million in purchase of electricity on international markets as a result of the decline in volumes traded by Enel Global Trading, despite the increase in average purchase costs;
> a reduction of €251 million in costs for purchases on electricity exchanges, especially in Spain as a result of a decline in both volumes and average prices applied to purchases on the wholesale market, as well as a reduction in costs for dispatching and imbalances services (€8 million);
> a reduction of €112 million in costs for purchases under bilateral contracts, mainly due to the decline in demand for electricity in Italy on the enhanced protection market;
> a reduction of €166 million in costs for other electricity purchases on the local market.

Costs for the **consumption of fuel for electricity generation** for the 1st Quarter of 2018 amounted to €1,111 million, a decrease of €252 million (-18.5%) on the previous year. The decrease was mainly attributable to the sharp contraction in thermal electricity generation, especially in Italy, Spain, Chile, Argentina and Russia.

Costs for the purchase of **fuel for trading and gas for sale to end users** amounted to €3,619 million in the 1st Quarter of 2018, an increase of €474 million on 2017. The change mainly reflects an increase in trading in those commodities on the market and the need to meet the increased requirements for sale to end users, especially as regards natural gas.

Costs for **materials** the 1st Quarter of 2018 amounted to €326 million, an increase of €87 million on the 1st Quarter of 2017, essentially due to an increase in costs for the purchase of environmental certificates.

Personnel costs in the 1st Quarter of 2018 totaled €1,091 million, a decrease of 7.0% compared with the same period of 2017. The change largely reflected:

> a decrease of €48 million in early retirement incentives, mainly attributable to the effect of the provision recognized in the 1st Quarter of 2017 by Enel Distribuição Goiás in the amount of €59 million in order to enhance the efficiency of its structure;
> in general, a reduction in personnel costs due to a decline in the average workforce compared with the same period of 2017 (-1,110).

The Enel Group workforce at March 31, 2018 numbered 62,633, of whom 34,874 abroad. The Group workforce decreased by 267 in the 1st Quarter of 2018, reflecting the negative impact of the balance between new hires and terminations in the period, attributable in particular to termination incentive programs in Italy and Spain and at Enel Distribuição Goiás.

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

Balance at December 31, 2017	**62,900**
Hirings	831
Terminations	(1,098)
Balance at March 31, 2018	**62,633**

Costs for **services, leases and rentals** in the 1st Quarter 2018 amounted to €4,005 million, an increase of €47 million on the 1st Quarter of 2017, mainly due to:

> an increase in wheeling costs (€61 million, including network access fees), largely in South America, reflecting the different period of consolidation of Enel Distribuição Goiás, and in Italy, as a result of an increase in volumes;

> an increase in IT services (€39 million), essentially due to system help services and maintenance of hardware and software;

> a reduction of €42 million in costs in respect of customer acquisition costs (e.g. commissions paid to agencies and telesellers), reflecting the new IFRS 15, which requires their capitalization if they are incremental costs;

> a decline of €16 million in charges connected with the functioning of the electrical system and Power Exchange operations.

Other operating expenses in the 1st Quarter of 2018 amounted to €800 million, an increase of €19 million on the 1st Quarter of 2017, essentially reflecting an increase in charges for environmental certificates of €26 million and, especially in Spain, for grid access charges, including for self-consumption, an obligation introduced towards the end of 2017 (€36 million). These factors were only partly offset by the effects of the recognition (€32 million) in the 1st Quarter of 2017 of fines for service quality in Argentina.

In the 1st Quarter of 2018, **capitalized costs** amounted to €384 million, an increase of €77 million on the 1st Quarter of 2017, reflecting in particular an increase in capitalized costs in North America (€21 million), partly reflecting the inclusion of EnerNOC in the scope of consolidation, in Italy (€24 million) and in Spain (€20 million).

Net income/(expense) from commodity contracts measured at fair value in the 1st Quarter of 2018 showed net income of €36 million (net income of €250 million in the same period of 2017). More specifically, net income in the 1st Quarter of 2018 reflected the fair value measurement of derivatives positions open at the end of the period totaling €29 million (net income of €171 million in the 1st Quarter of 2017) and net income from settled contracts of €7 million (net income of €79 million in 2017).

Depreciation, amortization and impairment losses in the first three months 2018 totaled €1,499 million, an increase of €110 million, reflecting:

> an increase of €51 million in depreciation and amortization, of which €34 million from the application of IFRS 15, in particular the recognition of amortization charges for contract costs;

> an increase of €56 million in impairment losses on trade receivables, mainly recognized in Italy.

Operating income in the 1st Quarter of 2018 amounted to €2,538 million, an increase of €13 million.

Net financial expense amounted to €566 million in the 1st Quarter of 2018, a decrease of €98 million compared with the same period of 2017.
The decline essentially reflected:

> an increase of €77 million in net exchange rate gains, which was more than offset by an increase of €89 million in net expense on derivatives;
> a decrease of €51 million in net interest expense, mainly due to a reduction of €40 million in interest on bonds, largely in respect of Enel SpA (€33 million);
> an increase of €40 million in other financial income, mainly due to the increase in interest income accrued, in compliance with IFRIC 12, on financial assets in respect of public service concession arrangements (€5 million), other interest and financial income of the Brazilian companies (€22 million) and default interest (€2 million);
> a reduction of €13 million in capitalized interest.

The **share of income/(losses) from equity investments accounted for using the equity method** in the 1st Quarter of 2018 showed net income of €37 million, a decrease of €2 million compared with the same period of the previous year.

Income taxes for the first three months of 2018 amounted to €481 million, equal to 23.9% of taxable income, a decrease of €115 million compared with the same period of the previous year. The reduction in tax liabilities for the 1st Quarter of 2018 compared with the same period of 2017 essentially reflects:

> the recognition of the earn-out from the disposal of the investment in Enel Rete Gas, which generated income subject to tax relief under the “PEX” mechanism;
> the recognition of prepaid taxes of €86 million in respect of prior-year losses of 3Sun since the associated deferred tax assets are expected to be recovered through the merger with Enel Green Power SpA.

Results by business area

The representation of performance by business area presented here is based on the approach used by management in monitoring Group performance for the two periods under review, taking account of the operational model adopted by the Group as described above.

Taking account of the provisions of IFRS 8 regarding the management approach, the new “Enel X” business line modified the structure of reporting, as well as the representation and analysis of Group performance and financial position, as from March 31, 2018. More specifically, performance by business area reported in this Interim Financial Report was determined by designating the Regions and Countries perspective as the primary reporting segment. In addition, account was taken of the possibilities for the simplification of disclosures associated with the materiality thresholds also established under IFRS 8 and, therefore:

> “Thermal Power Generation” and “Trading and Upstream” are reported together given the high degree of interaction and interdependency of the two areas;

> the item “Other, eliminations and adjustments” includes not only the effects from the elimination of intersegment transactions, but also the figures for the Parent Company, Enel SpA.

The following chart outlines these organizational arrangements.

In particular, the new organization, which continues to be based on matrix of divisions, now calls for the integration of the various companies of the Enel Green Power Group in the various divisions by geographical area, functionally including the Large Hydro businesses, which formally remain under the thermal power generation companies, and a new configuration for the geographical areas (i.e. Italy, Iberia, Europe and North Africa, South America, North and Central America, Sub-Saharan Africa and Asia, Central/Holding). In addition, the new business structure is divided as follows: Thermal Power Generation and Trading, Infrastructure and Networks, Renewable Energy, Enel X, Retail, Services and Holding.

Results by business area for the 1st Quarters of 2018 and 2017

1st Quarter of 2018 [(1)]

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Revenue from third parties	9,926	5,082	3,084	581	234	24	15	18,946
Revenue from transactions with other segments	183	10	2	21	-	-	(216)	-
Total revenue	**10,109**	**5,092**	**3,086**	**602**	**234**	**24**	**(201)**	**18,946**
Net income/(expense) from commodity contracts measured at fair value	45	(9)	(1)	(1)	2	-	-	36
Gross operating margin	**1,943**	**859**	**1,012**	**126**	**121**	**13**	**(37)**	**4,037**
Depreciation, amortization, and impairment losses	635	425	304	53	62	13	7	1,499
Operating income	**1,308**	**434**	**708**	**73**	**59**	**-**	**(44)**	**2,538**
Capital expenditure	**408**	**181**	**321**	**36** (2)	**262** (3)	**1**	**20**	**1,229**

(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 €14 million regarding units classified as "held for sale".
(3) Does not include €136 million regarding units classified as "held for sale".

1st Quarter of 2017 [(1)]

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Revenue from third parties	10,107	5,197	3,231	631	175	21	4	19,366
Revenue from transactions with other segments	186	13	16	11	2	-	(228)	-
Total revenue	**10,293**	**5,210**	**3,247**	**642**	**177**	**21**	**(224)**	**19,366**
Net income/(expense) from commodity contracts measured at fair value	301	(32)	7	-	-	-	(26)	250
Gross operating margin	**1,947**	**694**	**1,087**	**144**	**113**	**12**	**(83)**	**3,914**
Depreciation, amortization, and impairment losses	543	416	312	53	51	10	4	1,389
Operating income	**1,404**	**278**	**775**	**91**	**62**	**2**	**(87)**	**2,525**
Capital expenditure	**314**	**144**	**566**	**41**	**380**	**8**	**-**	**1,453**

(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.

In addition to the above, the Group monitors the performance of the global divisions, classifying performance by business line. In the table below, gross operating margin is shown for the two periods under review with the goal of providing a view of performance not only by Region/Country, but also by Division/Business Line.

Gross operating margin

Millions of euro	Local businesses						Global divisions																		
	End-user markets			Services			Generation and Trading			Infrastructure and Networks			Renewables			Enel X			Other			Total			
	2018	2017	Change	2018	2017	Change	2018	2017	Change	2018	2017	Change	2018	2017	Change	2018	2017	Change	2018	2017	Change	2018	2017	Change	
Italy	**668**	**641**	**27**	**24**	**19**	**5**	**(8)**	**155**	**(163)**	**956**	**863**	**93**	**301**	**269**	**32**	**2**	**-**	**2**	**-**	**-**	**-**	**1,943**	**1,947**	**(4)**	
Iberia	**158**	**89**	**69**	**32**	**19**	**13**	**119**	**89**	**30**	**456**	**446**	**10**	**76**	**51**	**25**	**18**	**-**	**18**	**-**	**-**	**-**	**859**	**694**	**165**	
South America	**-**	**-**	**-**	**(18)**	**(19)**	**1**	**119**	**278**	**(159)**	**417**	**374**	**43**	**483**	**454**	**29**	**11**	**-**	**11**	**-**	**-**	**-**	**1,012**	**1,087**	**(75)**	
Argentina	*-*	*-*	*-*	*-*	*-*	*-*	*33*	*15*	*18*	*74*	*43*	*31*	*11*	*8*	*3*	*-*	*-*	*-*	*-*	*-*	*-*	*118*	*66*	*52*	
Brazil	*-*	*-*	*-*	*(13)*	*(9)*	*(4)*	*24*	*33*	*(9)*	*151*	*100*	*51*	*97*	*64*	*33*	*-*	*-*	*-*	*-*	*-*	*-*	*259*	*188*	*71*	
Chile	*-*	*-*	*-*	*(5)*	*(10)*	*5*	*22*	*184*	*(162)*	*60*	*59*	*1*	*206*	*205*	*1*	*3*	*-*	*3*	*-*	*-*	*-*	*286*	*438*	*(152)*	
Colombia	*-*	*-*	*-*	*-*	*-*	*-*	*7*	*9*	*(2)*	*87*	*119*	*(32)*	*135*	*143*	*(8)*	*8*	*-*	*8*	*-*	*-*	*-*	*237*	*271*	*(34)*	
Peru	*-*	*-*	*-*	*-*	*-*	*-*	*33*	*37*	*(4)*	*45*	*53*	*(8)*	*32*	*32*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*110*	*122*	*(12)*	
Other countries	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*2*	*2*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*2*	*2*	*-*	
Europe and North Africa	**9**	**(20)**	**29**	**1**	**1**	**-**	**66**	**90**	**(24)**	**19**	**25**	**(6)**	**31**	**48**	**(17)**	**-**	**-**	**-**	**-**	**-**	**-**	**126**	**144**	**(18)**	
Romania	*9*	*(20)*	*29*	*1*	*1*	*-*	*(1)*	*-*	*(1)*	*19*	*25*	*(6)*	*17*	*37*	*(20)*	*-*	*-*	*-*	*-*	*-*	*-*	*45*	*43*	*2*	
Russia	*-*	*-*	*-*	*-*	*-*	*-*	*67*	*90*	*(23)*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*67*	*90*	*(23)*	
Slovakia	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	
Other countries	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*14*	*11*	*3*	*-*	*-*	*-*	*-*	*-*	*-*	*14*	*11*	*3*	
North and Central America	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**138**	**113**	**25**	**(17)**	**-**	**(17)**	**-**	**-**	**-**	**121**	**113**	**8**	
United States and Canada	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*60*	*47*	*13*	*(17)*	*-*	*(17)*	*-*	*-*	*-*	*43*	*47*	*(4)*	
Mexico	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*30*	*27*	*3*	*-*	*-*	*-*	*-*	*-*	*-*	*30*	*27*	*3*	
Panama	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*34*	*29*	*5*	*-*	*-*	*-*	*-*	*-*	*-*	*34*	*29*	*5*	
Other countries	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*14*	*10*	*4*	*-*	*-*	*-*	*-*	*-*	*-*	*14*	*10*	*4*	
Sub-Saharan Africa and Asia	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**12**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**12**	**1**	
South Africa	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*12*	*12*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*12*	*12*	*-*	
India	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*1*	*-*	*1*	*-*	*-*	*-*	*-*	*-*	*-*	*1*	*-*	*1*	
Other countries	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	
Other	**-**	**-**	**-**	**3**	**(1)**	**4**	**(10)**	**-**	**(10)**	**1**	**1**	**-**	**(12)**	**(15)**	**3**	**(3)**	**-**	**(3)**	**(16)**	**(68)**	**52**	**(37)**	**(83)**	**46**	
Total	**835**	**710**	**125**	**42**	**19**	**23**	**286**	**612**	**(326)**	**1,849**	**1,709**	**140**	**1,030**	**932**	**98**	**11**	**-**	**11**	**(16)**	**(68)**	**52**	**4,037**	**3,914**	**123**	

Italy

Operations

Net electricity generation

Millions of kWh	1st Quarter			
	2018	2017	Change	
Thermal	7,405	9,017	(1,612)	-17.9%
Hydroelectric	3,783	3,367	416	12.4%
Geothermal	1,421	1,451	(30)	-2.1%
Wind	464	352	112	31.8%
Other sources	35	30	5	16.7%
Total net generation	**13,108**	**14,217**	**(1,109)**	**-7.8%**

In the 1st Quarter of 2018, net electricity generation totaled 13,108 million kWh, a decline of 7.8% from the same period of 2017 (-1,109 million kWh).
The change for the two periods under review mainly reflects the decrease in coal-fired generation, which was only partially offset by an increase in hydroelectric output as a result of more favorable water availability at the end of the 1st Quarter of 2018.

Contribution to gross thermal generation

Millions of kWh	1st Quarter					
	2018		2017		Change	
Fuel oil	-	-	3	-	(3)	-
Natural gas	1,839	22.8%	2,218	22.7%	(379)	-17.1%
Coal	6,068	75.2%	7,343	75.3%	(1,275)	-17.4%
Other fuels	159	2.0%	190	2.0%	(31)	-16.3%
Total	**8,066**	**100.0%**	**9,754**	**100.0%**	**(1,688)**	**-17.3%**

Gross thermal generation for the 1st Quarter of 2018 amounted to 8,066 million kWh, a reduction of 1,688 million kWh (-17.3%) compared with the 1st Quarter of 2017. The decrease mainly concerned coal-fired generation.

Transport of electricity

Millions of kWh	1st Quarter			
	2018	2017	Change	
Electricity transported on Enel's network (1)	56,683	56,687	(4)	-

(1) The figure for the 1st Quarter of 2017 reflects a more accurate calculation of quantities transported.

Electricity transported on the Enel network in Italy for the 1st Quarter of 2018 decreased by 4 million kWh, going from 56,687 million kWh in the 1st Quarter of 2017 to 56,683 million kWh in the 1st Quarter of 2018.

Electricity sales

Millions of kWh	1st Quarter			
	2018	2017	Change	
Free market:				
- mass-market customers	3,503	3,170	333	10.5%
- business customers [1]	11,994	10,568	1,426	13.5%
- safeguard-market customers	617	423	194	45.9%
Total free market	**16,114**	**14,161**	**1,953**	**13.8%**
Regulated market:				
- enhanced-protection-market customers	11,044	11,820	(776)	-6.6%
TOTAL	**27,158**	**25,981**	**1,177**	**4.5%**

(1) Supplies to large customers and energy-intensive users (with annual consumption greater than 1 GWh).

Energy sold in the 1st Quarter of 2018 came to 27,158 million kWh for an overall increase of 1,177 million kWh compared with the same period of the prior year. This trend reflects the greater quantities sold on the free market to business customers in line with commercial policies. It was partially offset by a decrease in sales on the regulated market due to the transition of about one million customers to the free market compared with the 1st Quarter of 2017.

Natural gas sales

Millions of m^3	1st Quarter			
	2018	2017	Change	
Mass-market customers [1]	1,496	1,444	52	3.6%
Business customers	698	762	(64)	-8.4%
Total	**2,194**	**2,206**	**(12)**	**-0.5%**

(1) Includes residential and microbusinesses.

Gas sales in the 1st Quarter of 2018 totaled 2,194 million cubic meters, a decrease of 12 million cubic meters compared with the same period of the previous year, essentially attributable to sales to business customers.

Performance

Millions of euro	1st Quarter			
	2018	2017	Change	
Revenue	10,109	10,293	(184)	-1.8%
Gross operating margin	1,943	1,947	(4)	-0.2%
Operating income	1,308	1,404	(96)	-6.8%
Capital expenditure	408	314	94	29.94%

The following tables break down performance by type of business.

Revenue

Millions of euro	1st Quarter			
	2018	2017	Change	
Generation and Trading	5,071	5,275	(204)	-3.9%
Infrastructure and Networks	1,987	1,863	124	6.7%
Renewables	493	471	22	4.7%
End-user markets	4,510	4,648	(138)	-3.0%
Enel X	61	-	61	-
Services	286	256	30	11.7%
Eliminations and adjustments	(2,299)	(2,220)	(79)	-3.6%
Total	**10,109**	**10,293**	**(184)**	**-1.8%**

Revenue in the 1st Quarter of 2018 amounted to €10,109 million, down €184 million compared with the 1st Quarter of 2017 (-1.8%) due primarily to the following factors:

> a €204 million decline (-3.9%) in revenue from **Generation and Trading**. This reduction is mainly attributable to:
  - a €440 million decline in revenue from trading on international energy markets due, essentially, to a reduction in quantities handled (-17.7 TWh);
  - a €294 million decline in revenue from the sale of electricity essentially reflecting a decline in quantities produced. More specifically, the change is mainly attributable to the decrease in revenue from the sale of energy to other national resellers (€190 million) and the reduction in revenue from sales on the Power Exchange (€104 million);
  - a €480 million increase in revenue from the sale of fuels, mainly attributable to the sale of natural gas;
  - a €27 million increase in revenue from the sale of environmental certificates;

> an increase of €124 million (+6.7%) in revenue from **Infrastructure and Networks** operations, largely reflecting:
  - recognition of the payment of €128 million related to the agreement reached by e-distribuzione with F2i and 2i Rete Gas for the early all-inclusive earn-out connected with the sale of the investment in Enel Rete Gas;
  - an increase of €29 million in connection fees;
  - the increase in transfers from the Energy & Environmental Services Fund for energy efficiency certificates (in the amount of €13 million) due to the increase in the per-unit transfer compared with the 1st Quarter of 2017;
  - the increase in revenue related to regulatory amendment no. 654/15 of Regulatory Authority for Energy, Networks and the Environment (ARERA) (regulatory lag), which was only partially offset by the decrease in rate revenue as a result of the reduction in transmission rates;
  - the decrease in revenue recognized by ARERA following publication in the 1st Quarter of 2018 of the rates for 2017 (€29 million);
  - a reduction in revenue from the sale of digital meters to other companies of the Group (€12 million);

> a €22 million increase in revenue on power generation from **Renewables** due to the increase in quantities produced and to price effects;

> a decline of €138 million (-3.0%) in revenue from **End-user markets** for electricity, essentially reflecting:
  - a decrease of €271 million in revenue on the regulated electricity market due mainly to the reduction in revenue from equalization mechanisms and the reduction in rate revenue, as well as the decrease in quantities sold (-0.7 TWh) and in the number of customers served (-7.4%);

- an increase of €150 million in revenue on the free energy market due to an increase in quantities sold (+1.9 TWh);
- a €63 million increase in revenue from the sale of natural gas to end users as a result of an increase in average prices;
- a decrease in connection fees (€46 million);
- a reduction in revenue (€45 million) related to the sale of Enel Sole and Enel.si to Enel X Srl, the company that operates the new business line dedicated to developing value-added services;

> a €61 million increase in revenue from value-added services related to the change in consolidated companies with the sale of Enel Sole and Enel.si to Enel X Srl, the company that operates the new Enel X business line.

