Interim Financial Report at September 30, 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

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:

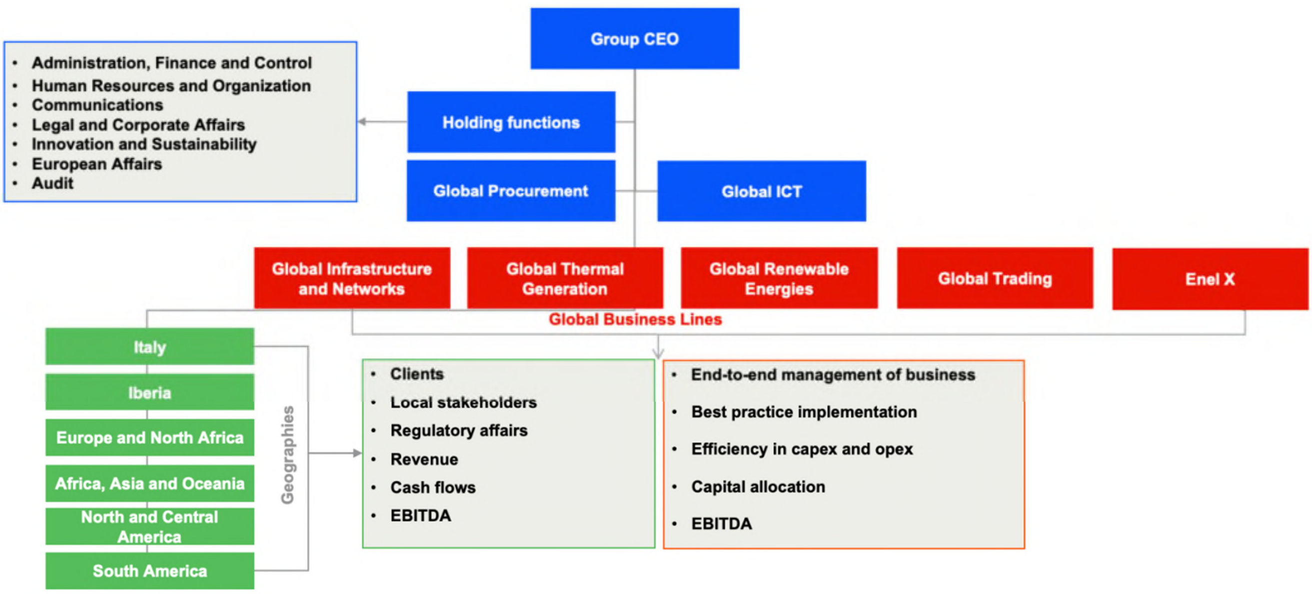
> *Divisions* (Global Thermal Generation and Trading, Global Infrastructure and Networks, Renewable Energy, Enel X), which are responsible for managing and developing assets, optimizing their performance and the return on capital employed in the various geographical areas in which the Group operates. 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, Africa, Asia and Oceania), 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.



Foreword

The Interim Financial Report at September 30, 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, Enel has prepared separate reclassified schedules that differ from those envisaged under the IFRS-EU it has adopted and used in the preparation of the condensed interim consolidated financial statements at June 30, 2018. These reclassified schedules contain different performance indicators from those obtained directly from the condensed interim consolidated financial statements at June 30, 2018, 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".

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", "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.

Summary of results

Performance and financial position

3rd Quarter		Millions of euro	First nine months	
2018	2017		**2018**	2017
19,219	17,873	Revenue and other income	55,246	54,188
4,277	3,772	Gross operating margin	12,134	11,450
2,563	2,363	Operating income	7,438	7,217
1,311	1,170	Net income attributable to shareholders of the Parent Company and non-controlling interests	4,034	3,663
996	774	Group net income	3,016	2,621
		Group net income per share in circulation at period-end (euro)	0.30	0.26
		Net capital employed	91,223	89,571 (1)
		Net financial debt	43,122	37,410 (1)
		Shareholders' equity (including non-controlling interests)	48,101	52,161 (1)
		Group shareholders' equity per share in circulation at period-end (euro)	3.12	3.42 (1)
		Cash flows from operating activities	7,120	7,161
		Capital expenditure on tangible and intangible assets	5,159 (2)	5,520

(1) At December 31, 2017.
(2) The figure for the first nine months of 2018 does not include €378 million regarding units classified as "held for sale" (€27 million at September 30, 2017).

Revenue and other income in the first nine months of 2018 amounted to €55,246 million, an increase of €1,058 million (+2.0%) compared with the first nine months of 2017. The increase is largely attributable to the impact of the change in the scope of consolidation, reflecting in particular the acquisition of Eletropaulo in June 2018 (+€1,270 million) and EnerNOC in August 2017 (€195 million), as well as the increase in revenue associated with:

> greater revenues from renewables (€966 million), especially in Brazil, Chile, Italy, Spain, Mexico and the United States, as a result of the increase in volumes due to the expansion of installed capacity and more favorable weather conditions. Another factor was the recognition of the capital gain and the remeasurement at fair value of the residual interest of 20% held following the disposal of the renewable generation companies involved in the "Kino project", in the amounts of €152 million and €40 million respectively;

> the income of E-Distribuzione from the indemnity of €128 million paid as part of the agreement reached with F2i and 2i Rete Gas for the disposal of Enel Rete Gas and the recognition, in September 2018, of income (€146 million) from the reimbursement paid by CSEA pursuant to the provisions of the Regulatory Authority for Energy, Networks and the Environment (ARERA) Resolution no. 50/2018;

> distribution in Spain (€64 million), mainly reflecting the application of new rates pursuant to the proposed ministerial order being finalized by the Ministry of Energy, Tourism and the Digital Agenda.