Gross operating margin

Millions of euro	1st Quarter			
	2018	2017	Change	
Generation and Trading	(8)	155	(163)	-
Infrastructure and Networks	956	863	93	10.8%
Renewables	301	269	32	11.9%
End-user markets	668	641	27	4.2%
Enel X	2	-	2	-
Services	24	19	5	26.3%
Total	**1,943**	**1,947**	**(4)**	**-0.2%**

The **gross operating margin** in the 1st Quarter amounted to €1,943 million, a decrease of €4 million (-0.2%) compared with the €1,947 million posted in the 1st Quarter of 2017. This decrease is essentially attributable to:

> a decrease of €163 million in the margin on **Generation and Trading** due essentially to the reduction in thermal power generation and in market prices, as well as to the increase in costs for gas purchases;

> an increase of €93 million in the margin from **Infrastructure and Networks** operations (+10.8%), largely due to:
- recognition of the payment of €128 million related to the agreement reached by e-distribuzione with F2i and 2i Rete Gas as mentioned above in relation to revenue;
- a decrease of €13 million in the margin on electricity transport related to the reduction in rates, which was only partially offset by an increase in revenue following regulatory amendment no. 654/15 ARERA (regulatory lag);
- an increase in costs for the purchase of energy efficiency certificates due to an increase in average prices compared with the 1st Quarter of 2017;

> an increase of €32 million in the margin on **Renewables** (+11.9%), related mainly to the increase in margin on ancillary services;

> an increase of €27 million in the margin from **End-user markets** (+4.2%), mainly attributable to:
- an increase of €25 million in the margin on the free electricity and gas market (-€3 million for the gas component), due essentially to a decrease in costs for agencies and telesellers as a result of the application of IFRS 15, which provides for their capitalization where they increase the customer base;
- an increase of €12 million in the margin on the regulated electricity market due to a reduction in personnel costs and costs for services;

> a €2 million increase in the margin on value-added services related to the new Enel X business line following the change in scope noted earlier.

Operating income

Millions of euro	1st Quarter			
	2018	2017	Change	
Generation and Trading	(64)	97	(161)	-
Infrastructure and Networks	690	601	89	14.8%
Renewables	228	202	26	12.9%
End-user markets	445	496	(51)	-10.3%
Enel X	(4)	-	(4)	-
Services	13	8	5	62.5%
Total	**1,308**	**1,404**	**(96)**	**-6.8%**

Operating income came to €1,308 million for a decrease of €96 million (-6.8%), including an increase of €92 million in depreciation, amortization, and impairment losses, as compared with the €1,404 million recognized in the same period of 2017. The increase in depreciation, amortization and impairment losses is essentially attributable to the End-user markets as a result of an increase in amortization of intangibles, which include the contract costs referred to earlier, and an increase in the impairment of trade receivables.

Capital expenditure

Millions of euro	1st Quarter			
	2018	2017	Change	
Generation and Trading	10	7	3	42.9%
Infrastructure and Networks	310	257	53	20.6%
Renewables	37	32	5	15.6%
End-user markets	45	16	29	-
Enel X	2	-	2	-
Services	4	2	2	-
Total	**408**	**314**	**94**	**29.9%**

Capital expenditure in the 1st Quarter of 2018 amounted to €408 million, up €94 million on the year-earlier period. More specifically, the change is attributable to:

> an increase of €3 million in capital expenditure in **Generation and Trading**;

> an increase of €53 million in capital expenditure in **Infrastructure and Networks** related mainly to projects connected with service quality and the replacement of digital meters for the Open Meter plan;

> a €5 million increase in capital expenditure in **Renewables**;

> an increase of €29 million in capital expenditure in **End-user markets** as a result of the capitalization of agency and teleseller costs as contract costs;

> an increase of €2 million related to **Services**.

Iberia

Operations

Net electricity generation

Millions of kWh	1st Quarter			
	2018	2017	Change	
Thermal	8,641	9,318	(677)	-7.3%
Nuclear	6,650	7,184	(534)	-7.4%
Hydroelectric	2,047	1,512	535	35.4%
Wind	1,170	960	210	21.9%
Other sources	4	5	(1)	-20.0%
Total net generation	**18,512**	**18,979**	**(467)**	**-2.5%**

In the 1st Quarter of 2018, net electricity generation amounted to 18,512 million kWh, a decrease of 467 million kWh on the same period of 2017. This trend reflects the improved water and wind conditions, which was more than offset by decreases in thermal and nuclear power generation.

Contribution to gross thermal generation

Millions of kWh	1st Quarter					
	2018		2017		Change	
High-sulfur fuel oil (S>0.25%)	1,479	9.2%	1,523	8.9%	(44)	-2.9%
Natural gas	1,220	7.6%	1,073	6.3%	147	13.7%
Coal	5,525	34.5%	6,031	35.4%	(506)	-8.4%
Nuclear fuel	6,884	43.0%	7,455	43.7%	(571)	-7.7%
Other fuels	896	5.7%	962	5.7%	(66)	-6.9%
Total	**16,004**	**100.0%**	**17,044**	**100.0%**	**(1,040)**	**-6.1%**

Gross thermal generation for the 1st Quarter of 2018 was 16,004 million kWh, a decline of 1,040 million kWh compared with the same period of the prior year due essentially to a reduction in the use of coal and nuclear fuel.

Transport of electricity

Millions of kWh	1st Quarter			
	2018	2017	Change	
Electricity transported on Enel's network (1)	28,041	27,300	741	2.6%

(1) The figure for the 1st Quarter of 2017 reflects a more accurate calculation of quantities transported.

Energy transported in the 1st Quarter of 2018 came to 28,041 million kWh for an increase of 741 million kWh. This increase is essentially attributable to the greater demand for electricity.

Electricity sales

Millions of kWh	1st Quarter			
	2018	2017	Change	
Free market	19,752	19,935	(183)	-0.9%
Regulated market	3,710	3,701	9	0.2%
Total	**23,462**	**23,636**	**(174)**	**-0.7%**

Electricity sales to end users for the 1st Quarter of 2018 totaled 23,462 million kWh, a decrease of 174 million kWh compared with the same period of 2017.

Performance

Millions of euro	1st Quarter			
	2018	2017	Change	
Revenue	5,092	5,210	(118)	-2.3%
Gross operating margin	859	694	165	23.8%
Operating income	434	278	156	56.1%
Capital expenditure	181	144	37	25.7%

The following tables break down performance by type of business.

Revenue

Millions of euro	1st Quarter			
	2018	2017	Change	
Generation and Trading	1,491	1,297	194	15.0%
Infrastructure and Networks	655	624	31	5.0%
Renewables	172	153	19	12.4%
End-user markets	3,985	4,245	(260)	-6.1%
Enel X	49	-	49	-
Services	121	110	11	10.0%
Eliminations and adjustments	(1,381)	(1,219)	(162)	-13.3%
Total	**5,092**	**5,210**	**(118)**	**-2.3%**

Revenue for the 1st Quarter of 2018 posted a decrease of €118 million due to:

> an increase of €194 million in revenue from **Generation and Trading** operations, primarily associated with:
  - a €266 million increase in revenue from the sale of gas, which was partially offset by a reduction in electricity sales (€22 million). However, it should be noted that, as they include a significant portion of intercompany sales, particularly with the Spanish firms operating in the End-user markets (with a net impact of €178 million), these changes are essentially offset by the change in eliminations and adjustments;
  - a decrease of €42 million in transfers for extra-peninsular generation connected with the increase in revenue recognized during the period;

> an increase in revenue from **Infrastructure and Networks** operations due essentially to rate adjustments recognized in response to the proposed ministerial order being prepared by the Ministry of Energy, Tourism and the Digital Agenda;

> an increase in revenue from **Renewables** as a result of the increase in quantities generated and rising average prices compared with the year-earlier period;

- a decrease of €260 million in revenue on **End-user markets** due essentially to the decline in consumption on the free market (a negative €192 million), despite a slight increase in average prices, as well as to a more significant reduction in average prices on the regulated market, which was only partially offset by an increase in consumption (a negative €42 million);
- an increase of €49 million in revenue from value-added services related to the new Enel X business line.

Gross operating margin

Millions of euro	1st Quarter			
	2018	2017	Change	
Generation and Trading	119	89	30	33.7%
Infrastructure and Networks	456	446	10	2.2%
Renewables	76	51	25	49.0%
End-user markets	158	89	69	77.5%
Enel X	18	-	18	-
Services	32	19	13	68.4%
Total	**859**	**694**	**165**	**23.8%**

The **gross operating margin** amounted to €859 million, an increase of €165 million (+23.8%) compared with the same period of 2017, reflecting:

- an increase of €30 million in the gross operating margin for **Generation and Trading** attributable almost entirely to the margin on gas trading activities;
- an increase of €10 million in the margin for **Infrastructure and Networks** due mainly to the increase in revenue described above;
- a €25 million increase in the margin on operations in **Renewables** related to the increase in quantities produced and to a slight decrease in operating costs;
- an increase in gross operating margin on the **End-user markets** due essentially to the significant decrease in average costs for the provisioning of electricity and gas, in addition to a reduction in costs for trading fees in the amount of €10 million in the 1st Quarter of 2018 following the adoption of IFRS 15;
- an increase of €18 million in margin on value-added services related to the new Enel X business line.

Operating income

Millions of euro	1st Quarter			
	2018	2017	Change	
Generation and Trading	(29)	(59)	30	-50.8%
Infrastructure and Networks	275	276	(1)	-0.4%
Renewables	38	6	32	-
End-user markets	108	51	57	-
Enel X	18	-	18	-
Services	24	4	20	-
Total	**434**	**278**	**156**	**56.1%**

Operating income for the 1st Quarter of 2018 totaled €434 million, including €425 million in depreciation, amortization and impairment losses (€416 million in the 1st Quarter of 2017), an increase of €156 million over the same period of 2017 due both to the effects described above and an increase in depreciation and amortization for the period.

Capital expenditure

Millions of euro	1st Quarter			
	2018	2017	Change	
Generation and Trading	26	33	(7)	-21.2%
Infrastructure and Networks	129	94	35	37.2%
Renewables	6	6	-	-
End-user markets	14	9	5	55.6%
Enel X	5	-	5	-
Services	1	2	(1)	-50.0%
Total	**181**	**144**	**37**	**25.7%**

Capital expenditure came to €181 million, up €37 million over the same period of the previous year. Capital expenditure for the 1st Quarter of 2018 concerned, in particular, work on the distribution network to improve service quality, as well as work on substations and transformers and the replacement of metering equipment.

South America

Operations

Net electricity generation

Millions of kWh	1st Quarter			
	2018	2017	Change	
Thermal	6,382	7,053	(671)	-9.5%
Hydroelectric	8,465	8,581	(116)	-1.4%
Wind	1,019	658	361	54.9%
Other sources	746	289	457	-
Total net generation	**16,612**	**16,581**	**31**	**0.2%**
- of which Argentina	*3,761*	*4,155*	*(394)*	*-9.5%*
- of which Brazil	*2,150*	*1,660*	*490*	*29.5%*
- of which Chile	*5,118*	*5,097*	*21*	*0.4%*
- of which Colombia	*3,279*	*3,780*	*(501)*	*-13.3%*
- of which Peru	*2,259*	*1,853*	*406*	*21.9%*
- of which other countries	*45*	*36*	*9*	*25.0%*

Net electricity generation for the 1st Quarter of 2018 was 16,612 million kWh, an increase of 31 million kWh over the same period of 2017 due mainly to the increase in hydroelectric generation and power generation from other renewable sources, which was particularly evident in Chile and Brazil as a result of the favorable water conditions that characterized these areas during the period under review, as well as to the acquisition of the Volta Grande plant in Brazil at the end of 2017, effects which were only partially offset by decreases in hydroelectric output in Colombia and Peru.
The reduction in thermal power generation, which was particularly evident in Chile and Argentina due to the unavailability of the plants in Tarapacá, Chile, and Costanera, Argentina, was partially offset by an increase in production in Peru.

Contribution to gross thermal generation

Millions of kWh	1st Quarter					
	2018		2017		Change	
High-sulfur fuel oil (S>0.25%)	65	1.0%	352	4.7%	(287)	-81.5%
Natural gas	5,639	84.5%	5,924	78.8%	(285)	-4.8%
Coal	912	13.7%	1,128	15.0%	(216)	-19.1%
Other fuels	60	0.9%	109	1.5%	(49)	-45.0%
Total	**6,676**	**100.0%**	**7,513**	**100.0%**	**(837)**	**-11.1%**

Gross thermal generation in the 1st Quarter of 2018 totaled 6,676 million kWh, a decrease of 837 million kWh due to a reduction in the use of natural gas seen mainly in Argentina in the 1st Quarter of 2018.

Transport of electricity

Millions of kWh	1st Quarter			
	2018	2017	Change	
Electricity transported on Enel's distribution network	**23,185**	**21,941**	**1,244**	**5.7%**
- of which Argentina	*4,627*	*4,635*	*(8)*	*-0.2%*
- of which Brazil	*9,128*	*7,859*	*1,269*	*16.1%*
- of which Chile	*4,000*	*4,001*	*(1)*	*-*
- of which Colombia	*3,409*	*3,372*	*37*	*1.1%*
- of which Peru	*2,021*	*2,074*	*(53)*	*-2.6%*

Energy transported in the 1st Quarter of 2018 totaled 23,185 million kWh, increasing by 1,244 million kWh in line with the trend in demand for electricity, particularly in Brazil, partly reflecting the consolidation of Enel Distribuição Goiás as from February 2017.

Electricity sales

Millions of kWh	1st Quarter			
	2018	2017	Change	
Energy sold by Enel	**18,844**	**19,230**	**(386)**	**-2.0%**
- of which Argentina	*3,857*	*3,865*	*(8)*	*-0.2%*
- of which Brazil	*7,804*	*7,987*	*(183)*	*-2.3%*
- of which Chile	*3,222*	*3,327*	*(105)*	*-3.2%*
- of which Colombia	*2,240*	*2,294*	*(54)*	*-2.4%*
- of which Peru	*1,721*	*1,757*	*(36)*	*-2.0%*

Electricity sold during the 1st Quarter of 2018 came to 18,844 million kWh, a decrease of 386 million kWh due essentially to a reduction in sales.

Performance

Millions of euro	1st Quarter			
	2018	2017	Change	
Revenue	3,086	3,247	(161)	-5.0%
Gross operating margin	1,012	1,087	(75)	-6.9%
Operating income	708	775	(67)	-8.6%
Capital expenditure	321	566	(245)	-43.3%

The following tables show a breakdown of performance by country.

Revenue

Millions of euro	1st Quarter			
	2018	2017	Change	
Argentina	432	365	67	18.4%
Brazil	1,060	995	65	6.5%
Chile	777	1,021	(244)	-23.9%
Colombia	527	543	(16)	-2.9%
Peru	287	321	(34)	-10.6%
Other countries	3	2	1	50.0%
Total	**3,086**	**3,247**	**(161)**	**-5.0%**

Revenue in the 1st Quarter of 2018 posted a decrease of €161 million due mainly to:

> an increase of €67 million in revenue in Argentina as a result of an increase in rates in application of the rate revision approved with the ENRE Resolution of February 1, 2017, which was partially offset by adverse exchange rate developments;

> a €65 million increase in revenue in Brazil due essentially to an increase in rates, the consolidation for the full 1st Quarter of 2018 of the revenue of Enel Distribuição Goiás (about €133 million), and an increase in revenue recognized by Enel Green Power Projetos I, the holder since September 28, 2017 of a 30-year concession for the Volta Grande hydro plant (€21 million). This increase was partially offset by adverse exchange rate developments (€157 million);

> a decrease of €244 million in revenue in Chile due essentially to the gain recognized in the 1st Quarter of 2017 on the sale of Electrogas (€151 million) as well as to adverse exchange rate developments (€53 million);

> a €16 million decrease in revenue in Colombia due essentially to adverse exchange rate developments, which was only partially offset by an increase in rates and in quantities sold;

> a decrease of €34 million in revenue in Peru due essentially to adverse exchange rate developments in the amount of €38 million.

Gross operating margin

Millions of euro	1st Quarter			
	2018	2017	Change	
Argentina	118	66	52	78.8%
Brazil	259	188	71	37.8%
Chile	286	438	(152)	-34.7%
Colombia	237	271	(34)	-12.5%
Peru	110	122	(12)	-9.8%
Other countries	2	2	-	-
Total	**1,012**	**1,087**	**(75)**	**-6.9%**

The **gross operating margin** amounted to €1,012 million, a decrease of €75 million (-6.9%) compared with the same period of 2017, reflecting:

> an increase in the gross operating margin in Argentina (€52 million) due mainly to the revised rates as mentioned above in the section on revenue;

> an increase of €72 million in the margin in Brazil, which reflects the consolidation of Enel Distribuição Goiás, which added €66 million to the gross operating margin attributable primarily to the recognition of €59 million in provisions for early retirement incentives in 2017;

- a decrease of €152 million in the gross operating margin in Chile, which mainly reflects the recognition of the capital gain in 2017 as mentioned above;
- a decrease of €34 million in the margin in Colombia, which reflected an increase in costs for the purchase of electricity on the spot market at higher prices and adverse exchange rate developments;
- a decrease of €12 million in gross operating margin in Peru.

Operating income

Millions of euro	1st Quarter			
	2018	2017	Change	
Argentina	97	42	55	-
Brazil	129	63	66	-
Chile	208	356	(148)	-41.6%
Colombia	194	225	(31)	-13.8%
Peru	79	88	(9)	-10.2%
Other countries	1	1	-	-
Total	**708**	**775**	**(67)**	**-8.6%**

Operating income for the 1st Quarter of 2018 totaled €708 million, including €304 million in depreciation, amortization and impairment losses (€312 million in the 1st Quarter of 2017), a decrease of €67 million from the same period of 2017. The decrease in depreciation, amortization and impairment losses was due to exchange rate developments.

Capital expenditure

Millions of euro	1st Quarter			
	2018	2017	Change	
Argentina	32	37	(5)	-13.5%
Brazil	143	329	(186)	-56.5%
Chile	71	79	(8)	-10.1%
Colombia	44	55	(11)	-20.0%
Peru	31	66	(35)	-53.0%
Total	**321**	**566**	**(245)**	**-43.3%**

Capital expenditure came to €321 million, down €245 million compared with the same period of the previous year. Capital expenditure in the 1st Quarter of 2018 refers primarily to work on the distribution networks in Brazil, Colombia, Argentina and Peru. The decrease compared with the 1st Quarter of 2017 is mainly attributable to the completion of a number of wind farms and solar plants in Brazil and Peru.

Europe and North Africa

Operations

Net electricity generation

Millions of kWh	1st Quarter			
	2018	2017	Change	
Thermal	9,673	10,113	(440)	-4.4%
Hydroelectric	19	14	5	35.7%
Wind	527	536	(9)	-1.7%
Other sources	28	27	1	3.7%
Total net generation	**10,247**	**10,690**	**(443)**	**-4.1%**
- of which Russia	*9,673*	*10,113*	*(440)*	*-4.4%*
- of which other countries	*574*	*577*	*(3)*	*-0.5%*

In the 1st Quarter of 2018, net electricity generation amounted to 10,247 million kWh, a decrease of 443 million kWh on the same period of 2017. This change is mainly attributable to the decrease in thermal power generation in Russia (-4.4%) due to a slight drop in plant load factor, as well as a decrease in wind power in Romania, which was only partially offset by an increase in hydroelectric power generation in Greece.

Contribution to gross thermal generation

Millions of kWh	1st Quarter					
	2018		2017		Change	
Natural gas	5,442	53.3%	5,648	52.9%	(206)	-3.6%
Coal	4,775	46.7%	5,034	47.1%	(259)	-5.1%
Total	**10,217**	**100.0%**	**10,682**	**100.0%**	**(465)**	**-4.4%**

Gross thermal generation for the 1st Quarter of 2018 posted a decrease of 465 million kWh to settle at 10,217 million kWh.

Transport of electricity

Millions of kWh	1st Quarter			
	2018	2017	Change	
Electricity transported on Enel's distribution network	3,993	3,930	63	1.6%

Electricity transported, which was concentrated entirely in Romania, posted an increase of 63 million kWh (+1.6%), going from 3,930 million kWh to 3,993 million kWh during the 1st Quarter of 2018. The increase was due mainly to an increase in volumes distributed to business customers (+92 GWh), partially offset by a reduction with residential customers (-29 GWh).

Electricity sales

Millions of kWh	1st Quarter			
	2018	2017	Change	
Free market	1,904	1,267	637	50.3%
Regulated market	860	1,210	(350)	-28.9%
Total	**2,764**	**2,477**	**287**	**11.6%**

Electricity sales in the 1st Quarter of 2018 increased by 287 million kWh, going from 2,477 million kWh to 2,764 million kWh. This increase is attributable to increased sales of electricity in Romania, where, due to the effect of the gradual market liberalization, sales on the free market in the 1st Quarter of 2018 surpassed those on the regulated market significantly.

Performance

Millions of euro	1st Quarter			
	2018	2017	Change	
Revenue	602	642	(40)	-6.2%
Gross operating margin	126	144	(18)	-12.5%
Operating income	73	91	(18)	-19.8%
Capital expenditure	36 (1)	41	(5)	-12.2%

(1) Does not include €14 million regarding units classified as "held for sale".

The following tables show a breakdown of performance by country.

Revenue

Millions of euro	1st Quarter			
	2018	2017	Change	
Romania	298	304	(6)	-2.0%
Russia	266	314	(48)	-15.3%
Other countries	38	24	14	58.3%
Total	**602**	**642**	**(40)**	**-6.2%**

Revenue in the 1st Quarter of 2018 totaled €602 million, down €40 million (-6.2%) compared with the same period of the previous year. The performance was related to the following factors:

> a €48 million decrease in revenue in Russia due mainly to the weakening of the ruble against the euro (€33 million) and to a decline in sales prices;

> a reduction of €6 million in revenue in Romania, mainly reflecting the reduction in revenue from connection fees (€4 million) due to application of IFRS 15 and a decrease in volumes transported (€2 million);

> an increase of €14 million in revenue in other countries due mainly to the increase in revenue from the sale of power by Enel Trade Croatia.

Gross operating margin

Millions of euro	1st Quarter			
	2018	2017	Change	
Romania	45	43	2	4.7%
Russia	67	90	(23)	-25.6%
Other countries	14	11	3	27.3%
Total	**126**	**144**	**(18)**	**-12.5%**

The gross operating margin amounted to €126 million, a decrease of €18 million compared with the 1st Quarter of 2017. The change is attributable to:

> a decrease of €23 million in the gross operating margin in Russia due mainly to a decrease in sales prices and the aforementioned negative impact of exchange rate developments in the amount of €9 million;
> a €2 million increase in the gross operating margin in Romania, which essentially reflects the increase in volumes of electricity sold and the increase in sales prices on both the free and the regulated markets.

Operating income

Millions of euro	1st Quarter			
	2018	2017	Change	
Romania	11	8	3	37.5%
Russia	52	75	(23)	-30.7%
Other countries	10	8	2	25.0%
Total	**73**	**91**	**(18)**	**-19.8%**

Operating income for the 1st Quarter of 2018 totaled €73 million, a decrease of €18 million compared with the same period of 2017. This change is attributable to the effects described in relation to gross operating margin given that depreciation, amortization and impairment losses were in line with the 1st Quarter of 2017.

Capital expenditure

Millions of euro	1st Quarter			
	2018	2017	Change	
Romania	25	18	7	38.9%
Russia	11	16	(5)	-31.3%
Other countries	- (1)	7	(7)	-
Total	**36**	**41**	**(5)**	**-12.2%**

(1) Does not include €14 million regarding units classified as “held for sale”.

Capital expenditure came to €36 million, down €5 million from the same period of the previous year. Capital expenditure for the 1st Quarter of 2018 mainly refers to work on the distribution networks in Romania.

North and Central America

Operations

Net electricity generation

Millions of kWh	1st Quarter			
	2018	2017	Change	
Hydroelectric	818	661	157	23.8%
Wind	2,400	1,849	551	29.8%
Other sources	169	15	154	-
Total net generation	**3,387**	**2,525**	**862**	**34.1%**
- of which United States and Canada	*1,946*	*1,318*	*628*	*47.6%*
- of which Mexico	*654*	*604*	*50*	*8.3%*
- of which Panama	*593*	*450*	*143*	*31.8%*
- of which other countries	*194*	*153*	*41*	*26.8%*

Net electricity generation in the 1st Quarter of 2018 amounted to 3,387 million kWh, an increase of 862 million kWh on the same period of 2017. The increase is mainly attributable to the increase in wind power in the United States and Canada (599 million kWh) due to the start of operations for new wind farms, to which we can add the increase in quantities generated from solar in the United States (+106 kWh) and hydroelectric sources in Panama (+130 million kWh).

Performance

Millions of euro	1st Quarter				
	2018		2017	Change	
Revenue	234		177	57	32.2%
Gross operating margin	121		113	8	7.1%
Operating income	59		62	(3)	-4.8%
Capital expenditure	262	(1)	380	(118)	-31.1%

(1) Does not include €136 million regarding units classified as “held for sale”.

The following tables show a breakdown of performance by country.

Revenue

Millions of euro	1st Quarter			
	2018	2017	Change	
United States and Canada	132	85	47	55.3%
Mexico	41	38	3	7.9%
Panama	42	38	4	10.5%
Other countries	19	16	3	18.8%
Total	**234**	**177**	**57**	**32.2%**

Revenue in the 1st Quarter of 2018 totaled €234 million, an increase of €57 million (+32.2%) compared with the same period of the previous year despite the adverse developments in exchange rates. The change was due to:

> an increase of €47 million in revenue in North America due mainly to the increase in sales for the Enel X Global Business Line in the amount of €23 million, especially by EnerNOC (€23 million) and

eMotorWerks (€2 million), both of which were acquired in the 2nd Half of 2017, as well as to the increase in revenue from tax partnerships as a result of the development of new EGPNA plants (€14 million);

> a €4 million increase in revenue in Panama due mainly to the increase in quantities of electricity sold.

Gross operating margin

Millions of euro	1st Quarter			
	2018	2017	Change	
United States and Canada	43	47	(4)	-8.5%
Mexico	30	27	3	11.1%
Panama	34	29	5	17.2%
Other countries	14	10	4	40.0%
Total	**121**	**113**	**8**	**7.1%**

The **gross operating margin** for the 1st Quarter of 2018 totaled €121 million, an increase of €8 million (+7.1%) compared with the same period of 2017. The increase can be attributed to:

> a decrease of €4 million in the margin in North America due mainly to the increase in personnel costs and costs for services incurred by EnerNOC, which was only partially offset by the increase in revenue mentioned above;

> a €5 million increase in margin in Panama as a result of the factors described above in relation to revenue and of a decrease in service and personnel costs.

Operating income

Millions of euro	1st Quarter			
	2018	2017	Change	
United States and Canada	2	21	(19)	-90.5%
Mexico	19	13	6	46.2%
Panama	31	26	5	19.2%
Other countries	7	2	5	-
Total	**59**	**62**	**(3)**	**-4.8%**

Operating income totaled €59 million, a decline of €3 million taking account of an increase of €11 million in depreciation, amortization and impairment losses connected with the start of operations of new wind farms in North America and the change in the scope of consolidation, essentially with EnerNOC.

Capital expenditure

Millions of euro	1st Quarter				
	2018		2017	Change	
United States and Canada	252		316	(64)	-20.3%
Mexico	9	(1)	40	(31)	-77.5%
Panama	1		4	(3)	-75.0%
Other countries	-		20	(20)	-
Total	**262**		**380**	**(118)**	**-31.1%**

(1) Does not include €136 million regarding units classified as “held for sale”.

Capital expenditure came to €262 million for the 1st Quarter of 2018, down €118 million from the same period of the previous year due to a decrease in capital expenditure in all Central American countries. In North America, the capital expenditure for the new Rattlesnake (€114 million), Diamond Vista (€52 million) and Hilltopper (€34 million) wind farms was not enough to offset the decrease in capital expenditure compared with the 1st Quarter of 2017.

Sub-Saharan Africa and Asia

Operations

Net electricity generation

Millions of kWh	1st Quarter			
	2018	2017	Change	
Wind	182	143	39	27.3%
Other sources	158	158	-	-
Total	**340**	**301**	**39**	**13.0%**
- of which South Africa	*306*	*246*	*60*	*24.4%*
- of which India	*34*	*55*	*(21)*	*-38.2%*

Net electricity generation amounted to 340 million kWh in the 1st Quarter of 2018, an increase of 39 million kWh on the same period of 2017. The increase is mainly attributable to the increase in power generation by the Gibson Bay plant in South Africa (+65 million kWh). Conversely, wind power in India decreased due to adverse weather conditions.

Performance

Millions of euro	1st Quarter			
	2018	2017	Change	
Revenue	24	21	3	14.3%
Gross operating margin	13	12	1	8.3%
Operating income	-	2	(2)	-
Capital expenditure	1	8	(7)	-87.5%

The following tables show a breakdown of performance by country.

Revenue

Millions of euro	1st Quarter			
	2018	2017	Change	
South Africa	22	18	4	22.2%
India	2	3	(1)	-33.3%
Total	**24**	**21**	**3**	**14.3%**

Revenue in the 1st Quarter of 2018 totaled €24 million, increasing by €3 million compared with the year-earlier period, having benefitted, above all, from the increase in output and sales of power generated by the wind farms and solar plants in South Africa.

Gross operating margin

Millions of euro	1st Quarter			
	2018	2017	Change	
South Africa	12	12	-	-
India	1	-	1	-
Other countries	-	-	-	-
Total	**13**	**12**	**1**	**8.3%**

The **gross operating margin** for the 1st Quarter of 2018 totaled €13 million, an increase of €1 million compared with the same period of 2017 as a result of the factors described above in relation to revenue.

Operating income

Millions of euro	1st Quarter			
	2018	2017	Change	
South Africa	-	4	(4)	-
India	-	(2)	2	-
Other countries	-	-	-	-
Total	**-**	**2**	**(2)**	-

Operating income decreased by €2 million, taking account of an increase of €3 million in depreciation, amortization and impairment losses.

Capital expenditure

Millions of euro	1st Quarter			
	2018	2017	Change	
South Africa	1	7	(6)	-85.7%
India	-	1	(1)	-
Total	**1**	**8**	**(7)**	**-87.5%**

Capital expenditure in the 1st Quarter of 2018 totaled €1 million, a decrease of €7 million compared with the same period of the previous year.

Other, eliminations and adjustments

Performance

Millions of euro	1st Quarter			
	2018	2017	Change	
Revenue (net of eliminations)	127	100	27	27.0%
Gross operating margin	(37)	(83)	46	55.4%
Operating income	(44)	(87)	43	49.4%
Capital expenditure	20	-	20	-

Revenue, net of eliminations, in the 1st Quarter of 2018 came to €127 million, an increase of €27 million (27.0%) compared with the same period of the previous year.
This change was essentially due to the following factors:

> the effects of the Global functions of a number of Italian companies joining the Central segment;
> a €4 million reduction in management fees on services provided to other divisions of the Group;
> a reduction in revenue (€4 million) from systems and application support services.

The **gross operating margin** for the 1st Quarter of 2018 came to a negative €37 million, improving by €46 million. The change is mainly connected with the recognition of greater capitalized costs, the changes in segment mentioned above, and the increase in per-unit margins for a number of services provided to other divisions of the Group.

The **operating loss** for the 1st Quarter of 2018 came to €44 million, an improvement of €43 million compared with the same period of the previous year as a result of the factors described above.
Depreciation, amortization and impairment losses totaled €7 million.

Capital expenditure

Capital expenditure for the 1st Quarter of 2108 increased by €20 million compared with the 1st Quarter of 2017 and mainly concerned the new Enel X business line.

Analysis of the Group's financial position

Net capital employed and related funding

The following schedule shows the composition of and changes in net capital employed:

Millions of euro

	at Mar. 31, 2018	at Dec. 31, 2017	Change	
Net non-current assets:				
- property, plant and equipment and intangible assets	91,647	91,738	(91)	-0.1%
- goodwill	13,736	13,746	(10)	-0.1%
- equity investments accounted for using the equity method	1,622	1,598	24	1.5%
- other net non-current assets/(liabilities)	(8,018)	(1,677)	(6,341)	-
Total net non-current assets	**98,987**	**105,405**	**(6,418)**	**-6.1%**
Net current assets:				
- trade receivables	14,490	14,529	(39)	-0.3%
- inventories	2,587	2,722	(135)	-5.0%
- net receivables due from institutional market operators	(3,613)	(3,912)	299	-7.6%
- other net current assets/(liabilities)	(6,865)	(6,311)	(554)	-8.8%
- trade payables	(10,664)	(12,671)	2,007	15.8%
Total net current assets	**(4,065)**	**(5,643)**	**1,578**	**28.0%**
Gross capital employed	**94,922**	**99,762**	**(4,840)**	**-4.9%**
Provisions:				
- employee benefits	(2,388)	(2,407)	19	0.8%
- provisions for risks and charges and net deferred taxes	(6,172)	(8,025)	1,853	23.1%
Total provisions	**(8,560)**	**(10,432)**	**1,872**	**17.9%**
Net assets held for sale	**341**	**241**	**100**	**41.5%**
Net capital employed	**86,703**	**89,571**	**(2,868)**	**-3.2%**
Total shareholders' equity	**48,832**	**52,161**	**(3,329)**	**-6.4%**
Net financial debt	**37,871**	**37,410**	**461**	**1.2%**

Net capital employed at March 31, 2018 amounted to €86,703 million and is funded by equity attributable to the shareholders of the Parent Company and non-controlling interests in the amount of €48,832 million and net financial debt of €37,871 million. The debt-to-equity ratio at March 31, 2018 was 0.78 (0.72 at December 31, 2017).

Analysis of the Group's financial structure

Net financial debt

The following schedule shows the composition of and changes in net financial debt:

Millions of euro

	at Mar. 31, 2018	at Dec. 31, 2017	Change	
Long-term debt:				
- bank borrowings	9,680	8,310	1,370	16.5%
- bonds	31,673	32,285	(612)	-1.9%
- other borrowings	1,714	1,844	(130)	-7.0%
Long-term debt	*43,067*	*42,439*	*628*	*1.5%*
Long-term financial receivables and securities	(2,425)	(2,444)	19	0.8%
Net long-term debt	**40,642**	**39,995**	**647**	**1.6%**
Short-term debt				
Bank borrowings:				
- short-term portion of long-term bank borrowings	1,416	1,346	70	5.2%
- other short-term bank borrowings	591	249	342	-
Short-term bank borrowings	*2,007*	*1,595*	*412*	*25.8%*
Bonds (short-term portion)	4,015	5,429	(1,414)	-26.0%
Other borrowings (short-term portion)	216	225	(9)	-4.0%
Commercial paper	2,327	889	1,438	-
Cash collateral on derivatives and other financing	484	449	35	7.8%
Other short-term financial payables (1)	48	307	(259)	-84.4%
Other short-term debt	*7,090*	*7,299*	*(209)*	*-2.9%*
Long-term financial receivables (short-term portion)	(1,313)	(1,094)	(219)	-20.0%
Factoring receivables	-	(42)	42	-
Financial receivables and cash collateral	(3,068)	(2,664)	(404)	-15.2%
Other short-term financial receivables	(2,445)	(589)	(1,856)	-
Cash and cash equivalents with banks and short term securities	(5,042)	(7,090)	2,048	28.9%
Cash and cash equivalents and short-term financial receivables	*(11,868)*	*(11,479)*	*(389)*	*-3.4%*
Net short-term debt	**(2,771)**	**(2,585)**	**(186)**	**-7.2%**
NET FINANCIAL DEBT	**37,871**	**37,410**	**461**	**1.2%**
Net financial debt of "Assets classified as held for sale"	**1,435**	**1,364**	**71**	**5.2%**

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

Net financial debt amounted to €37,871 million at March 31, 2018, an increase of €461 million on December 31, 2017.

Net long-term debt increased by €647 million, due essentially to the increase in gross debt of €628 million. With regard to the latter:

> bank borrowings amounted to €9,680 million, an increase of €1,370 million, mainly reflecting drawings on loans denominated in US dollars and Chilean pesos by Enel Chile in an amount equal to €1,260 million and drawings on bank loans denominated in US dollars by the Enel Green Power Brasil Group

in an amount equal to €119 million. The increase was partly offset by the reclassification to short term of long-term bank borrowings and exchange rate gains during the period;

> bonds amounted to €31,673 million, a decrease of €612 million on December 31, 2017. The change mainly reflects the reclassification to short term of €1,245 million in respect of a euro-denominated hybrid bond issued by Enel SpA in 2013 with an initial early redemption option in January 2019, and the equivalent of €173 million in respect of bonds denominated in local currency issued by Latin American companies, as well as exchange rate gains for the period. These decreases were partly offset by new bond issues, including the green bond issued in January 2018 by Enel Finance International in the amount of €1,250 million;
> other borrowings amounted to €1,714 million at March 31, 2018, a decrease of €130 million on December 31, 2017.

Net short-term debt showed a creditor position of €2,771 million at March 31, 2018, an increase of €186 million on the end of 2017. The change was the net result of an increase in short-term bank borrowings in the amount of €412 million, amply offset by a decrease in other short-term debt in the amount of €209 million and an increase in cash and cash equivalents and short-term financial receivables in the amount of €389 million.

Other short-term debt, totaling €7,090 million, includes commercial paper issued mainly by Enel Finance International and International Endesa BV totaling €2,327 million, as well as bonds maturing within 12 months amounting to €4,015 million.

During the 1st Quarter of 2018, two retail bonds with a total nominal value of €3,000 million were redeemed. They had been issued by Enel SpA in February 2012 with a maturity of six years.