These increases were partly offset by a decrease in the revenue of the trading companies (€1,425 million), mainly connected with the increased volatility of market prices for commodities and the effect of the gain recorded in Chile in the same period of the previous year from the disposal of Electrogas (€144 million).
The above factors also include adverse exchange rate developments with a negative impact of €1,680 million, mainly registered in South America (primarily reflecting the effect of hyperinflation on the exchange rate of the Argentine peso and the depreciation of the Brazilian real) and in Russia.

Millions of euro	First nine months			
	2018	2017	Change	
Italy	27,582	27,799	(217)	-0.8%
Iberia	14,875	14,701	174	1.2%
South America	10,432	9,830	602	6.1%
Europe and North Africa	1,704	1,750	(46)	-2.6%
North and Central America	956	608	348	57.2%
Africa, Asia and Oceania	73	72	1	1.4%
Other, eliminations and adjustments	(376)	(572)	196	34.3%
Total	**55,246**	**54,188**	**1,058**	**2.0%**

The **gross operating margin** amounted to €12,134 million, an increase of €684 million (+6.0%) compared with the first nine months of 2017, despite the negative impact of exchange rate changes in the amount of €425 million, especially in Argentina and Brazil.

The increase mainly reflected:

> an improvement in margins in renewables (€626 million), especially in Brazil, Mexico, Italy and Spain as a result of the increase in sale volumes associated with the expansion in installed capacity and more favorable weather conditions, as well as the margin achieved by the Volta Grande plant (operated by the Group under a concession arrangement since December 2017). The increase also includes the income from the disposal of the companies involved in the "Kino project" (€192 million);

> an increase in margins in Brazil and the United States as a result of the acquisitions of Eletropaulo and EnerNOC (now Enel X North America) as described in the comments on revenue (a total of €130 million);

> an improvement in the margins of the distribution companies in Italy and Spain, as noted in the comments on revenue (€304 million);

> an increase in margins in end-user markets in Spain, Italy and Romania (€343 million), reflecting the reduction in operating costs and an increase in the volume of gas sales. In addition, in both countries costs declined as a result of the capitalization of customer acquisition costs ("contract costs") following the application of IFRS 15 as from January 1, 2018.

These increases were partly offset by:

> a decrease in generation and trading margins in Italy and Spain (€390 million), notably because of the contraction in conventional generation;

> a decline in margins in Chile, mainly reflecting the effect of the gain on the disposal of Electrogas in 2017 (€144 million);

> a reduction in the margins posted by Fortaleza (€86 million) due to the increase in provisioning costs following the interruption of Petrobras supplies.

In addition, Argentina, a hyperinflationary economy, had a negative impact on the gross operating margin because of hyperinflation of €89 million, following the application of "IAS 29 - Financial reporting in hyperinflationary economies".

Millions of euro	First nine months			
	2018	2017	Change	
Italy	5,550	5,238	312	6.0%
Iberia	2,719	2,543	176	6.9%
South America	3,016	3,117	(101)	-3.2%
Europe and North Africa	380	409	(29)	-7.1%
North and Central America	479	326	153	46.9%
Africa, Asia and Oceania	40	47	(7)	-14.9%
Other	(50)	(230)	180	-78.3%
Total	**12,134**	**11,450**	**684**	**6.0%**

The **ordinary gross operating margin** amounted to €12,006 million, an increase of €700 million on the first nine months of 2017 (+6.2%). Extraordinary items in the first nine months of 2018, which are not computed in the ordinary gross operating margin, included:

> in the first nine months of 2018, the income from the indemnity connected with the disposal of Enel Rete Gas (€128 million);

> in the first nine months of 2017, the gain on the disposal of the interest in the Chilean company Electrogas (€144 million).

Millions of euro	First nine months			
	2018	2017	Change	
Italy	5,422	5,238	184	3.5%
Iberia	2,719	2,543	176	6.9%
South America	3,016	2,973	43	1.4%
Europe and North Africa	380	409	(29)	-7.1%
North and Central America	479	326	153	46.9%
Africa, Asia and Oceania	40	47	(7)	-14.9%
Other	(50)	(230)	180	-78.3%
Total	**12,006**	**11,306**	**700**	**6.2%**

Operating income amounted to €7,438 million, an increase of €221 million (3.1%) compared with the same period in 2017, taking account of an increase of €119 million in amortization of contract costs following the adoption of IFRS 15, an increase in depreciation as a result of the entry in service of new plants and greater writedowns of trade receivables, mainly in Italy.

Millions of euro	First nine months			
	2018	2017	Change	
Italy	3,558	3,555	3	0.1%
Iberia	1,418	1,316	102	7.8%
South America	2,018	2,138	(120)	-5.6%
Europe and North Africa	221	253	(32)	-12.6%
North and Central America	285	181	104	57.5%
Africa, Asia and Oceania	6	15	(9)	-60.0%
Other	(68)	(241)	173	-71.8%
Total	**7,438**	**7,217**	**221**	**3.1%**

Ordinary operating income, which does not include the items excluded from the ordinary gross operating margin discussed above, amounted to €7,310 million, an increase of €237 million (+3.4%) compared with the same period in 2017.