Finally, cash collateral paid to counterparties in over-the-counter derivatives transactions on interest rates, exchange rates and commodities totaled €3,068 million, while cash collateral received from such counterparties amounted to €484 million.
Cash and cash equivalents and short-term financial receivables came to €11,868 million, up €389 million compared with the end of 2017, mainly due to the increase in other short-term financial receivables of €1,856 million and cash collateral paid of €404 million, partly offset by a decrease in cash with banks and short-term securities in the amount of €2,048 million.

Cash flows

Cash flows from operating activities in the 1st Quarter of 2018 were a positive €1,898 million, an improvement of €158 million over the same period of the previous year. The increase reflected an improvement in performance, only partly offset by an increase in uses connected with changes in net working capital.

Cash flows from investing/disinvesting activities in the 1st Quarter of 2018 absorbed funds in the amount of €1,364 million, while in the first three months of 2017 they had absorbed liquidity totaling €1,740 million.
More specifically, cash requirements in respect of investments in property, plant and equipment and in intangible assets in the 1st Quarter of 2018 amounted to €1,379 million, down €74 million compared with the same period of 2017. The decreased investment in the renewable energy sector in South America and

North and Central America was only partly offset by an increase in investment in Italy and in Iberia, due to an increase in investment on the electricity distribution grid.
Disposals of entities (or business units) less cash and cash equivalents sold amounted to €28 million and were mainly accounted for by the early all-inclusive settlement of the earn-out connected with the disposal of e-distribuzione's interest in Enel Rete Gas.
Cash flows generated by other investing/disinvesting activities in the 1st Quarter of 2018 were a positive €13 million.

Cash flows from financing activities absorbed liquidity in the amount of €2,498 million. In the first three months of 2017 they had absorbed liquidity totaling €2,449 million. The flow in the 1st Quarter of 2018 was essentially associated with the reduction of net financial debt (the net balance of repayments and new borrowing) in the amount of €1,108 million and the payment of dividends totaling €1,390 million, which include the payment of €1,068 million of the interim dividend of €0.105 per share approved by the Board of Directors of Enel SpA on November 8, 2017.

Thus, in the first three months of 2018, cash flows generated by operating activities amounted to €1,898 million, which only partly financed the requirements of investing activities totaling €1,364 million and financing activities in the amount of €2,498 million. The negative difference is reflected in the decrease in cash and cash equivalents, which at March 31, 2018 amounted to €5,114 million, compared with €7,121 million at the start of 2018. The decrease includes the impact (€43 million) of the depreciation of the various local currencies against the euro.

Significant events in the 1st Quarter of 2018

Issue of new green bond in Europe for €1,250 million

On January 9, 2018, Enel Finance International successfully placed its second green bond on the European market. It is reserved for institutional investors and is backed by a guarantee issued by Enel. The issue amounts to a total of €1,250 million and provides for repayment in a single instalment at maturity on September 16, 2026 and the payment of a fixed-rate coupon equal to 1.125%, payable annually in arrears in the month of September as from September 2018. The issue price was set at 99.184% and the effective yield at maturity is equal to 1.225%.
The transaction has received orders amounting to approximately €3 billion, with the significant participation of Socially Responsible Investors ("SRI"), enabling the Enel Group to continue to diversify its investor base. The net proceeds of the issue – carried out under the "€35,000,000,000 Euro Medium-Term Notes Program" – will be used to finance and/or refinance, in whole or in part, the eligible green projects of the Enel Group identified and/or to be identified in accordance with the "Green Bond Principles" published by the International Capital Market Association (ICMA).

Enel confirmed in ECPI sustainability indices

On January 23, 2018, Enel was confirmed for the tenth time in the ECPI Sustainability Index series, which assess companies on the basis of their environmental, social and governance (ESG) performance. Enel's inclusion in the index was recognition of its clear long-term strategic view, sound operational management practices and positive work in tackling social and environmental needs. Enel's Spanish subsidiary Endesa has also been included in ECPI Indices.
Enel has been included in four of ECPI's indices:

> ECPI Global Renewable Energy Equity Index, which selects the 40 highest ESG-rated companies active in the production or trading of energy from renewable sources;
> ECPI Global Climate Change Equity Index, which offers investors exposure to companies that are best placed to seize the opportunities presented by the challenge of climate change;
> ECPI Euro ESG Equity Index, which is composed of the 320 companies with the largest market capitalization in the Eurozone market that meet ECPI ESG criteria;
> ECPI World ESG Equity Index, a broad benchmark representative of developed market companies that meet ECPI ESG criteria.

The ECPI Index series provides an essential tool to analyze companies' risk and performance regarding their ESG-related activities and to assess the performance of sustainability-driven asset managers. The socially responsible criteria used to select the indices' constituents enable investors to express their interest in sustainability issues and to move them up the corporate agenda.

Memorandum of understanding with PwC

On January 25, 2018, Enel X and PwC signed a memorandum of understanding for the development of corporate electric mobility with a program of testing and experimental projects. The agreement has a term of about three years and provides for a preliminary phase of studies and analysis, followed by the implementation of pilot projects in the field.
The objective is to foster the sustainable development of the transport sector, in particular the business sector, exploiting the potential offered by electric mobility in terms of reducing atmospheric pollution and

fleet management costs. The test will be carried out with the PwC fleet with the aim of overturning the idea that electric vehicles can only be used by private individuals and in urban areas. PwC will also provide Enel X with its expertise in the field of electric mobility and fleet management for the development of innovative solutions in managing corporate fleets. In fact, e-cars could easily become part of the corporate world, given that almost half of company vehicles travel less than 100 kilometers a day, well below the average range of electric models on the market. The agreement between Enel and PwC will therefore enable them to share their respective know-how and spread the culture of electric cars in corporate fleets among the companies in the PwC network in Italy.

Agreement to supply power in Nevada

On January 25, 2018, Enel Green Power North America ("EGPNA") signed a Power Purchase Agreement (PPA) with Wynn Las Vegas whereby the resort, located on the world-famous Las Vegas Strip, will buy the energy produced by EGPNA's new 27 MW Wynn Solar Facility at Stillwater. The new solar project, currently under construction in Nevada, is expected to start production by the 1st Half of 2018.
The investment in the construction of the new, 160-acre solar PV facility amounts to approximately $40 million, in line with the investment outlined in Enel's current strategic plan. The total output that will be produced by the PV plant and sold under the PPA with the Las Vegas resort is expected to amount to over 43,900 MWh annually.

Yankee Bond Award 2017

On January 31, 2018, Enel was recognized by International Financing Review (IFR), a leading provider of global capital markets intelligence, with the 2017 Yankee Bond award for its $5 billion triple-tranche bond issued in May 2017, which is the largest ever US bond issued by an Italian corporate.
IFR praised Enel for the outstanding execution and pricing of the deal, the company's first US dollar foray since 2013. The transaction followed a concerted marketing approach implemented over more than four years, during which Enel updated US investors on a regular basis, making them aware of the fundamental strengths of Enel's business.

Agreement for acquisition of Parques Eólicos Gestinver

On February 2, 2018 Enel Green Power España ("EGPE") signed an agreement to purchase 100% of Parques Eólicos Gestinver, a company that owns five wind plants in Galicia and Catalonia with a total capacity of about 132 MW, from the Spanish companies Elawan Energy and Genera Avante for a total price of €178 million.
Following the closing, which is scheduled to take place in the 1st Half of 2018 and subject to a series of normal conditions for this type of transaction, the installed capacity of EGPE in Spain will exceed 1,806 MW, of which 1,749 MW of wind power (about 8% of total installed wind capacity in Spain), 43 MW of mini-hydro and 14 MW from other renewable resources.

Partnership agreement in Canada

On February 7, 2018, Enel Green Power North America ("EGPNA") signed a partnership agreement with Alberta Investment Management Corporation under which the Group will sell 49% of the shares in the 115 MW Riverview wind farm and the 30.6 MW Phase 2 of Castle Rock Ridge wind farm, both to be built in

Alberta, Canada. The total price for the transaction, which will be paid upon closing of the deal, will be determined at commercial operation of the wind farm, which is expected by the end of 2019. Following the closing of the transaction, EGPNA will manage, operate and maintain both wind farms while retaining a 51% majority ownership of the interest in the projects.

Riverview Wind and Phase 2 of Castle Rock Ridge, which is an expansion of EGPNA's existing 76.2 MW Castle Rock Ridge wind farm, are both located in Pincher Creek, Alberta. The overall investment in the construction of the two wind farms, which are due to enter into service by the end of 2019, amounts to about $170 million. Once operational, the two facilities are expected to generate around 555 GWh per year, more than doubling the Group's capacity in Canada, which currently stands at more than 103 MW. The two wind farms will supply their power and renewable energy credits to the Alberta Electric System Operator ("AESO") under two 20-year Renewable Energy Support Agreements that were awarded to Enel in December 2017 in the first tender under the Province's Renewable Electricity Program.

Contract to supply demand response services in Japan

On February 8, 2018, Enel X, acting through its US demand response services company EnerNOC, was awarded the delivery of 165 MW of demand response resources in Japan following the completion of a tender for balancing reserves launched by a group of Japanese utilities.

As a result of this award, which confirms Enel as the largest independent demand response aggregator in Japan, the Group will nearly triple its virtual power plant in the Japanese market, reaching approximately 165 MW from the current 60 MW, equivalent to a market share of 17%, when the new programs begin in July 2018.

"Corporate Governance 2018" award

On February 12, 2018, *Ethical Boardroom*, a leading specialized UK magazine, recognized Enel with the 2018 Corporate Governance Award for Europe in the "Utilities" industry sector. The magazine, which covers and analyses global governance issues, praised Enel's sustainability standards and corporate governance best practices. Enel was nominated for the award by the magazine's readers, which include top executives from leading global listed companies and sustainability analysts from major institutional investors. Enel is the only Italian company in this year's *Ethical Boardroom* corporate governance awards edition.

Memorandum of understanding for sustainable mobility in the tourist industry in Italy

On February 15, 2018, Enel and the Ministry for Cultural Heritage signed a memorandum of understanding for the promotion and development of the use of electricity for sustainable mobility in the tourism sector. The memorandum is a strategic lever for increasing public awareness of the benefits of electric mobility. It will also permit the creation of an institutional framework for subsequent commercial agreements with trade associations for the installation of electric charging infrastructure at tourist facilities and the launch of projects in the main tourist cities.

Enel, through Enel X, the Group company dedicated to the development of innovative products and services, will collaborate with trade associations and tourism industry bodies to install electric charging stations at tourist accommodations using tailored commercial solutions and on research and design for replicable solutions to be extended to other areas of the Italian peninsula.

Enel will also experiment with electric mobility systems in metropolitan areas and in the main tourist cities, including arrangements in partnership with other operators in the industry.

Fortaleza - Brazil

The company Petroleo Brasileiro SA ("Petrobras"), the gas supplier for the Fortaleza plant (Central Geradora Termelectrica Fortaleza - "CGTF") in Brazil, announced its intention to terminate the contract between the parties on the basis of an alleged economic-financial imbalance in consideration of current market conditions. The contract was signed in 2003 as part of the "Thermoelectric priority program" established by the Brazilian government to increase thermal generation and enhance supply security in the country. The program provided for the Brazilian State to be the guarantor of the supply of gas at regulated prices determined by the Ministry of Finance, Mines and Energy.
CGTF, in order to guarantee electricity security in Brazil, started legal action against Petrobras and at the end of 2017 obtained a precautionary injunction from the courts that suspended the termination of the contract, which was declared to be still in effect.
At the end of January 2018, CGTF received the arbitration request from Petrobras concerning the disputes described above and this proceeding is in the preliminary stages.
Subsequently, on February 27, 2018, the court decided to extinguish the action initiated by CFTG before the ordinary courts and, consequently, to revoke the precautionary injunction that had allowed the supply of gas.
CGTF has challenged this last decision in order to restore the gas supply, confident that the court recognizes Petrobras' obligation to perform the contract.

Construction of new wind farm in the United States

Enel, acting through its US renewable energy company Enel Green Power North America, has started construction of Diamond Vista wind farm, which will have an installed capacity of around 300 MW and will be located in Marion and Dickinson Counties, in Kansas. Once completed, Diamond Vista will further secure Enel's position as the largest wind operator in the state with some 1,400 MW of operational wind capacity.
The planned investment in the construction of Diamond Vista amounts to about $400 million and is part of the investment outlined in the Enel Group's current strategic plan. The project is financed through the Enel Group's own resources. The project is expected to enter into service by the end of 2018 and, once fully operational, will be able to generate around 1,300 GWh annually.

e-distribuzione wins tender of Ministry for Economic Development for the construction of smart grids

e-distribuzione has won a national call for tenders for electricity infrastructure for the construction of smart grids for the distribution of electricity in the less developed regions, for which the Ministry for Economic Development has allocated €80 million to the National Operational Programme (NOP) on "Enterprises and Competitiveness" 2014-2020.
The tender calls for the construction, upgrading, efficiency enhancement and strengthening of electricity distribution infrastructure, or smart grids, in order to directly increase the share of electricity demand met by distributed generation from renewables. To reach this goal, e-distribuzione was awarded all of the resources currently allocated by the Ministry for Economic Development to finance the initiative, with 21

projects admitted for funding (grants for 100% of costs) totaling €80 million, with two projects worth €7 million in Basilicata, seven projects worth €29 million in Campania and 12 projects worth €44 million in Sicily.

Seizure of Brindisi plant

On September 28, 2017, Enel Produzione was notified of the decision issued by the investigating magistrate of Lecce ordering the seizure of the thermoelectric power plant of Brindisi-Cerano.
The measure is part of a criminal investigation initiated by the Public Prosecutor's Office of the Court of Lecce concerning the use of fly ash, i.e. that produced by the combustion of coal and captured by the smoke abatement systems of the plant, in the cement industry. The investigation also involves Cementir, a cement company to which the ash was sent for cement production, and ILVA, which provided Cementir with other residues for cement production.
Within the scope of the enquiry, a number of executives/employees of the company are being investigated for illegal waste disposal and unauthorized blending of waste.
In order to enable plant operations to continue, the seizure order authorizes the Brindisi power station to continue generation for 60 days (subsequently extended until February 24, 2018), subject to certain technical requirements intended, according to the accusations, to remove the alleged ash management deficiencies. Enel Produzione has been charged under the provisions of Legislative Decree 231/01 with the same offenses of which the company's executives/employees are accused. Following the charges, as provided for by law, the investigating magistrate of Lecce also ordered the seizure of approximately €523 million, equivalent to the profit that the Lecce Public Prosecutor conducting the investigation alleges was generated through the illegal handling of the ash.
The seizure order appointed two custodians in order to monitor compliance with the technical measures mentioned earlier.
Enel Produzione has informed the investigating magistrate that the plant is operated in accordance with industry regulations and the highest international technology standards, as well as with a cycle for the production and reuse of residues that is identical to that adopted in the most efficient power plants in Europe and the world, in compliance with the most modern environmental requirements intended to promote a circular economy. Analyses of the ash prior to seizure and those conducted afterwards have consistently confirmed the non-hazardous nature of the material and therefore the legitimacy of the manner in which they have been handled. Enel Produzione, although not agreeing with the allegations, has nevertheless expressed its full willingness, in agreement with the investigating magistrate and the custodians, to rapidly implement technical solutions for the execution of the requirements imposed with the seizure order that take account of the operational and logistical complexities associated with their implementation and the associated risks to the national electricity system. In this regard, with the request for an extension of the use of the power station on November 15, 2017, Enel Produzione asked for authorization to test a management approach that would separate the ash by operational stage, thereby enabling the implementation of the provision of the order. Subsequently, following the testing, the company obtained an extension of another 90 days until February 24, 2018.
In the meantime, the prosecutor, in view of the need to proceed with evidence gathering with a technical enquiry into the facts of the case, asked the investigating magistrate to move ahead with this stage. At the hearing of February 2, 2018, the magistrate assigned the engagement to the technical experts, giving them 150 days to file their report.
The technical enquiry is continuing. In the meantime, following the petition filed by Enel Produzione on April 19, 2018 and taking account of the need to ensure the continued operation of the plant, the

investigating magistrate authorized the company to adopt management approach referred to earlier, which separates the ash by operational stage, thereby implementing the requirements of the seizure order, an authorization that will not have to be renewed.

Entry into service of largest photovoltaic plant in Peru

On March 21, 2018, Enel, acting through the Peruvian renewable energy subsidiary Enel Green Power Perú, began operations at the 180 MW Rubí photovoltaic plant, Peru's largest solar plant and Enel's first solar facility in the country.

Enel invested about $170 million in the construction of Rubí, as part of the investments outlined in the company's current Strategic Plan. The project, which is located in Peru's Mariscal Nieto province, was financed in part through Enel Group's own resources and in part by the European Investment Bank. The power will be sold under a 20-year power purchase agreement signed with Peru's Ministry of Energy and Mines. Once fully operational, Rubí will be able to generate around 440 GWh per year, which will be delivered to the Peru's National Interconnected Electricity System (SEIN).

Enel: successful outcome of corporate reorganization in Chile

On March 26, 2018, Enel successfully completed the public tender offer (the Offer) launched by Enel Chile for all of the shares of the subsidiary Enel Generación Chile held by the non-controlling shareholders of the latter. The effectiveness of the Offer was subject to the acquisition of a total number of shares that would enable Enel Chile to increase its holding in Enel Generación Chile to more than 75% of share capital from the previous 60%. The Offer was accepted by holders of shares equal to about 33.6% of the share capital of Enel Generación Chile, thereby enabling Enel Chile to increase its interest in Enel Generación Chile to 93.55% of the share capital. The operation was part of the simplification of the Group, one of the five key pillars of the Strategic Plan. Enel intends to continue reducing the number of operating companies in South America, with the goal of reaching fewer than 30 operating companies in the region by 2020, compared with the 53 present in the area at the end of 2017.

On March 25, 2018, the date of publication of the notice of the outcome of the Offer (*aviso de resultado*), the acceptance of the Offer of Enel Chile by the non-controlling shareholders of Enel Generación Chile who participated took effect. Following the reorganization described above, Enel's direct and indirect interest in Enel Chile is equal to about 62% of the share capital of the latter, compared with 60.6% previously held.

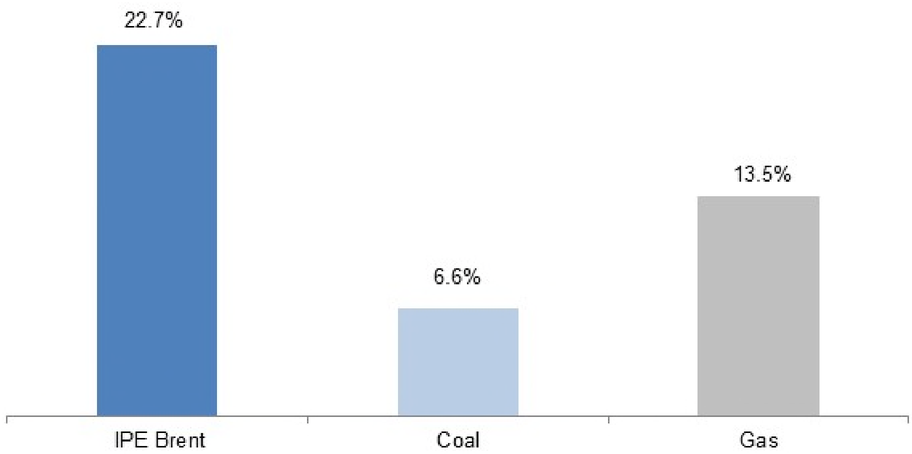
Reference scenario

Developments in the main market indicators

	1st Quarter	
	2018	2017
Market indicators		
Average IPE Brent oil price ($/bbl)	67.1	54.7
Average price of CO_2 (€/ton)	9.8	5.2
Average price of coal ($/t CIF ARA) (1)	86.8	81.4
Average price of gas (€/MWh) (2)	21.0	18.5
Average dollar/euro exchange rate	1.229	1.065
Six-month Euribor (average for the period)	0.27%	0.24%

(1) API#2 index.
(2) TTF index.

Change in average fuel prices in the 1st Quarter of 2018 compared with the 1st Quarter of 2017



Electricity and natural gas markets

Electricity demand

GWh	1st Quarter		
	2018	2017	Change
Italy	**81,120**	**80,121**	**1.2%**
Spain	66,585	64,149	3.8%
Portugal	13,594	12,987	4.7%
France	142,520	144,092	-1.1%
Greece	12,159	12,592	-3.4%
Romania	16,900	16,383	3.2%
Russia	220,745	216,356	2.0%
Slovakia	8,004	8,293	-3.5%
Argentina	35,610	35,809	-0.6%
Brazil	147,333	149,011	-1.1%
Chile	18,550	18,029	2.9%
Colombia	16,465	16,215	1.5%

Source: national TSOs.

In the first three months of 2018, electricity demand in Italy increased by 1.2%, accompanied by strong growth in demand in Spain (2.9%) compared with the same period of 2017. In both cases the rise was mainly attributable to temperatures that were well below their seasonal averages in February and March.
In Eastern Europe, strong growth was posted in Russia (+2.0%) and Romania (3.2%).
As regards Latin America, electricity demand fell in Argentina (-0.6) and Brazil (-1.1%) but grew in Chile and Colombia (by 2.9% and 2.6%, respectively).

Electricity prices

	Average baseload price 1st Quarter of 2018 (€/MWh)	Change in average baseload price 1st Quarter of 2018 - 1st Quarter of 2017	Average peakload price 1st Quarter of 2018 (€/MWh)	Change in average peakload price 1st Quarter of 2018 - 1st Quarter of 2017
Italy	**54.3**	**-5.4%**	**62.6**	**-5.7%**
Spain	48.3	-12.8%	53.5	-14.1%
Russia	15.9	-10.2%	18.3	-8.0%
Slovakia	48.3	-12.8%	38.3	-15.5%
Brazil	41.5	-5.1%	31.8	-51.7%
Chile	53.1	-12.1%	88.0	-27.8%
Colombia	40.3	-0.6%	39.3	-38.4%

Natural gas demand

Millions of m^3	1st Quarter			
	2018	2017	Change	
Italy	25,377	25,469	-92.0	-0.4%
Residential and civil uses	15,049	14,321	728	5.1%
Industry and services	3,803	3,777	26	0.7%
Thermal generation	5,996	6,791	(795)	-11.7%
Other (1)	529	580	(51)	-8.8%
Total Italy	**25,377**	**25,469**	**(92)**	**-0.4%**
Spain	**8,737**	**8,304**	**433**	**5.2%**

(1) Includes other consumption and losses.
Source: Enel based on data from the Ministry for Economic Development and Snam Rete Gas.

Natural gas demand in Italy in the 1st Quarter of 2018 amounted to 25.4 billion cubic meters, a slight contraction (0.4%) on the same period of 2017. Consumption for residential uses rose by 5.1% on the 1st Quarter of 2017 thanks to lower-than-average temperatures in February and March. The contraction in consumption for thermal generation was especially sharp (-11.7%), reflecting an increase in generation from renewable sources.
Spain saw demand rise substantially (+5.2%), here too thanks to colder temperatures in the 1st Quarter.

Italy

Domestic electricity generation and demand

Millions of kWh	1st Quarter			
	2018	2017	Change	
Net electricity generation:				
- thermal	48,817	52,557	(3,740)	-7.1%
- hydroelectric	8,584	7,701	883	11.5%
- wind	6,089	5,268	821	15.6%
- geothermal	1,433	1,459	(26)	-1.8%
- photovoltaic	3,771	4,596	(825)	-18.0%
Total net electricity generation	**68,694**	**71,581**	**(2,887)**	**-4.0%**
Net electricity imports	13,533	9,206	4,327	47.0%
Electricity delivered to the network	**82,227**	**80,787**	**1,440**	**1.8%**
Consumption for pumping	(701)	(666)	(35)	-5.3%
Electricity demand	**81,526**	**80,121**	**1,405**	**1.8%**

Source: Terna - Rete Elettrica Nazionale (monthly report – March 2018).

Electricity demand in Italy in the 1st Quarter of 2018 rose slightly (1.8%) from its level in the same period of 2017, reaching 81.5 TWh. Of total electricity demand, 83.4% was met by net domestic electricity generation for consumption (88.5% in the 1st Quarter of 2017) with the remaining 16.6% being met by net electricity imports (11.5% in the 1st Quarter of 2017).

The substantial increase in *net imports* in the 1st Quarter of 2018 (up 4.3 TWh, or 47.0%, on the same period of 2017) reflected the lower prices of imported power, which made domestic thermal generators less competitive, and the increase in electricity demand.

Against this background of more competitive generators in surrounding countries compared with supplies from national generators, *net electricity generation* in the 1st Quarter of 2018 declined by 4.0% (-2.9 TWh) to 68.7 TWh. More specifically, the decrease in thermal generation (-3.7 TWh) and photovoltaic output (-0.8 TWh) was only partly offset by an increase in hydro generation (+0.9 TWh) and wind generation (+0.8 TWh).

Spain

Electricity generation and demand in the peninsular market

Millions of kWh	1st Quarter			
	2018	2017	Change	
Net electricity generation	65,764	64,251	1,513	2.4%
Consumption for pumping	(1,373)	(1,329)	(44)	-3.3%
Net electricity exports [1]	1,628	1,227	401	32.7%
Electricity demand	**66,019**	**64,149**	**1,870**	**2.9%**

(1) Includes the balance of trade with the extra-peninsular system.
Source: Red Eléctrica de España (*Series estadísticas nacionales – Balance eléctrico* – March 2018 report). The volumes reported for the 1st Quarter of 2017 are updated to March 31, 2017.

Electricity demand in the peninsular market in the 1st Quarter of 2018 increased by 2.9% compared with the same period of 2017, to 66.0 TWh. Only part of that demand was met with net domestic generation.

Net electricity exports in the 1st Quarter of 2018 increased from their level in the 1st Quarter of 2017.

Net electricity generation in the 1st Quarter of 2018 posted an increase of 2.4% (+1.5 TWh). The change is essentially attributable to the sharp rise in demand.

Electricity generation and demand in the extra-peninsular market

Millions of kWh	1st Quarter			
	2018	2017	Change	
Net electricity generation	3,118	3,299	(181)	-5.5%
Net electricity imports	277	240	37	15.4%
Electricity demand	**3,395**	**3,539**	**(144)**	**-4.1%**

Source: Red Eléctrica de España (*Series estadísticas nacionales – Balance eléctrico* – March 2018 report). The volumes reported for the 1st Quarter of 2017 are updated to March 31, 2017.

Electricity demand in the extra-peninsular market in the 1st Quarter of 2018 decreased by 4.1% compared with the 1st Quarter of 2017 to 3.4 TWh.

Net electricity imports in the 1st Quarter of 2018 amounted to 0.3 TWh and regarded trade with the Iberian peninsula.

Net electricity generation in the 1st Quarter of 2018 fell by 5.5% compared with the same period of the previous year.

Outlook

Enel Group's 2018-2020 Strategic Plan, presented in November 2017, confirms that digitization and customer focus remain major enabling factors for the Group's strategy. The Strategic Plan envisages:

> **€5.3 billion in investment to digitize** the Enel Group's asset base, operations and processes and enhance the Group's connectivity;
> **a strong customer focus,** leveraging, in the retail sector and in the new services offered by Enel X, 67 million final customers, of which about 35 million free power and gas customers forecast for 2020;
> **a continuing effort to boost operational efficiency**, driven in part by investments in digitization;
> **sustainable long-term industrial growth**, leveraging the flexible reallocation of incremental capital towards mature economies;
> **Group simplification,** with the rationalization of the operating companies in South America and the streamlining of the ownership structure of subsidiaries, and active portfolio management, with a renewed focus on minority buy-outs. Share buy-backs of up to €2 billion remain an option;
> **creating sustainable long-term value**, with the Group having strengthened its commitment to SDG 4 (quality education), SDG 7 (clean and accessible energy), SDG 8 (decent work and economic growth), and SDG 13 (climate action).

In 2018, the Enel Group expects:

> the continuation of investments in **digitization**, supported by the installation of second-generation smart meters in Italy and Iberia. The roll-out of the optical fiber network undertaken by OpEn Fiber will also be accelerated;
> a contribution from the **customer focus** strategy on a global scale and the acceleration of Enel X's activity in the flexibility and electric mobility businesses;
> significant progress in **operational efficiency**, supported by digitization;
> a contribution from **industrial growth**, focused on networks and renewables;
> additional progress in **Group simplification and active portfolio management**.

Condensed consolidated quarterly financial statements at March 31, 2018

Condensed Consolidated Income Statement

Millions of euro	Notes	1st Quarter	
		2018	2017
Total revenue	5.a	18,946	19,366
Total costs	5.b	16,444	17,091
Net income/(expense) from commodity contracts measured at fair value	5.c	36	250
Operating income		**2,538**	**2,525**
Financial income		1,045	569
Financial expense		1,611	1,233
Total net financial income/(expense)	5.d	**(566)**	**(664)**
Share of income/(losses) from equity investments accounted for using the equity method	5.e	**37**	**39**
Income before taxes		**2,009**	**1,900**
Income taxes	5.f	481	596
Net income from continuing operations		**1,528**	**1,304**
Net income from discontinued operations		**-**	**-**
Net income for the period (shareholders of the Parent Company and non-controlling interests)		**1,528**	**1,304**
Attributable to shareholders of the Parent Company		1,169	983
Attributable to non-controlling interests		359	321
Basic earnings/(loss) per share attributable to shareholders of the Parent Company (euro)		*0.11*	*0.10*
Diluted earnings/(loss) per share attributable to shareholders of the Parent Company (euro)		*0.11*	*0.10*
Basic earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)		*0.11*	*0.10*
Diluted earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)		*0.11*	*0.10*

Statement of Consolidated Comprehensive Income

Millions of euro	1st Quarter	
	2018	2017
Net income for the period	**1,528**	**1,304**
Other comprehensive income recyclable to profit or loss (net of taxes)		
Effective portion of change in the fair value of cash flow hedges	(145)	159
Share of the other comprehensive income of equity investments accounted for using the equity method	2	(2)
Change in the fair value of financial assets available for sale	-	22
Change in translation reserve	(293)	50
Other comprehensive income/(loss) for the period	**(436)**	**229**
Comprehensive income/(loss) for the period	**1,092**	**1,533**
Attributable to:		
- shareholders of the Parent Company	755	1,128
- non-controlling interests	337	405

Condensed Consolidated Balance Sheet

Millions of euro

	Notes	at Mar. 31, 2018	at Dec. 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment and intangible assets		91,647	91,738
Goodwill		13,736	13,746
Equity investments accounted for using the equity method		1,622	1,598
Other non-current assets (1)		13,432	12,122
Total non-current assets	6.a	**120,437**	**119,204**
Current assets			
Inventories		2,587	2,722
Trade receivables		14,490	14,529
Cash and cash equivalents		4,984	7,021
Other current assets (2)		12,859	10,195
Total current assets	6.b	**34,920**	**34,467**
Assets held for sale	6.c	**2,088**	**1,970**
TOTAL ASSETS		**157,445**	**155,641**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to the shareholders of the Parent Company	6.d	31,854	34,795
Non-controlling interests		16,978	17,366
Total shareholders' equity		**48,832**	**52,161**
Non-current liabilities			
Long-term borrowings		43,067	42,439
Provisions and deferred tax liabilities		14,859	15,576
Other non-current liabilities		11,533	5,001
Total non-current liabilities	6.e	**69,459**	**63,016**
Current liabilities			
Short-term borrowings and current portion of long-term borrowings		9,098	8,894
Trade payables		10,664	12,671
Other current liabilities		17,645	17,170
Total current liabilities	6.f	**37,407**	**38,735**
Liabilities held for sale	6.g	**1,747**	**1,729**
TOTAL LIABILITIES		**108,613**	**103,480**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**157,445**	**155,641**

(1) Of which long-term financial receivables and other securities at March 31, 2018 equal to €2,044 million (€2,062 million at December 31, 2017) and €381 million (€382 million at December 31, 2017), respectively.
(2) Of which short-term portion of long-term financial receivables, short-term financial receivables and other securities at March 31, 2018 equal to €1,313 million (€1,095 million at December 31, 2017), €5,507 million (€3,295 million at December 31, 2017) and €64 million (€69 million at December 31, 2017), respectively.

Statement of Changes in Consolidated Shareholders' Equity

	Share capital and reserves attributable to the shareholders of the Parent Company														
Millions of euro	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserve from translation of financial statements in currencies other than euro	Reserve from measurement of cash flow hedge financial instruments	Reserve from measurement of financial instruments AFS	Reserve from equity investments accounted for using the equity method	Reserve from remeasurement of net defined benefit plan liabilities/(assets)	Reserve from disposal of equity interests without loss of control	Reserve from transactions in non-controlling interests	Retained earnings and loss carried forward	**Equity attributable to the shareholders of the Parent Company**	**Non-controlling interests**	**Total shareholders' equity**
At January 1, 2017	**10,167**	**7,489**	**2,034**	**2,262**	**(1,005)**	**(1,448)**	**106**	**(12)**	**(706)**	**(2,398)**	**(1,170)**	**19,484**	**34,803**	**17,772**	**52,575**
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**(195)**	**(195)**
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	-	-	**(13)**	**(13)**
Comprehensive income for the period	-	-	-	-	(37)	163	22	(3)	-	-	-	983	**1,128**	**405**	**1,533**
of which: - other comprehensive income/(loss) for the period	-	-	-	-	(37)	163	22	(3)	-	-	-	-	**145**	**84**	**229**
- net income/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	983	**983**	**321**	**1,304**
At March 31, 2017	**10,167**	**7,489**	**2,034**	**2,262**	**(1,042)**	**(1,285)**	**128**	**(15)**	**(706)**	**(2,398)**	**(1,170)**	**20,467**	**35,931**	**17,969**	**53,900**
At January 1, 2018	**10,167**	**7,489**	**2,034**	**2,262**	**(2,614)**	**(1,588)**	**(23)**	**(5)**	**(646)**	**(2,398)**	**(1,163)**	**21,280**	**34,795**	**17,366**	**52,161**
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**(207)**	**(207)**
Application of new accounting standards	-	-	-	-	-	-	-	-	-	-	-	(3,696)	**(3,696)**	**(571)**	**(4,267)**
Transactions in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**53**	**53**
Comprehensive income for the period	-	-	-	-	(244)	(172)	-	2	-	-	-	1,169	**755**	**337**	**1,092**
of which: - other comprehensive income/(loss) for the period	-	-	-	-	(244)	(172)	-	2	-	-	-	-	**(414)**	**(22)**	**(436)**
- net income/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	1,169	**1,169**	**359**	**1,528**
At March 31, 2018	**10,167**	**7,489**	**2,034**	**2,262**	**(2,858)**	**(1,760)**	**(23)**	**(3)**	**(646)**	**(2,398)**	**(1,163)**	**18,753**	**31,854**	**16,978**	**48,832**

Condensed Consolidated Statement of Cash Flows

Millions of euro	1st Quarter	
	2018	2017
Income before taxes	**2,009**	**1,900**
Adjustments for:		
Depreciation, amortization and impairment losses	1,499	1,389
Financial (income)/expense	566	664
Net income from equity investments accounted for using equity method	(37)	(39)
Changes in net current assets:		
- inventories	*122*	*(54)*
- trade receivables	*(484)*	*286*
- trade payables	*(1,984)*	*(1,099)*
- other assets and liabilities	*815*	*(313)*
Interest and other financial expense and income paid and received	(445)	(649)
Other changes	(163)	(345)
Cash flows from operating activities (A)	**1,898**	**1,740**
Investments in property, plant and equipment and intangible assets	(1,379)	(1,453)
Investments in entities (or business units) less cash and cash equivalents acquired	-	(679)
Disposals of entities (or business units) less cash and cash equivalents sold	28	-
(Increase)/Decrease in other investing activities	(13)	165
Cash flows from (investing)/disinvesting activities (B)	**(1,364)**	**(1,967)**
New issues of long-term financial debt	3,132	2,075
Repayments and other changes in net financial debt	(4,240)	(3,233)
Receipts/(Outlays) for transactions in non-controlling interests	-	(2)
Dividends and interim dividends paid	(1,390)	(1,289)
Cash flows from financing activities (C)	**(2,498)**	**(2,449)**
Impact of exchange rate fluctuations on cash and cash equivalents (D)	**(43)**	**(3)**
Increase/(Decrease) in cash and cash equivalents (A+B+C+D)	**(2,007)**	**(2,679)**
Cash and cash equivalents and short-term securities at the beginning of the period (1)	7,121	8,326
Cash and cash equivalents and short-term securities at the end of the period (2)	5,114	5,647

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

(2) Of which cash and cash equivalents equal to €4,984 million at March 31, 2018 (€5,602 million at March 31, 2017), short-term securities equal to €58 million at March 31, 2018 (€45 million at March 31, 2017) and cash and cash equivalents pertaining to "Assets held for sale" equal to €72 million at March 31, 2018.

Notes to the condensed consolidated quarterly financial statements at March 31, 2018

1. Accounting policies and measurement criteria

The accounting standards adopted, the recognition and measurement criteria and the consolidation criteria and methods used for the condensed consolidated financial statements at March 31, 2018 are the same as those adopted for the consolidated financial statements at December 31, 2017. Please see those financial statements for more information. In addition, since January 1, 2018, the following standards and amendments of existing standards have become applicable to the Enel Group.

> "IFRS 9 - Financial instruments", the final version was issued on July 24, 2014, replacing the existing "IAS 39 - Financial instruments: recognition and measurement" and supersedes all previous versions of the new standard. The standard will take effect as from January 1, 2018 and early application will be permitted.
The final version of IFRS 9 incorporates the results of the three phases of the project to replace IAS 39 concerning classification and measurement, impairment and hedge accounting.
As regards the classification of financial instruments, IFRS 9 provides for a single approach for all types of financial asset, including those containing embedded derivatives, under which financial assets are classified in their entirety, without the application of complex subdivision methods.
In order to determine how financial assets should classified and measured, consideration must be given to the business model used to manage its financial assets and the characteristics of the contractual cash flows. In this regard, a business model is the manner in which an entity manages its financial assets in order to generate cash flows, i.e. collecting contractual cash flows, selling the financial assets or both.
Financial assets are measured at amortized cost if they are held in a business model whose objective is to collect contractual cash flows and are measured at fair value through other comprehensive income (FVTOCI) if they are held with the objective of both collecting contractual cash flows and selling the assets. This category enables the recognition of interest calculated using the amortized cost method through profit or loss and the fair value of the financial asset through OCI.
Financial assets at fair value through profit or loss (FVTPL) is now a residual category that comprises financial instruments that are not held under one of the two business models indicated above, including those held for trading and those managed on the basis on the basis of their fair value.
As regards the classification and measurement of financial liabilities, IFRS 9 maintains the accounting treatment envisaged in IAS 39, making limited amendments, for which most of such liabilities are measured at amortized cost. It is still permitted to designate a financial liability as at fair value through profit or loss if certain requirements are met.
The standard introduces new provisions for financial liabilities designated as fair value through profit or loss, under which in certain circumstances the portion of changes in fair value due to own credit risk shall be recognized through OCI rather than profit or loss. This part of the standard may be applied early, without having to apply the entire standard.
Since during the financial crisis the impairment approach based on "incurred credit losses" had displayed clear limitations connected with the deferral of the recognition of credit losses until the occurrence of a trigger event, the standard proposes a new model that gives users of financial statements more information on "expected credit losses".
In essence the model provides for:

- the application of a single framework for all financial assets;
- the recognition of expected credit losses on an ongoing basis and the updating of the amount of such losses at the end of each reporting period, with a view to reflecting changes in the credit risk of the financial instrument;
- the measurement of expected losses on the basis of reasonable information, obtainable without undue cost, about past events, current conditions and forecasts of future conditions;
- an improvement of disclosures on expected losses and credit risk.