Millions of euro	First nine months			
	2018	2017	Change	
Italy	3,430	3,555	(125)	-3.5%
Iberia	1,418	1,316	102	7.8%
South America	2,018	1,994	24	1.2%
Europe and North Africa	221	253	(32)	-12.6%
North and Central America	285	181	104	57.5%
Africa, Asia and Oceania	6	15	(9)	-60.0%
Other	(68)	(241)	173	-71.8%
Total	**7,310**	**7,073**	**237**	**3.4%**

Group net income in the first nine months of 2018 amounted to €3,016 million compared with the €2,621 million posted in the same period of the previous year (+15.1%). In addition to the positive developments in the aggregates above, the increase mainly reflected:

> a decrease in net interest expense due to the Group's efficient management of finance operations, connected with the renegotiation of bonds (€53 million), and a decrease in financial expense due to effect of the "make whole call option" of €107 million recognized in the first nine months of 2017 for the early redemption of a number of bonds and the increase in financial expense in 2017 connected with the acquisition of Enel Distribuição Goiás in the amount of €53 million;

> an increase in net financial income (€100 million) due to the application of IAS 29 to the Argentine companies, which essentially offset the impact of adverse exchange rate developments noted in the comments on the gross operating margin.

These factors were partly offset by a deterioration in the performance of joint ventures in the United States and Italy.

Group ordinary net income in the first nine months of 2018 amounted to €2,888 million (€2,583 million in the first nine months of 2017), an increase of €305 million on the same period of 2017. The following table provides a reconciliation of

Group net income and Group ordinary net income, reporting the ordinary items and their respective impacts on net income, excluding the associated tax effects and non-controlling interests.

Millions of euro	First nine months			
	2018	2017	Change	
Group net income	**3,016**	**2,621**	**395**	**15.1%**
Disposal of E-Distribuzione's interest in Enel Rete Gas	(128)	-	(128)	-
Gain on disposal of Electrogas	-	(38)	38	-
Group ordinary net income (1)	**2,888**	**2,583**	**305**	**11.8%**

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

Net capital employed*,* including net assets held for sale of €81 million (mainly regarding a number of Mexican wind projects that met the requirements for such classification under IFRS 5), amounted to €91,223 million at September 30, 2018 (€89,571 million at December 31, 2017). It is funded by shareholders' equity attributable to shareholders of the Parent Company and non-controlling interests of €48,101 million and net financial debt of €43,122 million. At September 30, 2018, the debt/equity ratio was 0.90 (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 (€3,688 million) and the extraordinary transactions carried out in the period, which increased net financial debt, as discussed below.

Net financial debt, excluding debt attributable to assets held for sale of €8 million, amounted to €43,122 million at September 30, 2018, up €5,712 million compared with €37,410 million at December 31, 2017, reflecting the acquisition of Eletropaulo (€2,228 million) and the public tender for the acquisition of the non-controlling interests held in Enel Generación Chile as part of the "Elqui" transaction (€1,406 million).

Capital expenditure amounted to €5,159 million in the first nine months of 2018, a decrease of €361 million compared with the same period in 2017, essentially attributable to a decrease in capital expenditure on wind and solar plants in Brazil, Peru and North America as a result of the completion of projects under construction in 2017. These effects were partly offset by an increase in expenditure on the distribution grids in Italy and Spain for activities connected with service quality and the replacement of digital meters.

Millions of euro	First nine months					
	2018		2017		Change	
Italy	1,602	(1)	1,124		478	42.5%
Iberia	835		582		253	43.5%
South America	1,380		2,094		(714)	-34.1%
Europe and North Africa	216		208	(3)	8	3.8%
North and Central America	968	(2)	1,479		(511)	-34.6%
Africa, Asia and Oceania	97		25		72	-
Other, eliminations and adjustments	61		8		53	-
Total	**5,159**		**5,520**		**(361)**	**-6.5%**

(1) Does not include €3 million regarding units classified as "held for sale".
(2) Does not include €375 million regarding units classified as "held for sale".
(3) Does not include €27 million regarding units classified as "held for sale".

Operations

3rd Quarter							First nine months					
Italy	Abroad	**Total**	Italy	Abroad	**Total**		Italy	Abroad	**Total**	Italy	Abroad	**Total**
	2018			2017				**2018**			2017	
13.9	52.8	**66.7**	12.5	50.8	**63.3**	Net electricity generated by Enel (TWh)	40.5	147.3	**187.8**	39.9	144.6	**184.5**
57.8	67.3	**125.1**	59.4	56.5	**115.9**	Electricity transported on the Enel distribution network (TWh)	169.9	179.3	**349.2**	171.3	163.7	**335.0**
27.1	52.3	**79.4**	27.8	46.7	**74.5**	Electricity sold by Enel (TWh) (1)	78.7	141.0	**219.7**	77.2	135.9	**213.1**
0.5	1.3	**1.8**	0.5	1.2	**1.7**	Gas sales to end users (billions of m^3)	3.4	4.6	**8.0**	3.4	4.5	**7.9**
						Employees at period-end (no.) (2)	30,670	39,239	**69,909**	31,114	31,786	**62,900**

(1) Excluding sales to resellers.
(2) At December 31, 2017.

Net electricity generated by Enel in the first nine months of 2018 increased by 3.3 TWh compared with the same period in 2017 (+1.8%). The increase in generation abroad (+2.7 TWh) mainly reflected an increase in renewables generation:

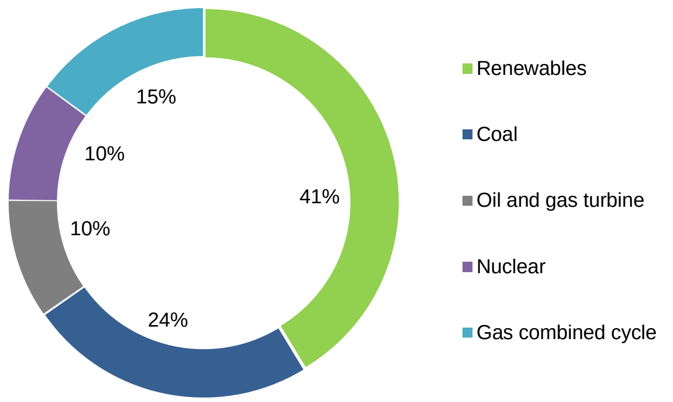
> +5.3 TWh in respect of the increase in hydro output in Spain and South America;
> +3.8 TWh connected with the increase in wind generation in Spain and North and Central America.

These developments were partly offset by a decrease in conventional thermal generation, especially a contraction in gas-fired generation.

In Italy, the increase in hydroelectric generation (+3.0 TWh) was only partly offset by a decline in coal-fired output.

Finally, 39.7% the net electricity generated by Enel in the first nine months of 2018 came from renewable resources (32.4% in the first nine months of 2017).

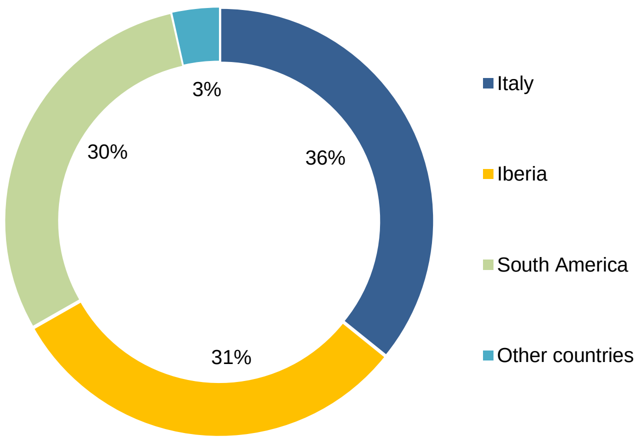
Net electricity generation by source (first nine months of 2018)



Electricity transported on the Enel distribution network in the first nine months of 2018 amounted to 349.2 TWh, up 14.2 TWh (+4.2%), mainly due to the acquisition of Eletropaulo.

Electricity sold by Enel in the first nine months of 2018 amounted to 219.7 TWh, an increase of 6.6 TWh (+3.1%) compared with the same period of 2017, with an especially large increase in Italy (+1.5 TWh) and in South America (+9.4 TWh). These volumes were partially offset by a reduction in quantities sold in Spain.

Electricity sold by geographical area (first nine months of 2018)



Gas sales in the first nine months of 2018 amounted to 8.0 billion cubic meters, up 0.1 billion cubic meters compared with the same period in 2017.

At September 30, 2018, Enel Group **employees** numbered 69,909, of whom about 56.1% employed in Group companies headquartered abroad. The increase of 7,009 was only partially impacted by the net balance of new hires and terminations (-697), while the main factor was changes in the scope of consolidation (+7,706) mainly due to the acquisition of Eletropaulo in Brazil in June, the YouSave business unit in Italy in July and Empresa de Alumbrado Eléctrico de Ceuta and Empresa de Alumbrado Eléctrico de Ceuta Distribución in Spain in August. The following table provides a breakdown of the workforce:

No.	**at Sept. 30,2018**	at Dec. 31, 2017
Italy	28,500	28,684
Iberia	9,757	9,711
South America	21,152	13,903
Europe and North Africa	5,652	5,733
North and Central America	2,247	2,050
Africa, Asia and Oceania	233	198
Other	2,368	2,621
Total	**69,909**	**62,900**

Group performance

3rd Quarter				Millions of euro	First nine months			
2018	2017	Change			**2018**	2017	Change	
19,219	17,873	1,346	7.5%	Revenue and other income	55,246	54,188	1,058	2.0%
15,017	14,206	811	5.7%	Costs	43,314	43,121	193	0.4%
75	105	(30)	-28.6%	Net income/(expense) from commodity contracts measured at fair value	202	383	(181)	-47.3%
4,277	**3,772**	**505**	**13.4%**	**Gross operating margin**	**12,134**	**11,450**	**684**	**6.0%**
1,714	1,409	305	21.6%	Depreciation, amortization and impairment losses	4,696	4,233	463	10.9%
2,563	**2,363**	**200**	**8.5%**	**Operating income**	**7,438**	**7,217**	**221**	**3.1%**
1,052	1,186	(134)	-	Financial income	3,024	2,877	147	5.1%
1,619	1,951	(332)	-17.0%	Financial expense	4,796	5,040	(244)	-4.8%
(567)	**(765)**	**198**	**25.9%**	**Total net financial income/(expense)**	**(1,772)**	**(2,163)**	**391**	**18.1%**
8	**33**	**(25)**	**-75.8%**	**Share of income/(expense) from equity investments accounted for using the equity method**	**54**	**114**	**(60)**	**-52.6%**
2,004	**1,631**	**373**	**22.9%**	**Income before taxes**	**5,720**	**5,168**	**552**	**10.7%**
693	461	232	50.3%	Income taxes	1,686	1,505	181	12.0%
1,311	**1,170**	**141**	12.1%	**Net income from continuing operations**	**4,034**	**3,663**	**371**	10.1%
-	**-**	**-**	-	**Net income from discontinued operations**	**-**	**-**	**-**	-
1,311	**1,170**	**141**	12.1%	**Net income (Group and non-controlling interests)**	**4,034**	**3,663**	**371**	10.1%
996	774	222	28.7%	Net income attributable to shareholders of Parent Company	3,016	2,621	395	15.1%
315	396	(81)	-20.5%	Net income attributable to non-controlling interests	1,018	1,042	(24)	-2.3%