IFRS 9 also introduces a new approach to hedge accounting, with the aim of aligning hedge accounting more closely with risk management, establishing a more principle-based approach. The new hedge accounting approach will enable entities to reflect their risk management activities in the financial statements, extending the criteria for eligibility as hedged items to the risk components of non-financial elements, to net positions, to layer components and to aggregate exposures (i.e., a combination of a non-derivative exposure and a derivative). The most significant changes regarding hedging instruments compared with the hedge accounting approach used in IAS 39 involve the possibility of deferring the time value of an option, the forward element of forward contracts and currency basis spreads (i.e. "hedging costs") in OCI up until the time in which the hedged element impacts profit or loss. IFRS 9 also eliminates the requirement for testing effectiveness under which the results of the retrospective test needed to fall with a range of 80%-125%, allowing entities to rebalance the hedging relationship if risk management objectives have not changed.

Finally, IFRS 9 does not replace the provisions of IAS 39 concerning portfolio fair value hedge accounting for interest rate risk ("macro hedge accounting") as that phase of the IAS 39 replacement project has been separated and is still under discussion.

> "IFRS 15 - Revenue from contracts with customers", issued in May 2014, including "Amendments of IFRS 15: effective date of IFRS 15", issued in September 2015. The new standard replaces "IAS 11 - Construction contracts", "IAS 18 - Revenue", "IFRIC 13 - Customer loyalty programmes", "IFRIC 15 - Agreements for the construction of real estate", IFRIC 18 - Transfers of assets from customers" and "SIC 31 - Revenue - Barter transactions involving advertising services" and applies to all contracts with customers, with a number of exceptions (for example, lease and insurance contracts, financial instruments, etc.). The new standard establishes a general framework for the recognition and measurement of revenue based on the following fundamental principle: the recognition of revenue in a manner that faithfully depicts the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The principle is applied on the basis of five key phases (steps): the entity must identify the contract with the customer (step 1); it must identify the performance obligations in the contract, recognizing separable goods or services as separate obligations (step 2); the entity must then determine the transaction price, which is represented by the consideration that it expects to obtain (step 3); the entity must then allocate the transaction price to the individual obligations identified in the contract on the basis of the individual price of each separable good or service (step 4); revenue is recognized when (or if) each individual performance obligation is satisfied through the transfer of the good or service to the customer, i.e. when the customer obtains control of the good or service (step 5).
> IFRS 15 also provides for a series of notes that ensure complete disclosure concerning the nature, amount, timing and degree of uncertainty of the revenue and cash flows associated with contracts with customers.

> "Clarification to IFRS 15 - Revenue from contracts with customers", issued in April 2016, introduces amendments of IFRS 15 in order to clarify a number practical expedients and topics addressed by the Joint Transition Resource Group established by the IASB and the FASB. The aim of these

amendments is to clarify a number of provisions of IFRS 15 without modifying the basic principles of the standard.

> "Amendments to IAS 40: Transfers of investment property", issued in December 2016. The amendments clarify that transfers of property to or from investment property shall be permitted only when there is a change in use supported by evidence of that change. A change in management's intentions does not in itself provide evidence of a change in use sufficient to support the transfer. The amendments broadened the examples of changes of use to include property under construction or development and not just the transfer of completed properties.

> "Amendments to IFRS 2: Share-based payment", issued in June 2016. The amendments:
  - clarify that the fair value of a share-based transaction settled in cash at the measurement date (i.e. at the grant date, at the close of each accounting period and at the settlement date) shall be calculated by taking account of market conditions (e.g. a target price for the shares) and non-vesting conditions;
  - clarify that share-based payments with net settlement for withholding tax obligations should be classified in their entirety as equity-settled transactions (if they would be so classified in the absence of the net settlement feature);
  - establish provisions for the accounting treatment of changes in terms and conditions that result in a change in the classification of the transaction from cash-settled to equity-settled.

> "Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", issued in September 2016. The amendments:
  - permit insurers whose activities are predominantly connected with insurance to postpone the application of IFRS 9 until 2021 ("temporary exemption"); and
  - permits insurers, until the future issue of the new accounting standard for insurance contracts, to recognize the volatility that should be caused by the application of IFRS 9 in other comprehensive income rather than through profit or loss (the "overlay approach").

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

> "Amendments to IFRS 9: Prepayment features with negative compensation", issued in October 2017. The amendments introduce a narrow-scope exception to the provisions of IFRS 9 for certain financial assets that would otherwise have contractual cash flows represented solely by payments of principal and interest but do not meet that condition only because the contract contains a prepayment option. More specifically, the amendments establish that financial assets with a contractual clause the permits (or requires) the issuer to prepay a debt instrument or that permits (or requires) the holder to put a debt instrument back to the issuer before maturity can be measured at amortized cost or at fair value through other comprehensive income, subject to assessment of the business model under which the assets are held, if the following conditions are satisfied:
  - the entity acquires or originates the financial asset at a premium or discount to the contractual par amount;
  - the prepayment amount substantially represents the contractual par amount and accrued (but unpaid) contractual interest, which may include reasonable additional compensation for the early termination of the contract; and
  - when the entity initially recognizes the financial asset, the fair value of the prepayment feature is insignificant.

  In 2017 the IASB discussed the issue of the modification or exchange of a financial liability that does not result in derecognition of the liability. The discussion resulted in the addition of a section to the

Basis for Conclusions of "IFRS 9 - Another issue: Modification or exchange of a financial liability that does not result in derecognition".
The IASB concluded that the requirements under IFRS 9 for adjusting the amortized cost of a financial liability when a modification (or exchange) does not result in the derecognition of the financial liability are consistent with the requirements for adjusting a financial asset when a modification does not result in the derecognition of the financial asset. Consequently, the new cash flows must be discounted at the original effective interest rate and the difference between the pre-adjustment present value of the liability and the new value must be recognized through profit or loss as at the adjustment date.
The amendments will take effect for periods beginning on or after January 1, 2019. Early application is permitted. The Group has opted for early application of the amendments as from January 1, 2018.

> "Annual improvements to IFRSs 2014-2016 cycle", issued in December 2016, amended the following standards:
  - "IFRS 1 - First-time adoption of International Financial Reporting Standards"; the amendments eliminated the "short-term exemptions from IFRSs" regarding the transition to IFRS 7, IAS 19 and IFRS 10;
  - "IAS 28 - Investments in associates and joint ventures"; the amendments clarify that the option available to a venture capital organization (or a mutual fund, unit trust and similar entities, including investment-linked insurance funds) to measure an investment in an associate or joint venture at fair value through profit or loss, those entities shall make this election at initial recognition separately for each associate or joint venture. Similar clarifications were made for entities that are not investment entities and that, when they apply the equity method, elect to retain the fair value measurement applied by the investment entities that represent their interests in associates or joint ventures.

> "IFRIC 22 - Foreign currency transactions and advance consideration", issued in December 2016; the interpretation clarifies that, for the purpose of determining the exchange rate to be used in the initial recognition of an asset, expense or income (or part of it) the date of the transaction is that on which the entity recognizes any non-monetary asset (liability) in respect of advance consideration paid (received). If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

Seasonality

The turnover and performance of the Group could be impacted, albeit slightly, by developments in weather conditions. More specifically, in warmer periods of the year, gas sales decline, while during periods in which factories are closed for holidays, electricity sales decline. In view of the impact these variations have on performance, which are generally negligible, and 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 March 31, 2018 is provided.

2. Effects of the introduction of new accounting standards

With effect from January 1, 2018, the new standards IFRS 9 and IFRS 15 issued by the IASB took effect. First-time retrospective adoption led to the restatement of a number of balance sheet items at January 1, 2018, as Enel elected to exercise the option to use the simplification envisaged in the standards for first-time adopters.
The following discusses the main changes introduced by the new standards. For more details on their substance, see note 1 above.

> “IFRS 9 – Financial instruments”, issued in its definitive version on July 24, 2014, replaces the existing “IAS 39 - Financial instruments: Recognition and measurement” and supersedes all previous versions. The final version of IFRS 9 incorporates the results of the three phases of the project to replace IAS 39 concerning classification and measurement, impairment and hedge accounting. During 2017 the transition project for the three areas of application of the new standard was completed. Each project stream involved the following:

- “Classification and measurement”: the procedures for classifying financial instruments provided for in IAS 39 were assessed in comparison with those envisaged under IFRS 9 (i.e., SPPI test and business model). In consideration of the fact that the 1st Quarter of 2018 saw the endorsement of the amendments to “IFRS 9 - Prepayment features with negative compensation”, issued by the IASB in October 2017 and applicable as from January 1, 2019, with the option of application as from January 1, 2018, the Group elected early and retrospective application of the amendments. During the quarter, Enel analyzed the situations impacted by the amendments, which:
  a) introduce an exception for certain financial assets that have contractual cash flows that are solely payments of principal and interest but do not pass the SPPI test only because of a prepayment option, permitting their measurement at fair value through profit or loss in certain circumstances specified by the standard;
  b) clarify that the requirements of IFRS 9 for the adjustment of the amortized cost of a financial liability in the event of a modification (or an exchange) that does not result in derecognition are consistent with the analogous provisions for the adjustment of a financial asset. Accordingly, the new cash flows shall be discounted at the original effective interest rate and the difference between the pre-modification present value of the liability and the new value shall be recognized through profit or loss as at the date of the modification. In this regard, Enel, with references to exchanges transacted in 2015 and 2016, applied the accounting treatment envisaged in international best practice, in compliance with IAS 39, and did not recognize any income or costs through profit or loss as at the date of the contractual modifications, but amortized them over the residual life of the modified financial liability at the effective interest rate recalculated as at the date of the exchange. As a result of the early application of these amendments, the exchanges have been accounted for using the new method with effect as from January 1, 2018, restating the opening balances, which involved an increase in Group shareholders’ equity and a concomitant decrease in net financial debt of €114 million;
- “Impairment”: an analysis of impaired financial assets was conducted, with a focus on trade receivables representing the majority of the Group’s credit exposure. In particular, in application of the simplified approach envisaged in the standard, those receivables were grouped into specific clusters, taking account of the applicable legislative and regulatory environment, and the impairment model based on expected losses developed by the Group for collective valuation was applied. For trade receivables that management deemed significant on an individual basis and for which more detailed information on the significant increase in credit risk was available, an analytical approach was adopted within the simplified model. The application of the new impairment model decreased Group shareholders’ equity at January 1, 2018 by €160 million;
- “Hedge accounting”: specific activities were conducted to implement the new hedge accounting model, both in terms of effectiveness tests and rebalancing hedge relationships and of analyzing the new strategies applicable under IFRS 9. As regard hedging instruments, the most significant changes with respect to the hedge accounting model envisaged under IAS 39 regard the possibility of deferring the time value of an option, the forward component of a forward contract and currency basis spreads (so-called “hedging costs”) in other comprehensive income until the hedged element

affects profit or loss. In practice, the reserve in other comprehensive income that contains the fair value of hedging instruments (“full” fair value) has been divided into two OCI reserves that report the “basis-free” fair value and the “basis spread element”, respectively. The following table summarizes the effects of that division:

Millions of euro	
IFRS 9	**at Jan. 1, 2018**
Derivatives – “full” fair value	(1,740)
Derivatives – “basis-free” fair value	(1,393)
Derivatives - basis spread element	(347)

> “IFRS 15 – Revenue from contracts with customers”, issued in May 2014, including the “Amendments to IFRS 15: Effective date of IFRS 15”, issued in September 2015.
The standard was applied retrospectively as from annual periods beginning on January 1, 2018, with the possibility of recognizing the cumulative impact in equity at January 1, 2018.
More specifically, the most significant situations in the Group consolidated financial statements that have been affected by the new provisions of IFRS 15 mainly regard: (i) revenue from grid connection contracts that were previously recognized in profit or loss at the time of connection but, as a result of IFRS 15, are now deferred on the basis of the nature of the performance obligation specified in the contract with customers; (ii) the capitalization of costs of obtaining a contract, limited to incremental sales commissions paid to agents. The effects on Group shareholders’ equity at January 1, 2018 of the deferral of connection fees and the capitalization of contract costs amounted to a negative €3,960 million and a positive €291 million, respectively.

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

Condensed consolidated balance sheet

Millions of euro

	at Dec. 31, 2017	IFRS 9 effect	IFRS 15 effect	at Jan. 1, 2018
ASSETS				
Non-current assets				
Property, plant and equipment and intangible assets	91,738	-	434	92,172
Goodwill	13,746	-	-	13,746
Equity investments accounted for using the equity method	1,598	-	-	1,598
Other non-current assets	12,122	33	1,073	13,228
Total non-current assets	**119,204**	**33**	**1,507**	**120,744**
Current assets				
Inventories	2,722	-	-	2,722
Trade receivables	14,529	(185)	-	14,344
Cash and cash equivalents	7,021	(8)	-	7,013
Other current assets	10,195	(15)	13	10,193
Total current assets	**34,467**	**(208)**	**13**	**34,272**
Assets held for sale	**1,970**	**-**	**-**	**1,970**
TOTAL ASSETS	**155,641**	**(175)**	**1,520**	**156,986**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Equity attributable to the shareholders of the Parent Company	34,795	(46)	(3,650)	31,099
Non-controlling interests	17,366	(15)	(556)	16,795
Total shareholders' equity	**52,161**	**(61)**	**(4,206)**	**47,894**
Non-current liabilities				
Long-term borrowings	42,439	(114)	-	42,325
Provisions and deferred tax liabilities	15,576	-	(473)	15,103
Other non-current liabilities	5,001	-	6,196	11,197
Total non-current liabilities	**63,016**	**(114)**	**5,723**	**68,625**
Current liabilities				
Short-term borrowings and current portion of long-term borrowings	8,894	-	-	8,894
Trade payables	12,671	-	-	12,671
Other current liabilities	17,170	-	3	17,173
Total current liabilities	**38,735**	**-**	**3**	**38,738**
Liabilities held for sale	**1,729**	**-**	**-**	**1,729**
TOTAL LIABILITIES	**103,480**	**(114)**	**5,726**	**109,092**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**155,641**	**(175)**	**1,520**	**156,986**

3. Main changes in the scope of consolidation

2017

> Acquisition, on January 10, 2017, of 100% of **Demand Energy Networks**, a company headquartered in the United States specialized in software solutions and smart electricity storage systems;

> acquisition, on February 10, 2017, of 100% of **Más Energía**, a Mexican company operating in the renewable energy sector;

> acquisition, on February 14, 2017, and May 4, 2017, of 94.84% and 5.04% respectively (for a total of 99.88%) of **Enel Distribuição Goiás (formerly CELG-D)**, an electricity distribution company operating in the Brazilian state of Goiás;

> acquisition, on May 16, 2017, of 100% of **Tynemouth Energy Storage**, a British company operating in the electricity storage sector;

> acquisition, on June 4, 2017, of 100% of **Amec Foster Wheeler Power** (**now Enel Green Power Sannio**), a company that owns two wind plants in the province of Avellino;

> acquisition, on August 10, 2017, of 100% of the **EnerNOC Group** following the acceptance of the Enel Green Power North America ("EGPNA") offer to the previous shareholders;

> acquisition, on October 25, 2017, of 100% of **eMotorWerks**, a US company operating in electric mobility management systems;

> disposal, in December 2017, by EGPNA using a cash equity agreement, of 80% of the Class A securities of the EGPNA subsidiary **Rocky Caney Wind.** The total price in the transaction was $233 million, generating a capital gain of €4 million.

2018

> Disposal, on March 12, 2018, of 86.4% of **Erdwärme Oberland GmbH**, a company developing geothermal plants headquartered in Germany. The total transaction price was €0.9 million, with a realized capital gain of €1 million.

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:

> acquisition, on October 5, 2017, of 7.7% of **Enel Distribución Perú** in a stock market transaction for a price of $80 million.

4. Segment information

The representation of performance and the financial position by business area presented here is based on the approach used by management in monitoring Group performance for the two periods under review. For more information on developments in performance and financial position during the period, please see the appropriate section of this Interim Financial Report.

Performance by segment

1st Quarter of 2018 (1)

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	**Total**
Revenue from third parties	9,926	5,082	3,084	581	234	24	15	18,946
Revenue from transactions with other segments	183	10	2	21	-	-	(216)	-
Total revenue	**10,109**	**5,092**	**3,086**	**602**	**234**	**24**	**(201)**	**18,946**
Total costs	8,211	4,224	2,073	475	115	11	(164)	14,945
Net income/(expense) from commodity contracts measured at fair value	45	(9)	(1)	(1)	2	-	-	36
Depreciation and amortization	458	402	284	49	62	11	7	1,273
Impairment losses	177	78	20	11	-	3	-	289
Reversals of impairment losses	-	(55)	-	(7)	-	(1)	-	(63)
Operating income	**1,308**	**434**	**708**	**73**	**59**	**-**	**(44)**	**2,538**
Capital expenditure	**408**	**181**	**321**	**36** (2)	**262** (3)	**1**	**20**	**1,229**

(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 €14 million regarding units classified as "held for sale".
(3) Does not include €136 million regarding units classified as "held for sale".

1st Quarter of 2017 (1)

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	**Total**
Revenue from third parties	10,107	5,197	3,231	631	174	21	5	19,366
Revenue from transactions with other segments	186	13	16	11	3	-	(229)	-
Total revenue	**10,293**	**5,210**	**3,247**	**642**	**177**	**21**	**(224)**	**19,366**
Total costs	8,647	4,484	2,167	498	64	9	(167)	15,702
Net income/(expense) from commodity contracts measured at fair value	301	(32)	7	-	-	-	(26)	250
Depreciation and amortization	432	393	281	49	52	9	4	1,220
Impairment losses	112	101	31	11	-	-	(1)	254
Reversals of impairment losses	(1)	(78)	-	(7)	(1)	1	1	(85)
Operating income	**1,404**	**278**	**775**	**91**	**62**	**2**	**(87)**	**2,525**
Capital expenditure	**314**	**144**	**566**	**41**	**380**	**8**	**-**	**1,453**

(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.

Financial position by segment

At March 31, 2018

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Property, plant and equipment	25,889	23,566	16,937	3,041	5,954	744	58	76,189
Intangible assets	1,660	15,739	11,727	739	818	112	53	30,848
Trade receivables	9,783	2,574	2,431	318	148	23	(768)	14,509
Other	3,107	1,609	1,032	190	396	12	8	6,354
Operating assets	**40,439** (1)	**43,488**	**32,127**	**4,288** (2)	**7,316** (3)	**891**	**(649)**	**127,900**
Trade payables	6,257	2,037	2,349	321	466	58	(769)	10,719
Sundry provisions	2,800	3,505	1,313	98	39	18	511	8,284
Other	10,827	4,614	2,418	576	315	78	(301)	18,527
Operating liabilities	**19,884**	**10,156**	**6,080**	**995** (4)	**820** (5)	**154**	**(559)**	**37,530**

(1) Of which €4 million regarding units classified as "held for sale".
(2) Of which €155 million regarding units classified as "held for sale".
(3) Of which €1,750 million regarding units classified as "held for sale".
(4) Of which €64 million regarding units classified as "held for sale".
(5) Of which €62 million regarding units classified as "held for sale".