Revenue and other income

3rd Quarter				Millions of euro	First nine months			
2018	2017	Change			**2018**	2017	Change	
11,439	10,895	544	5.0%	Sale of electricity	31,800	32,333	(533)	-1.6%
2,703	2,490	213	8.6%	Transport of electricity	7,713	7,373	340	4.6%
222	275	(53)	-19.3%	Fees from network operators	720	607	113	18.6%
451	351	100	28.5%	Transfers from institutional market operators	1,268	1,254	14	1.1%
723	552	171	31.0%	Sale of gas	3,123	2,832	291	10.3%
68	70	(2)	-2.9%	Transport of gas	424	391	33	8.4%
3,613	3,240	373	11.5%	Other revenue and income	10,198	9,398	800	8.5%
19,219	**17,873**	**1,346**	**7.5%**	**Total revenue and other income**	**55,246**	**54,188**	**1,058**	**2.0%**

In the first nine months of 2018, revenue from the **sale of electricity** amounted to €31,800 million (€11,439 in the 3rd Quarter of 2018), a decrease of €533 million (and increase of €544 million in the 3rd Quarter of 2018) compared with the same period of the previous year (-1.6% in the first nine months and +5.0% in the 3rd Quarter of 2018). The decrease is essentially attributable to the following factors:

> an increase of €748 million in revenue on end-user markets (€689 million in the 3rd Quarter of 2018), mainly attributable to an increase in revenue in South America, largely on the regulated market, as a result of an increase in volumes following the acquisition of Eletropaulo, and an increase in prices, partially offset by adverse exchange rate developments. Revenue also increased in Italy and Romania as a consequence of the increase in quantities sold on the free market, partially offset by a reduction in volumes on the regulated market due to the shift of customers to the free market. These effects were partially offset by a reduction in the revenue posted by the Spanish companies as a result of the contraction in quantities sold;

> a decline of €462 million in revenue from wholesale electricity sales (€8 million in the 3rd Quarter of 2018), mainly due to a decrease in revenue in Italy and Russia. In Italy the change was connected with the reduction in volumes transacted under bilateral contracts, partly offset by an increase renewables generation, which led to an expansion in quantities sold on the Power Exchange. The decrease in revenue in Russia is ascribable to the reduction in prices and quantities sold;

> a decrease of €819 million in revenue from electricity trading (€149 million in the 3rd Quarter of 2018), the result of a decrease in volumes handled in Italy.

Revenue from the **transport of electricity** amounted to €7,713 million in the first nine months of 2018, an increase of €340 million compared with the same period of 2017, while in the 3rd Quarter of 2018 it amounted to €2,703 million, an increase of €213 million. The change mainly reflects an increase in revenue in South America and Spain, partially offset by a decline in revenue in Italy as a result of a decrease in revenue from the transport of power on the regulated market, in line with the reduction on quantities sold and in the number of customers served.

Revenue from **fees from market operators** amounted to €720 million in the first nine months of 2018, compared with €607 million in the same period of 2017: the increase for the period, equal to €113 million, was mainly associated with the increase in fees for the remuneration of generation plants in Italy classified as “essential units” for the electrical system for the purpose of ensuring adequate operational security.

Revenue from **transfers from institutional market operators** totaled €1,268 in the first nine months of 2018 (€1,254 million in the first nine months of 2017), an increase of €14 million (€100 million in the 3rd Quarter of 2018) compared with the same period of the previous year. The increase in transfers was attributable to an increase in transfers in the non-peninsular electric system in Spain, largely offset by a reduction in transfers in Italy following the expiry of the feed-in premium incentives received from the Energy Services Operator (ESO) in respect of renewables generation.

Revenue from the **sale of gas** in the first nine months of 2018 amounted to €3,123 million, an increase of €291 million (+10.3%), while in the 3rd Quarter of 2018 it amounted to €723 million, an increase of €171 million (+31.0%), compared with the same period of the previous year. The increase in the first nine months in the two years mainly reflected an increase in revenue in Spain and Italy due to an increase in quantities sold, as well as a rise in revenue in South America.

Revenue from the **transport of gas** in the first nine months of 2018 amounted to €424 million (€68 million in the 3rd Quarter of 2018), an increase of €33 million compared with the first nine months of 2017 (+8.4%), essentially reflecting greater revenue in Italy.

Other revenue and income in the first nine months of 2018 amounted to €10,198 million (€9,398 million in the same period of 2017), while in the 3rd Quarter of 2018 it came to €3,613 million (€3,240 million in the previous period in 2017), up by €800 million compared with the first nine months of 2017 (+8.5%) and by €373 million (+11.5%) compared with the 3rd Quarter of 2017.
The change in the first nine months primarily reflected:

- an increase of €203 million in revenue from the sale of fuels in trading activities, almost entirely attributable to the increase in the volumes of natural gas handled in Italy and Spain;
- an increase of €218 million in revenue recognized by EnerNOC for its value-added services, mainly associated with its demand-response business. EnerNOC performs this activity as an aggregator of commercial and industrial consumers, which agree to balance their consumption on the basis of grid requirements, reducing their consumption at peakload times in exchange for contractually specified remuneration;
- an increase of €215 million in revenue from sales of environmental certificates, largely the sale of CO_2 allowances in Italy and Spain;
- an increase of €146 million in revenue from the recognition of the income of E-Distribuzione connected with the reimbursement by the CSEA of system charges paid but not levied pursuant to ARERA Resolution no. 50/2018;
- an increase in revenue from the recognition of €128 million in respect of the agreement reached by E-Distribuzione with F2i and 2i Rete Gas on the early all-inclusive settlement of the indemnity connected with the sale of the interest in Enel Rete Gas;
- an increase in income connected with the closing of the sale of a majority stake in the Mexican renewables companies involved in the “Kino project”, which saw the recognition of a capital gain of €152 million and income from remeasurement at fair value of €40 million. This factor was partially offset by effect of the recognition of the gain of €144 million in the first nine months of 2017 for the disposal of Electrogas;
- a €152 million decline in grants for environmental certificates.

Costs

3rd Quarter				Millions of euro	First nine months			
2018	2017	Change			**2018**	2017	Change	
5,572	5,024	548	10.9%	Electricity purchases	14,464	14,764	(300)	-2.0%
1,445	1,300	145	11.2%	Consumption of fuel for electricity generation	3,639	3,919	(280)	-7.1%
2,505	2,536	(31)	-1.2%	Fuel for trading and gas for sale to end users	8,273	7,903	370	4.7%
382	323	59	18.3%	Materials	1,241	846	395	46.7%
1,053	1,069	(16)	-1.5%	Personnel	3,327	3,349	(22)	-0.7%
3,976	3,894	82	2.1%	Services, leases and rentals	11,771	11,495	276	2.4%
702	564	138	24.5%	Other operating expenses	2,082	2,021	61	3.0%
(618)	(504)	(114)	-22.6%	Capitalized costs	(1,483)	(1,176)	(307)	-26.1%
15,017	**14,206**	**811**	**5.7%**	**Total**	**43,314**	**43,121**	**193**	**0.4%**

Costs for **electricity purchases** decreased by 300 million in the first nine months of 2018 compared with the same period of 2017 (an increase of €548 million in the 3rd Quarter of 2018), a decrease of 2.0% (+10.9% over the 3rd Quarter of 2017). The developments in the first nine months of 2018 reflected a decrease of €447 million in purchases through bilateral contracts, mainly due to a reduction in volumes handled by Enel Global Trading; as well as a decline in spot purchases on domestic and foreign markets in the amount of €85 million. These factors were partly offset by an increase in purchases on electricity exchanges in the amount of €232 million.

Costs for the **consumption of fuel for electricity generation** in the first nine months of 2018 amounted to €3,639 million, a decrease of €280 million (-7.1%) compared with the same period of the previous year, while in the 3rd Quarter of 2018 they amounted to €1,445 million, an increase of €145 million (+11.2%) essentially attributable to a decrease in requirements due to the decline in thermal generation, particularly in South America, Russia, Italy and Spain, partly reflecting a number of planned stoppages at plants, especially in the 1st Half of 2018, for ordinary maintenance.

Costs for the purchase of **fuel for trading and gas for sale to end users** amounted to €8,273 million in the first nine months of 2018 (€2,505 million in the 3rd Quarter of 2018), an increase of €370 million compared with the first nine months of 2017 and a decrease of €31 million compared with the 3rd Quarter of 2017. The change mainly reflected the increase in transaction volumes, above all on the domestic market as a result of the increase in gas purchases and on the Spanish market.

Costs for **materials** in the first nine months of 2018 amounted to €1,241 million, an increase of €395 million, and to €382 million in the 3rd Quarter of 2018, an increase of €59 million compared with the same period of the previous year.
The change mainly reflects an increase in purchases of materials and equipment in Italy and Spain and to the increase in costs for the purchase of environmental certificates, essentially due to an increase in the trading of CO_2 allowances in Italy.

Personnel costs in the first nine months of 2018 amounted to €3,327 million, a decrease of €22 million (-0.7%) compared with the same period of the previous year. In the 3rd Quarter of 2018, personnel costs amounted to €1,053 million, a decrease of €16 million (-1.5%) compared with the same period of the previous year. In the first nine months of 2018, the decrease in personnel costs mainly reflected the net impact of:

- a decline in costs due to the general depreciation of currencies in South America against the euro;
- a decrease of €45 million in provisions for early termination incentives by Enel Distribuição Goiás following efficiency enhancement efforts in the 1st Half of 2017;

- an increase in costs connected with the change in the scope of consolidation, mainly regarding the acquisitions of Eletropaulo (€76 million) and EnerNOC (€47 million);
- an increase of €29 million in costs for early termination incentives in Spain.