At December 31, 2017

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

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

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

Millions of euro

	at Mar. 31, 2018	at Dec. 31, 2017
Total assets	**157,445**	**155,641**
Equity investments accounted for using the equity method	1,622	1,598
Other non-current financial assets	4,792	4,704
Long-term tax receivables included in “Other non-current assets”	259	260
Current financial assets	9,312	6,923
Cash and cash equivalents	4,984	7,021
Deferred tax assets	7,491	6,354
Income tax receivables	906	1,094
Financial and tax assets of “Assets held for sale”	179	150
Segment assets	**127,900**	**127,537**
Total liabilities	**108,613**	**103,480**
Long-term borrowings	43,067	42,439
Non-current financial liabilities	3,382	2,998
Short-term borrowings	3,451	1,894
Current portion of long-term borrowings	5,647	7,000
Current financial liabilities	3,216	3,214
Deferred tax liabilities	7,767	8,348
Income tax payable	665	284
Other tax payables	2,267	1,323
Financial and tax liabilities of “Liabilities held for sale”	1,621	1,510
Segment liabilities	**37,530**	**34,470**

Revenue

5.a Revenue - *€18,946 million*

Millions of euro	1st Quarter			
	2018	2017	Change	
Revenue from the sale of electricity	10,241	11,295 (1)	(1,054)	-9.3%
Revenue from the transport of electricity	2,482	2,472	10	0.4%
Fees from network operators	242	145	97	66.9%
Transfers from institutional market operators	379	443	(64)	-14.4%
Revenue from the sale of gas	1,641	1,555	86	5.5%
Revenue from the transport of gas	260	239	21	8.8%
Other services, sales and revenue	3,701	3,217	484	15.0%
Total	**18,946**	**19,366**	**(420)**	**-2.2%**

(1) The figure for revenue from the sale of electricity in the 1st Quarter of 2017 reflects a reclassification of revenue generated by Enel Distribuição Goiás (€134 million) in order to improve presentation.

In the 1st Quarter of 2018, **revenue from the sale of electricity** amounted to €10,241 million, a decline of €1,054 million compared with the same period of the previous year. It includes revenue from the sale of electricity to end users in the amount of €7,848 million (€7,977 million in the 1st Quarter of 2017), revenue from wholesale transactions in electricity in the amount of €1,877 million (€2,363 million in the 1st Quarter of 2017) and revenue from electricity trading in the amount of €516 million (€955 million in the 1st Quarter of 2017). The reduction in revenue from sales essentially reflects:

> a reduction of €486 million in revenue from wholesale transactions, above all in Italy, Iberia and Russia largely due to the contraction in prices and volumes sold on power exchanges and under bilateral contracts;

> a decrease of €439 million in revenue from electricity trading, largely owing to a decline in volumes handled and the reduction in prices on international markets;

> a decrease of €251 million in revenue from sales of electricity on the regulated market, notably in Italy due to the decrease in consumption and in customers;

> adverse exchange rate developments in the countries of South America, which more than offset the increase in rates in Argentina following the latest rate revision in February 2017 (Resolution ENRE no. 64/2017) and different period of consolidation of Enel Distribuição Goiás.

These adverse factors were partly offset by an increase of €129 million in revenue from the sale of electricity to end users on the free market, mainly reflecting the increase in quantities sold in Italy in business-to-business transactions and in Romania due to the sharp increase in the number of customers as a result of effective commercial efforts.

Revenue from the transport of electricity amounted to €2,482 million in the 1st Quarter of 2018, an increase of €10 million, mainly attributable to Spain (€32 million), essentially as a result of rate adjustments allowed, partly offset by adverse exchange rate developments in the countries in South America.

In the 1st Quarter of 2018, revenue from **transfers from institutional market operators** amounted to €379 million, a decrease of 64 million on the same period of 2017. The reduction was largely attributable to a decrease in offsetting payments for the cost of generation in the extra-peninsular area in Spain (€42 million) and the reduction in transfers received in Italy for renewables generation (€27 million).

Revenue from the sale of gas amounted to €1,641 million in the 1st Quarter of 2018, an increase of €86 million, mainly reflecting an increase in the average price of gas.

Revenue from the transport of gas in the 1st Quarter of 2018 amounted to €260 million, an increase of €21 million compared with the same period of the previous year, reflecting the rise in quantities sold in Italy, following the same pattern of developments as sales of that commodity.

Revenue under **other services, sales and revenue** amounted to €3,701 million in the 1st Quarter of 2018 (€3,217 million in the 1st Quarter of 2017), an increase of €484 million (15.0%). The increase essentially reflects:

- an increase of €459 million in revenue from the sale of fuels, especially natural gas (€452 million) in Italy;
- an increase in other revenue and sundry income due to the recognition of the fee of €128 million paid under the agreement reached by e-distribuzione with F2i and 2i Rete Gas for the early all-inclusive settlement of the earn-out granted in the sale of the interest in Enel Rete Gas;
- an increase of €22 million in revenue from the sale of other assets, mainly regarding Enel X;
- an increase of €13 million in revenue from the sale of environmental certificates, essentially connected with the sale of energy efficiency certificates and CO_2 allowances;
- a reduction of €150 million in gains on the disposal of assets, essentially attributable to the gain on the sale of the investment in Electrogas in Chile in the 1st Quarter of 2017, in which the Group held a stake of 42.5%.

Costs

5.b Costs - *€16,444 million*

Millions of euro	1st Quarter			
	2018	2017	Change	
Electricity purchases	4,377	5,350	(973)	-18.2%
Consumption of fuel for electricity generation	1,111	1,363	(252)	-18.5%
Fuel for trading and gas for sale to end users	3,619	3,145	474	15.1%
Materials	326	239	87	36.4%
Personnel	1,091	1,173	(82)	-7.0%
Services, leases and rentals	4,005	3,958	47	1.2%
Depreciation, amortization and impairment losses	1,499	1,389	110	7.9%
Charges for environmental certificates	317	287	30	10.5%
Other operating expenses	483	494	(11)	-2.2%
Capitalized costs	(384)	(307)	(77)	-25.1%
Total	**16,444**	**17,091**	**(647)**	**-3.8%**

Costs for **electricity purchases** in the 1st Quarter of 2018 amounted to €4,377 million, a decrease of €973 million (-18.2%). These costs included purchases under domestic bilateral contracts of €1,854 million (€1,966 million in the 1st Quarter of 2017), purchases of electricity on electricity exchanges of €1,430 million (€1,681 million in the 1st Quarter of 2017), purchases of electricity as part of dispatching and imbalancing services of €70 million (€78 million in the 1st Quarter of 2017), purchases on international markets of €593 million (€1,027 million in the 1st Quarter of 2017) and other sundry purchases on the local market of €429 million (€595 million in the 1st Quarter of 2017). The decrease essentially reflected:

- a decline in purchases on international markets (€434 million) and other purchases on the local market (€166 million), primarily due to the contraction in volumes purchases by Enel Global Trading;
- a reduction in purchases on exchanges (€251 million), mainly attributable to Endesa as a result of the contraction in volumes handled and the reduction in prices;
- a decrease in purchases under domestic bilateral contracts (€112 million), essentially due to the decline in the cost of electricity purchases from the Single Buyer by Servizio Elettrico Nazionale (€203 million).

Costs for the **consumption of fuel for electricity generation** in the 1st Quarter of 2018 amounted to €1,111 million, a decrease of €252 million (-18.5%) on the year-earlier period. The decline mainly reflected the sharp reduction in thermal generation, especially in Italy, Spain, Chile, Argentina and Russia.

Costs for the purchase of **fuel for trading and gas for sale to end users** in the 1st Quarter of 2018 amounted to €3,619 million, an increase of €474 million (15.1%) on the 1st Quarter of 2017. The change mainly reflects an increase in trading in those commodities on the market and the need to meet the increased requirements for sale to end users, especially as regards natural gas.

Costs for **materials** the 1st Quarter of 2018 amounted to €326 million, an increase of €87 million (36.4%) compared with the same period of the previous year.

Personnel costs in the 1st Quarter of 2018 amounted to €1,091 million, a decrease of €82 million (-7.0%) compared with the same period of the previous year. The change reflected a decrease of €48 million in early retirement incentives, mainly attributable to the effect of the provision recognized in the 1st Quarter of 2017 by Enel Distribuição Goiás in the amount of €59 million.
Personnel costs also declined as a result of the contraction in the average workforce compared with the year-earlier period (-1,110). The Enel Group workforce at March 31, 2018 numbered 62,633, of whom 31,687 abroad. The Group workforce decreased by 267 in the 1st Quarter of 2018, reflecting the negative impact of the balance between new hires and terminations in the period, attributable in particular to termination incentive programs in Italy and Spain and at Enel Distribuição Goiás.
The overall change compared with December 31, 2017 breaks down as follows:

Balance at December 31, 2017	**62,900**
Hirings	831
Terminations	(1,098)
Balance at March 31, 2018	**62,633**

Costs for **services, leases and rentals** in the 1st Quarter of 2018 amounted to €4,005 million, an increase of €47 million (+1.2%) compared with the same period of the previous year. The rise reflects:
- an increase in wheeling costs (€61 million, including network access fees), largely in South America, reflecting the different period of consolidation of Enel Distribuição Goiás compared with the 1st Quarter of 2017, and in Italy, as a result of an increase in volumes;
- an increase in IT services (€39 million), essentially due to system help services and maintenance of hardware and software;
- a reduction of €42 million in customer acquisition costs (e.g. commissions paid to agencies and telesellers) following the application of the new IFRS 15, which requires their capitalization as contract costs if they are incremental;
- a decline of €16 million in charges connected with the functioning of the electrical system and Power Exchange operations.

Depreciation, amortization and impairment losses in the first three months 2018 totaled €1,499 million, an increase of €110 million (7.9%) on the €1,389 million registered in the year-earlier period, mainly reflecting:

- an increase of €51 million in depreciation and amortization, of which €34 million due to the application of IFRS 15, specifically amortization charges for contract costs;
- an increase of €55 million in impairment losses on trade receivables, mainly recognized in Italy.

Charges for environmental certificates in the 1st Quarter of 2018 amounted to €317 million, up €30 million on the corresponding period of 2017. The increase is largely connected with an increase in charges for the purchase of energy efficiency certificates (€32 million), partly offset by a reduction in costs for the purchase of green certificates (€10 million).

Other operating expenses in the 1st Quarter of 2018 amounted to €483 million, a decrease of €11 million (-2.2%) on the 1st Quarter of 2017, essentially reflecting an increase in charges for environmental certificates of €26 million (notably the purchase of energy efficiency certificates in Italy) and an increase in grid access charges, including for self-consumption, introduced in Spain towards the end of 2017 (€36 million). These factors were only partly offset by a reduction of €32 million in costs as an effect of the recognition in the 1st Quarter of 2017 of fines in Argentina connected with failure to meet for service quality standards in electricity supply.

In the 1st Quarter of 2018, **capitalized costs** amounted to €384 million, an increase of €77 million (25.1%) on the 1st Quarter of 2017, reflecting in particular investments in North America (€21 million), partly reflecting the inclusion of EnerNOC in the scope of consolidation, in Italy (€25 million) and in Spain (€20 million).

5.c Net income/(expense) from commodity contracts measured at fair value - *€36 million*

Net income from commodity contracts measured at fair value amounted to €36 million in the 1st Quarter of 2018, compared with net income of €250 million in the same period of 2017. More specifically, net income in the 1st Quarter of 2018 essentially reflected net unrealized income from the fair value measurement of derivatives positions open at the end of the period totaling €29 million (net income of €171 million in the 1st Quarter of 2017) and net realized income on settled contracts of €7 million (net income of €79 million in 2017).

5.d Net financial income/(expense) - *€(566) million*

Net financial expense in the 1st Quarter of 2018 amounted to €566 million, compared with €664 million in the same period of the previous year, a decrease of €98 million.
More specifically, financial income in the 1st Quarter of 2018 amounted to €1,045 million, an increase of €476 million on the year-earlier period (€569 million). The change largely reflects:

> an increase of €254 million in exchange rate gains, essentially reflecting exchange rate developments associated with borrowings in foreign currencies, mainly accounted for by Enel Finance International (€186 million) and Enel SpA (€22 million);
> an increase of €196 million in income from financial derivatives, mainly derivatives hedging exchange rate risk on borrowings denominated in foreign currencies;
> an increase of €40 million in other financial income, mainly due to the increase in interest income accrued, in compliance with IFRIC 12, on financial assets in respect of public service concession arrangements (€5 million), other interest and financial income of the Brazilian companies (€22 million) and default interest (€2 million).

These factors were partly offset by a decrease in interest income on financial receivables in the amount of €12 million.
Financial expense in the 1st Quarter of 2018 amounted to €1,611 million, an increase of €378 million on the same period of 2017 (€1,233 million). The rise mainly reflected:

> an increase of €285 million in charges on financial derivatives, essentially in respect of derivatives used to hedge exchange rate risk on borrowings denominated in foreign currencies;
> an increase of €177 million in exchange rate losses, mainly accounted for by Enel Finance International (€132 million) and Enel SpA (€37 million);
> a reduction of €13 million in capitalized interest;
> a decrease of €64 million in interest expense, mainly due to a reduction of €40 million in interest on bonds, largely in respect of Enel SpA (€33 million);
> a decrease of €30 million in charges for the unwinding of the discount on provisions for risks and charges, essentially reflecting a reduction of €28 million in other provisions, largely connected with the decrease in financial expense from the application of Resolution ENRE no. 1/2016, which had required the discounting of a number of prior-year fines in Argentina.

5.e Share of income/(losses) from equity investments accounted for using the equity method - *€37 million*

The **share of income/(losses) from equity investments accounted for using the equity method** in the 1st Quarter of 2018 showed net income of €37 million, a decrease of €2 million from the €39 million posted in the same period of the previous year.

5.f Income taxes - *€481 million*

Income taxes for the first three months of 2018 amounted to €481 million (€596 million in the1st Quarter of 2017), equal to 23.9% of taxable income, a decrease from the 31.4% registered a year earlier.
The reduction in tax liabilities for the 1st Quarter of 2018 compared with the same period of 2017 essentially reflected:

> the recognition of the earn-out from the disposal of the investment in Enel Rete Gas, which generated income subject to tax relief under the "PEX" mechanism;

> the recognition of prepaid taxes of €86 million in respect of prior-year losses of 3Sun since the associated deferred tax assets are expected to be recovered through the merger with Enel Green Power SpA.

Assets

6.a Non-current assets - *€120,437 million*

Property, plant and equipment and intangible assets (including investment property) amounted to €91,647 at March 31, 2018, a reduction of €91 million. The change is largely attributable to depreciation and impairment of those assets (€1,272 million), exchange rate losses (€405 million), investment for the period (€1,299 million) and the recognition of contracts costs of 434 million at January 1, 2018 following the adoption of the new IFRS 15.

Goodwill amounted to €13,736 million, a reduction of €10 million on December 31, 2017. The change mainly reflects the adjustment of goodwill denominated in foreign currencies at current exchange rates. No evidence was found in the quarter of impairment that would call for the updating of the impairment testing conducted at the close of the previous year.

Equity investments accounted for using the equity method amounted to €1,622 million, an increase of €24 million on the value posted at the end of 2017, largely reflecting the adjustment of amounts denominated in foreign currencies at current exchange rates and the recognition of the portion of the net income reported by these companies.

Other non-current assets totaled €13,432 million and break down as follows:

Millions of euro

	at Mar. 31, 2018	at Dec. 31, 2017	Change	
Deferred tax assets	7,491	6,354	1,137	17.9%
Receivables and securities included in net financial debt	2,425	2,444	(19)	-0.8%
Other non-current financial assets	2,368	2,260	108	4.8%
Receivables due from institutional market operators	211	200	11	5.5%
Other long-term receivables	937	864	73	8.4%
Total	**13,432**	**12,122**	**1,310**	**10.8%**

The increase in the period amounted to €1,310 million and largely reflected:

> an increase of €1,137 million in deferred tax assets, mainly attributable to the recognition of the tax component of adjustments made at January 1, 2018 to a number of balance sheet items following the adoption of the new IFRS 15, as well as the effect of the recognition of deferred tax assets on prior-year losses of 3Sun in the amount of €86 million;

> an increase of €108 million in other non-current financial assets, largely connected with developments in non-current hedging and trading derivatives measured at fair value;

> an increase of €73 million in other long-term receivables, mainly attributable to the recognition of the long-term portion of the receivable in respect of an agreement reached by e-distribuzione with F2i and 2i Rete Gas for the early all-inclusive settlement of the earn-out connected with the sale of the interest in Enel Rete Gas;

> a decrease of €19 million in financial receivables included in net financial debt, mainly reflecting loans granted to a number of associates operating in the renewables business.

6.b Current assets - *€34,920 million*

Inventories amounted to €2,587 million, a reduction of €135 million, essentially reflecting a decrease in stocks of materials and equipment, fuel and lubricants used for electricity generation.

Trade receivables amounted to €14,490 million, down €39 million (-0.3%), broadly unchanged on the start of the year.

Other current assets amounted to €12,859 million and break down as follows:

Millions of euro

	at Mar. 31, 2018	at Dec. 31, 2017	Change	
Current financial assets included in debt	6,884	4,459	2,425	54.4%
Other current financial assets	2,428	2,464	(36)	-1.5%
Tax receivables	906	1,094	(188)	-17.2%
Receivables due from institutional market operators	1,038	854	184	21.5%
Other short-term receivables	1,603	1,324	279	21.1%
Total	**12,859**	**10,195**	**2,664**	**26.1%**

The increase for the period amounted to €2,664 million and essentially reflected:

- an increase of €2,425 million in current financial assets included in debt, mainly attributable to the establishment of a restricted deposit for the purchase of the Chilean renewables companies and the opening of a restricted account following the order of the public prosecutor's office of Lecce to seize the Brindisi plant. The rise also reflects an increase in financial receivables registered by Enel Finance and Enel SpA following an increase in cash collateral paid to counterparties for over-the-counter derivatives on interest rates and exchange rates;
- a decrease of €188 million in tax receivables;
- an increase of €184 million in receivables due from institutional market operators, mainly in respect of energy efficiency certificates following the recognition of the receivable for certificates acquired during the 1st Quarter of 2018;
- an increase of €279 million in other short-term receivables, essentially reflecting an increase in prepaid operating expense for fees in respect of water diversions for industrial use and for insurance premiums.

6.c Assets held for sale - *€2,088 million*

The item includes minor assets, valued at their estimated realizable value, that, in view of the decisions taken by management at the current stage of negotiations for their sale, meet the requirements of IFRS 5 for classification as assets held for sale.
The assets are mainly accounted for by:

- eight Mexican project companies that own three plants in operation and five under construction, for which Enel Green Power has signed agreements for the sale of 80% of their share capital ("Kino Project"). More specifically, the assets falling within the scope of IFRS 5 are composed of the assets (including net working capital) of the eight projects and the loans received from the Group to build the plants;
- the project companies associated with the Kafireas wind farm, for which Enel Green Power Hellas has signed a joint venture agreement (JVA) with a partner that governs the terms and management of 100% of the projects associated with that wind farm.

Liabilities and shareholders' equity

6.d Equity attributable to the shareholders of the Parent Company - *€31,854 million*

The decrease in the first three months of 2018 in equity attributable to the shareholders of the Parent Company essentially reflects the adverse impact of the adoption of IFRS 9 and IFRS 15 (€3,696 million), the negative other comprehensive income posted in the 1st Quarter of 2018 (€414 million) and the net income recognized through profit or loss (€1,169 million).

6.e Non-current liabilities - *€69,459 million*

Long-term borrowings amounted to €43,067 million (€42,439 million at December 31, 2017), consisting of bonds in the amount of €31,673 million (€32,285 million at December 31, 2017) and bank debt and other borrowings in the amount of €11,394 million (€10,154 million at December 31, 2017). The increase for the period amounted to €628 million, largely reflecting an increase in bank loans of €1,240 million, attributable to Enel Chile in the amount of €1,250 million, only partly offset by the decrease registered by Enel Green Power España of €43 million and the Enel Green Power Brasil Group of €26 million.
Provisions and deferred tax liabilities came to €14,859 million at March 31, 2018 (€15,576 million at December 31, 2017), a decrease of €717 million, and include:

- post-employment and other employee benefits totaling €2,388 million (€2,407 million at December 31, 2017), down €19 million;
- provisions for risks and charges totaling €4,704 million (€4,821 million at December 31, 2017), down €117 million. Among others, the item includes the provision for litigation of €853 million (€861 million at December 31, 2017), the provision for nuclear decommissioning of €528 million (€538 million at December 31, 2017), the provision for site dismantling, removal and restoration of €808 million (€814 million at December 31, 2017), the provision for early retirement incentives of €1,482 million (€1,530 million at December 31, 2017) and the provision for taxes and duties of €293 million (€300 million at December 31, 2017);
- deferred tax liabilities amounted to €7,767 million (€8,348 million at December 31, 2017), a reduction of €581 million, largely due to the first-time adoption of IFRS 15 by the Endesa Group as from January 1, 2018.