The Enel Group workforce at September 30, 2018 numbered 69,909, of which 39,239 employed outside of Italy. The workforce increased by 7,009 in the first nine months of 2018, despite the negative impact of the balance between new hires and terminations (-697). This was more than offset by the impact of the change in the scope of consolidation (+7,706), which mainly reflected the acquisition of Eletropaulo in Brazil in June, the YouSave business unit in Italy in July and Empresa de Alumbrado Eléctrico de Ceuta and Empresa de Alumbrado Eléctrico de Ceuta Distribución in Spain in August.
The overall change compared with December 31, 2017 breaks down as follows:

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

Costs for **services, leases and rentals** in the first nine months of 2018 amounted to €11,771 million, an increase of €276 million compared with the same period of the previous year, while in the 3rd Quarter of 2018 they amounted to €3,976 million, an increase of €82 million compared with the 3rd Quarter of 2017. The change in the first nine months of 2018 mainly reflected:

- an increase of €160 million in grid access fees, mainly accounted for by the Spanish companies (€133 million) following the reversal in 2017 of grid access charges provisioned in previous years for self-consumption only that were no longer due;
- an increase of €25 million in wheeling costs, essentially regarding South America, partially offset by a decrease in wheeling costs in Spain and Russia as a result of a decline in quantities transported;
- an increase of €129 million in costs for IT services, especially in Italy. They mainly comprise costs for system assistance, computer and software maintenance as well as data processing and cloud services;
- an increase of €166 million in costs for value-added services, mainly due to Enel X for the demand-response services of EnerNOC;
- an increase of €34 million in costs for water diversion fees, mainly in Spain;
- an increase in costs for technical services provided by professional studios, mainly concentrated in Russia;
- a reduction of €123 million in costs for maintenance and repairs, mainly in Spain and South America;
- a reduction of €105 million in commercial fees and commissions in Italy and Spain, due mainly to the application of IFRS 15, which introduced the capitalization of customer acquisition costs;
- a reduction of €30 million for gas connections to third parties, which in Italy are no longer recognized through profit or loss following adoption of IFRS 15;
- a decrease of €41 million costs for maintenance and other activities carried out in Brazil under public service concession arrangements within the scope of IFRIC 12.

Other operating expenses in the first nine months of 2018 amounted to €2,082 million, an increase of €61 million compared with the same period of 2017, while in the 3rd Quarter of 2018 they amounted to €702 million, an increase of €138 million compared with the same period of the previous year. The increase in the first nine months is essentially due to:

- an increase of €27 million in taxes and duties, largely attributable to an increase in taxes on thermal generation in Spain, nuclear generation in Catalonia and an increase in fees for use of public land;
- an increase of €39 million in charges connected with the electrical system, mainly attributable to the recognition of costs in respect of the "*bono social*" in Spain, partially offset by a reduction in charges in South America;
- an increase of €40 million in provisions for risk and charges, due essentially to an increase in provisions compared with the year-earlier period by E-Distribuzione and in South America;
- an increase of €33 million in costs for emissions allowances, largely reflecting the provision recognized to cover the deficit in the first nine months of 2018. The increase over the same period of 2017 regarded Italy, reflecting the increase in costs;
- a reduction of €102 million in costs for energy efficiency certificates due to the reduction in the quantity of certificates.

In the first nine months of 2018, **capitalized costs** amounted to €1,483 million, while in the 3rd Quarter of 2018 they amounted to €618 million, with an increase of €307 million in the first nine months of 2018 compared with the same period of the previous year.

Net income/(expense) from commodity contracts measured at fair value showed net income of €202 million in the first nine months of 2018 (€383 million in the same period of the previous year) and net income of €75 million in the 3rd Quarter of 2018 (€105 million in the corresponding period of 2017) and break down as follows:
- net income from cash flow hedge derivatives of €18 million (€217 million in the first nine months of 2017);
- net income from derivatives measured at fair value through profit or loss of €184 million (€166 million in the first nine months of 2017).

Depreciation, amortization and impairment losses in the first nine months of 2018 amounted to €4,696 million, an increase of €463 million, while in the 3rd Quarter of 2018 they amounted to €1,714 million, an increase of €305 million. The increase in the first nine months of 2018 essentially reflected:
- an increase of €257 million in depreciation and amortization, mainly reflecting the application of IFRS 15 (€119 million), in particular the amortization charge for contract costs, as well as an increase in the depreciation due to the entry in service of new plants in Italy and North America and an increase in the amortization of intangible assets as a result of the acquisition of Eletropaulo and EnerNOC;
- an increase of €25 million in impairment losses net of writebacks on property, plant and equipment and intangible assets;
- an increase of €181 million in impairment net of writebacks on trade receivables and other assets, mainly in Italy.

Operating income in the first nine months of 2018 amounted to €7,438 million, an increase of €221 million (+3.1%), while in the 3rd Quarter of 2018 it amounted to €2,563 million, an increase of €200 million compared with the same period of the previous year.

Net financial expense decreased by €391 million in the first nine months of 2018 and by €198 million in the 3rd Quarter of 2018.
More specifically the change mainly reflected:
- an increase of €1,374 million in net income on derivatives, largely offset by net exchange rate losses of €1,304 million;
- a decrease of €53 million in net interest expense, mainly as a result of the decrease in interest on bonds;
- the recognition of €100 million in net financial income following the application of IAS 29 concerning financial reporting in hyperinflationary economy to the Argentine companies, as discussed in greater detail in note 2 to the condensed consolidated financial statements at September 30, 2018;

- a decrease in charges due to the effects of the recognition in 2017 of:
  - financial expense of €107 million recognized by Enel Finance International as a result of the early redemption of bonds under the "make whole call option" provided for in the original contract;
  - financial expense of €53 million as a result of the acquisition of Enel Distribuição Goiás;
- an increase of €34 million in interest and other income on financial assets in respect of public concession arrangements of the Brazilian companies, an increase of €28 million in default interest, largely regarding E-Distribuzione and South America.