Other non-current liabilities amounted to €11,533 million (€5,001 million at December 31, 2017), an increase of €6,532 million on the previous year, largely reflecting the recognition of new deferred income for grants following the retrospective application of IFRS 15, having used the simplification provided for in that standard to recognize only the opening impacts of application at January 1, 2018. The overall amount includes €3,674 million in respect of e-distribuzione and €2,230 million in respect of Endesa.

6.f Current liabilities - *€37,407 million*

Short-term borrowings and current portion of long-term borrowings increased by €204 million, rising from €8,894 million at the end of €2017 to €9,098 million at March 31, 2018, largely reflecting the increase in short-term borrowings, which went from €1,894 million at December 31, 2017 to €3,451 million at March 31, 2018. That increase is mainly attributable to the increase of €1,438 million in commercial paper. That factor was partly offset by the reduction of €1,353 million in the current portion of long-term borrowings, mainly in respect of the current portion of long-term bonds €1,414 million.

Trade payables amounted to €10,664 million (€12,671 million at December 31, 2017), down €2,007 million, largely owing to decreases of €614 million in Iberia, €262 million at Enel Green Power North America, €193 million at Enel Global Trading and €132 million at Servizio Elettrico Nazionale.

Other current liabilities, which amounted to €17,645 million, break down as follows:

Millions of euro

	at Mar. 31, 2018	at Dec. 31, 2017	Change	
Payables due to customers	1,893	1,824	69	3.8%
Payables due to institutional market operators	4,650	4,766	(116)	-2.4%
Current financial liabilities	3,216	3,214	2	0.1%
Social security contributions payable and payables to employees	648	638	10	1.6%
Tax payables	2,932	1,607	1,325	82.5%
Other	4,306	5,121	(815)	-15.9%
Total	**17,645**	**17,170**	**475**	**2.8%**

The increase of €475 million essentially reflects:

> an increase of €2 million in current financial liabilities, broadly unchanged on December 31, 2017;

> an increase of €1,325 million in tax payables, largely due to the increase in duties and surcharges on electricity and gas consumption in Italy;

> a decrease of €815 million in "other", mainly attributable to the decrease of €1,068 million in the liability for dividends (following the payment on January 24, 2018, of the interim dividend for 2017 of €0.105 per share).

6.g Liabilities held for sale - *€1,747 million*

The balance of €1,747 million regards eight Mexican project companies that own three plants in operation and five under construction, for which Enel Green Power has signed agreements for the sale of 80% of their share capital ("Kino Project") and the project companies associated with the Kafireas wind farm, for which Enel Green Power Hellas has signed a joint venture agreement (JVA) with a partner that governs the terms and management of 100% of the projects associated with that wind farm.

7. Net financial position

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

Millions of euro

	at Mar. 31, 2018	at Dec. 31, 2017	Change	
Cash and cash equivalents on hand	209	343	(134)	-39.1%
Bank and post office deposits	4,604	6,487	(1,883)	-29.0%
Other investments of liquidity	171	191	(20)	-10.5%
Securities	58	69	(11)	-15.9%
Liquidity	**5,042**	**7,090**	**(2,048)**	**-28.9%**
Short-term financial receivables	5,513	3,253	2,260	69.5%
Factoring receivables	-	42	(42)	-
Short-term portion of long-term financial receivables	1,313	1,094	219	20.0%
Current financial receivables	**6,826**	**4,389**	**2,437**	**55.5%**
Bank debt	(591)	(249)	(342)	-
Commercial paper	(2,327)	(889)	(1,438)	-
Short-term portion of long-term bank borrowings	(1,416)	(1,346)	(70)	-5.2%
Bonds issued (short-term portion)	(4,015)	(5,429)	1,414	26.0%
Other borrowings (short-term portion)	(216)	(225)	9	4.0%
Other short-term financial payables [(1)]	(532)	(756)	224	29.6%
Total short-term financial debt	**(9,097)**	**(8,894)**	**(203)**	**-2.3%**
Net short-term financial position	**2,771**	**2,585**	**186**	**7.2%**
Debt to banks and financing entities	(9,680)	(8,310)	(1,370)	-16.5%
Bonds	(31,673)	(32,285)	612	1.9%
Other borrowings	(1,714)	(1,844)	130	7.0%
Long-term financial position	**(43,067)**	**(42,439)**	**(628)**	**-1.5%**
NET FINANCIAL POSITION as per CONSOB instructions	**(40,296)**	**(39,854)**	**(442)**	**-1.1%**
Long-term financial receivables and securities	**2,425**	**2,444**	**(19)**	**-0.8%**
NET FINANCIAL DEBT	**(37,871)**	**(37,410)**	**(461)**	**-1.2%**

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

8. Related parties

As an operator in the field of generation, distribution, transport and sale of electricity and the sale of natural gas, Enel carries out transactions with a number of companies directly or indirectly controlled by the Italian State, the Group's controlling shareholder.

The table below summarizes the main types of transactions carried out with such counterparties.

Related party	Relationship	Nature of main transactions
Single Buyer	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Purchase of electricity for the enhanced protection market
Cassa Depositi e Prestiti Group	Directly controlled by the Ministry for the Economy and Finance	Sale of electricity on the Ancillary Services Market (Terna) Sale of electricity transport services (Eni Group) Purchase of transport, dispatching and metering services (Terna) Purchase of postal services (Poste Italiane) Purchase of fuels for generation plants and natural gas storage and distribution services (Eni Group)
ESO - Energy Services Operator	Fully controlled (directly) by the Ministry for the Economy and Finance	Sale of subsidized electricity Payment of A3 component for renewable resource incentives
EMO - Energy Markets Operator	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Sale of electricity on the Power Exchange (EMO) Purchase of electricity on the Power Exchange for pumping and plant planning (EMO)
Leonardo Group	Directly controlled by the Ministry for the Economy and Finance	Purchase of IT services and supply of goods

Finally, Enel also maintains relationships with the pension funds FOPEN and FONDENEL, as well as Fondazione Enel and Enel Cuore, an Enel non-profit company devoted to providing social and healthcare assistance.
All transactions with related parties were carried out on normal market terms and conditions, which in some cases are determined by the Regulatory Authority for Energy, Networks and the Environment (ARERA).

The following tables summarize the above relationships and transactions with related parties, with associated companies and companies subject to joint control.

Millions of euro

	Single Buyer	EMO	Cassa Depositi e Prestiti Group	ESO	Other	Key management personnel	**Total 1st Quarter of 2018**	Associates and joint arrangements	**General total 1st Quarter of 2018**	**Total item**	**% of total**
Income statement											
Revenue from sales and services	-	483	579	116	23	-	**1,201**	16	**1,217**	**18,447**	**6.6%**
Other revenue and income	-	-	-	-	1	-	**1**	3	**4**	**499**	**0.8%**
Financial income	-	-	-	-	-	-	**-**	5	**5**	**1,045**	**0.5%**
Electricity, gas and fuel purchases	748	635	292	-	1	-	**1,676**	29	**1,705**	**9,046**	**18.8%**
Services and other materials	-	11	578	1	60	-	**650**	27	**677**	**11,733**	**5.8%**
Other operating expenses	1	111	1	-	-	-	**113**	-	**113**	**800**	**14.1%**
Net income/(expense) from commodity contracts measured at fair value	-	-	1	-	-	-	**1**	-	**1**	**36**	**2.8%**
Financial expense	-	-	-	-	-	-	**-**	7	**7**	**1,045**	**0.7%**

Millions of euro

	Single Buyer	EMO	Cassa Depositi e Prestiti Group	ESO	Other	Key management personnel	**Total at Mar. 31, 2018**	Associates and joint arrangements	**General total at Mar. 31, 2018**	**Total item**	**% of total**
Balance sheet											
Trade receivables	-	62	665	47	26	-	**800**	142	**942**	**14,490**	**6.5%**
Other current assets	-	12	13	181	2	-	**208**	27	**208**	**12,859**	**1.6%**
Other non-current liabilities	-	-	-	-	6	-	**6**	33	**39**	**11,533**	**0.3%**
Long-term borrowings	-	-	893	-	-	-	**893**	-	**893**	**43,067**	**2.1%**
Trade payables	545	93	642	1,033	18	-	**2,332**	60	**2,392**	**10,664**	**22.4%**
Other current liabilities	-	-	13	-	-	-	**13**	32	**13**	**17,645**	**0.1%**
Current portion of long-term borrowings	-	-	89	-	-	-	**89**	-	**89**	**5,647**	**1.6%**
Other information											
Guarantees given	-	280	360	-	102	-	**742**	**-**	**742**		
Guarantees received	-	-	192	-	23	-	**215**	**-**	**215**		
Commitments	-	-	44	-	5	-	**49**	**-**	**49**		

Millions of euro

	Single Buyer	EMO	Cassa Depositi e Prestiti Group	ESO	Other	Key management personnel	**Total 1st Quarter of 2017**	Associates and joint arrangements	**General total 1st Quarter of 2017**	**Total item**	**% of total**
Income statement											
Revenue from sales and services	-	503	558	126	27	-	**1,214**	19	**1,233**	**18,819**	**6.6%**
Other revenue	-	-	-	-	2	-	**2**	2	**4**	**547**	**0.7%**
Financial income	-	-	-	-	-	-	**-**	2	**2**	**569**	**0.4%**
Electricity, gas and fuel purchases	951	627	315	1	-	-	**1,894**	109	**2,003**	**9,792**	**20.5%**
Services and other materials	-	28	580	-	49	-	**657**	23	**680**	**4,263**	**16.0%**
Other operating expenses	1	129	1	-	-	-	**131**	-	**131**	**781**	**16.8%**
Net income/(expense) from commodity contracts measured at fair value	-	-	5	-	-	-	**5**	(4)	**1**	**250**	**0.4%**
Financial expense	-	-	-	-	-	-	**-**	6	**6**	**1,233**	**0.5%**

Millions of euro

	Single Buyer	EMO	Cassa Depositi e Prestiti Group	ESO	Other	Key management personnel	**Total at Dec. 31, 2017**	Associates and joint arrangements	**General total at Dec. 31, 2017**	**Total item**	**% of total**
Balance sheet											
Trade receivables	-	77	526	57	34	-	**694**	138	**832**	**14,529**	**5.7%**
Other current assets	-	-	24	129	1	-	**154**	22	**176**	**10,195**	**1.7%**
Other non-current liabilities	-	-	-	-	6	-	**6**	30	**36**	**2,003**	**1.8%**
Long-term borrowings	-	-	893	-	-	-	**893**	-	**893**	**42,439**	**2.1%**
Trade payables	682	110	543	977	10	-	**2,323**	42	**2,365**	**12,671**	**18.7%**
Other current liabilities	-	-	10	-	-	-	**10**	36	**46**	**17,170**	**0.3%**
Current portion of long-term borrowings	-	-	89	-	-	-	**89**	-	**89**	**7,000**	**1.3%**
Other information											
Guarantees given	-	280	360	-	108	-	**748**	**-**	**748**		
Guarantees received	-	-	208	-	23	-	**231**	**-**	**231**		
Commitments	-	-	46	-	6	-	**52**	**-**	**52**		

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties carried out by Enel SpA directly or through subsidiaries. The procedure (available at http://www.enel.com/investors/bylaws-rules-and-policies/transactions-with-related-parties/) sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in implementation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In the 1st Quarter of 2018, no transactions were carried out for which it was necessary to make the disclosures required in the rules on transactions with related parties adopted with CONSOB Resolution no. 17221 of March 12, 2010, as amended with Resolution no. 17389 of June 23, 2010.

9. Contractual commitments and guarantees

The commitments entered into by the Enel Group and the guarantees given to third parties are shown below.

Millions of euro

	at Mar. 31, 2018	at Dec. 31, 2017	Change
Guarantees given:			
- sureties and other guarantees granted to third parties	7,253	8,171	(918)
Commitments to suppliers for:			
- electricity purchases	77,407	79,163	(1,756)
- fuel purchases	36,690	42,302	(5,612)
- various supplies	2,803	3,119	(316)
- tenders	3,134	3,334	(200)
- other	2,559	2,912	(353)
Total	**122,593**	**130,830**	**(8,237)**
TOTAL	**129,846**	**139,001**	**(9,155)**

Commitments for electricity amounted to €77,407 million at March 31, 2018, of which €18,234 million refer to the period April 1, 2018-2022, €14,465 million to the period 2023-2027, €14,009 million to the period 2028-2032 and the remaining €30,699 million beyond 2032.

Commitments for the purchase of fuels are determined with reference to the contractual parameters and exchange rates applicable at the end of the period (given that fuel prices vary and are mainly set in foreign currencies). The total at March 31, 2018 was €36,690 million, of which €20,142 million refer to the period April 1, 2018-2022, €10,171 million to the period 2023-2027, €4,841 million to the period 2028-2032 and the remaining €1,536 million beyond 2032.

10. Contingent assets and liabilities

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

Brindisi Sud thermal generation plant - Criminal proceedings against Enel employees

With regard to the criminal proceedings involving a number of Enel Produzione employees charged with illegal waste disposal in connection with alleged violations concerning the disposal of waste from the Brindisi plant, the proceedings before the Court of Vibo Valentia were adjourned until June 28, 2018 in order to hear the testimony of the final witnesses called by the other defendants following the postponement, with no action taken, of the hearing that had been set for April 19, 2018 for the same reasons.

BEG litigation

Proceedings undertaken by Albania BEG Ambient Shpk to obtain enforcement of the ruling of the District Court of Tirana of March 24, 2009

State of New York

With regard to the suit filed in March 2014 by Albania BEG Ambient Shpk in New York to render the ruling of the Albanian court enforceable in the State of New York, in a unanimous decision of February 8, 2018, the Appellate Court of the State of New York upheld the appeal of Enel SpA and Enelpower SpA, rejecting the argument that the Court of New York had jurisdiction. Subsequently, on February 23, 2018, the Supreme Court of New York, acknowledging that ruling, denied the petition of Albania BEG Ambient Shpk to obtain enforcement of the Albanian ruling.

Environmental incentives - Spain

Following the Decision of the European Commission of November 27, 2017, on the issue of environmental incentives for thermal generation plants, the Commission's Directorate-General for Competition opened an in-depth investigation pursuant to Article 108(2) of the Treaty on the Functioning of the European Union (TFEU) in order to assess whether the environmental incentive for coal power plants provided for in Order ITC/3860/2007 represents State aid compatible with the internal market. According to a literal interpretation of the Decision, the Commission has reached the preliminary conclusion that the incentive constitutes State aid pursuant to Article 107(1) of the TFEU, expressing doubts whether the measure is compatible with the internal market, although it acknowledges that the incentives are in line with the environmental policy of the European Union. On April 13, 2018, Endesa Generación SA, acting as an interested third party, submitted comments opposing this interpretation.

El Quimbo - Colombia

With regard to the El Quimbo Project, on March 22, 2018, ANLA and CAM jointly submitted the final report on the monitoring of water quality downstream of the dam of the El Quimbo hydroelectric plant, in which both authorities confirmed the compliance of Emgesa with oxygen level standards. The trial before the Court of Huila is in its final stages.

Precautionary administrative proceeding of Chucas arbitration

With regard to the arbitration proceeding initiated by Chucas before the Cámara Costarricense-Norteamericana de Comercio (AMCHAM CICA), with a decision issued in December 2017, the arbitration board granted Chucas entitlement to reimbursement of extra costs in the amount of about $113 million (about €91 million) and legal costs, also ruling that the fines should not be paid. ICE appealed the arbitration ruling before the local courts. Chucas has filed a brief as part of that litigation and the proceeding is under way.

11. Events after the reporting period

Merger of Enel Green Power Latin America SA in Enel Chile

On April 2, 2018, the merger of the renewable company Enel Green Power Latin America SA into Enel Chile and the capital increase of the latter serving the merger took effect. On the same date, the shareholders of Enel Chile who had exercised their right of withdrawal in response to the merger were paid the value of their shares.

Renewables tender won in India

On April 6, 2018, Enel, acting through its Indian renewables subsidiary BLP Energy Private Limited, won the first ever renewable energy tender in India, acquiring the right to sign a 25-year energy supply contract for a 285 MW wind farm in the State of Gujarat. The project was awarded under a 2 GW national wind power tender organized by the government company Solar Energy Corporation of India ("SECI").
Enel will be investing more than $290 million in the construction of this wind farm, which will be supported by a contract for the sale of specified volumes of power over a 25-year period to SECI. The plant, which is scheduled to start operations in the 2nd Half of 2019, will be able to generate more than 1,000 GWh of renewable energy every year, making a significant contribution to both India's need for new generation capacity and achieving the country's environmental goals. The current Indian government has set a target of installing 100 GW of solar capacity and 60 GW of wind capacity by 2022, up from around 20 GW of solar and 33 GW of wind today.

Public tender offer for Eletropaulo

On April 17, 2018, Enel announced that Enel Brasil Investimentos Sudeste SA ("Enel Sudeste"), a company fully owned by Enel's Brazilian subsidiary Enel Brasil SA ("Enel Brasil"), had launched a voluntary tender offer for the acquisition of the entire share capital of the Brazilian power distribution company Eletropaulo Metropolitana Eletricidade de São Paulo SA ("Eletropaulo"), for a price per share of 28.0 Brazilian reais, subject to the acquisition of a total number of shares representing more than 50% of the company's share capital (the "Offer").
On April 26, 2018, Enel announced that it had improved the terms and conditions of the Offer, increasing the offer price to 32.2 Brazilian reais per share.
Under the improved Offer terms, the overall investment is expected to total up to 5.4 billion Brazilian reais, equal to about €1.3 billion at the current exchange rate. Enel Américas SA, an Enel subsidiary which in turn controls Enel Brasil, will provide Enel Sudeste with the financial resources for the investment.
The Offer remains subject, among other conditions, to the acquisition of a total number of shares representing more than 50% of the share capital of Eletropaulo.
The transaction is consistent with the Enel Group's current Strategic Plan and, if successful, would represent another step forward in strengthening the Group's presence in the distribution sector in Brazil.

The exercise of the voting rights of any shares acquired by Enel Sudeste in the Offer is subject to the approval of the Brazilian antitrust authority (the Conselho Administrativo de Defesa Econômica or "CADE"), while the exercise by Enel Sudeste of control over Eletropaulo is subject to the approval of the Brazilian energy regulator (Agência Nacional de Energia Elétrica or "ANEEL").

Enel Energia/Servizio Elettrico Nazionale proceeding for violation of privacy rules

In 2017, an inspection of Enel Energia and Servizio Elettrico Nazionale by the Privacy Authority was begun in response to allegations of irregularities in the handling of marketing consents and data security. Enel Energia voluntarily reported two episodes of mass data downloads of customer base data by its commercial partners (agencies) to the Authority, who were immediately punished with termination of their contract and reported to law enforcement authorities. For these occurrences, on April 23, 2018 the Privacy Authority levied a reduced fine on Enel Energia totaling €30,000, acknowledging compliance and implementation of the measures required by law.

Declaration of the officer responsible for the preparation of the Company financial reports

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 March 31, 2018 corresponds with that contained in the accounting documentation, books and records.

Disclaimer

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

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