These factors were partially offset by a decrease of €55 million in capitalized interest.

The **share of income/(expense) from equity investments accounted for using the equity method** in the first nine months of 2018 showed net income of €54 million, while in the 3rd Quarter of 2018 it showed net income of €8 million.

Income taxes in the first nine months of 2018 amounted to €1,686 million, equal to 29.5% of taxable income (compared with 29.1% in the first nine months of 2017), while the tax liability for the 3rd Quarter of 2018 was an estimated €693 million. The increase in the effective tax rate in the first nine months of 2018 on the corresponding period of the previous year mainly reflects the increase in the effective tax rate in Mexico over the theoretical tax rate associated with the disposal of the Kino companies (€97 million), partly offset by:

- the recognition of the earn-out in respect of the disposal of the interest in Enel Rete Gas, which generated proceeds benefitting from tax relief under the participation exemption (PEX);
- the recognition of deferred tax assets (€86 million) for prior-year losses of 3Sun, which are expected to be recovered through the merger with Enel Green Power SpA.

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 establishment of 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 also taken of the possibilities for the simplification of disclosures associated with the materiality thresholds also established under IFRS 8 and, therefore:

> "Thermal Generation" and "Trading and Upstream" are presented as one aggregate given the close integration and interdependence between them;
> 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.

The main changes in the organizational model, which remains based on an matrix structure of divisions, include the integration of the various companies belonging to the Enel Green Power Group in the various divisions by geographical area, functionally including the large hydro activities that are still formally operated by the thermal generation companies, and a definition of the geographical areas (Italy, Iberia, Europe and North Africa, South America, North and Central America, Africa, Asia and Oceania, Central/Parent Company). The new business structure is also broken down as follows: Thermal Generation and Trading, Infrastructure and Networks, Renewables, Enel X, Retail, Services and Parent Company.

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Results by business area for the 3rd Quarter of 2018 and 2017

3rd Quarter of 2018 [1]

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Africa, Asia and Oceania	Other, eliminations and adjustments	**Total**
Revenue and other income from third parties	9,012	5,162	3,839	569	399	25	213	19,219
Revenue and other income from transactions with other segments	195	19	-	2	1	-	(217)	-
Total revenue and other income	**9,207**	**5,181**	**3,839**	**571**	**400**	**25**	**(4)**	**19,219**
Net income/(expense) from commodity contracts measured at fair value	9	72	(4)	-	-	-	(2)	75
Gross operating margin	**1,849**	**965**	**1,002**	**126**	**189**	**13**	**133**	**4,277**
Depreciation, amortization and impairment losses	772	447	356	56	68	9	6	1,714
Operating income	**1,077**	**518**	**646**	**70**	**121**	**4**	**127**	**2,563**

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

3rd Quarter of 2017 [1]

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Africa, Asia and Oceania	Other, eliminations and adjustments	**Total**
Revenue and other income from third parties	8,974	4,732	3,315	586	244	26	(4)	17,873
Revenue and other income from transactions with other segments	153	9	2	7	(1)	-	(170)	-
Total revenue and other income	**9,127**	**4,741**	**3,317**	**593**	**243**	**26**	**(174)**	**17,873**
Net income/(expense) from commodity contracts measured at fair value	60	55	2	-	(1)	-	(11)	105
Gross operating margin	**1,571**	**947**	**1,059**	**132**	**108**	**19**	**(64)**	**3,772**
Depreciation, amortization and impairment losses	565	420	308	51	50	11	4	1,409
Operating income	**1,006**	**527**	**751**	**81**	**58**	**8**	**(68)**	**2,363**

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

Results by business area for the first nine months of 2018 and 2017

First nine months of 2018 (1)

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Africa, Asia and Oceania	Other, eliminations and adjustments	Total
Revenue and other income from third parties	27,031	14,830	10,428	1,698	955	73	231	55,246
Revenue and other income from transactions with other segments	551	45	4	6	1	-	(607)	-
Total revenue and other income	**27,582**	**14,875**	**10,432**	**1,704**	**956**	**73**	**(376)**	**55,246**
Net income/(expense) from commodity contracts measured at fair value	99	97	3	-	5	-	(2)	202
Gross operating margin	**5,550**	**2,719**	**3,016**	**380**	**479**	**40**	**(50)**	**12,134**
Depreciation, amortization and impairment losses	1,992	1,301	998	159	194	34	18	4,696
Operating income	**3,558**	**1,418**	**2,018**	**221**	**285**	**6**	**(68)**	**7,438**
Capital expenditure	**1,602** (2)	**835**	**1,380**	**216**	**968** (3)	**97**	**61**	**5,159**

(1) Segment revenue and other income includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Does not include €3 million regarding units classified as “held for sale”.
(3) Does not include €375 million regarding units classified as “held for sale”.

First nine months of 2017 (1)

Millions of euro	Italy	Iberia	South America	Europe and North Africa	North and Central America	Africa, Asia and Oceania	Other, eliminations and adjustments	Total
Revenue and other income from third parties	27,291	14,671	9,812	1,725	606	72	11	54,188
Revenue and other income from transactions with other segments	508	30	18	25	2	-	(583)	-
Total revenue and other income	**27,799**	**14,701**	**9,830**	**1,750**	**608**	**72**	**(572)**	**54,188**
Net income/(expense) from commodity contracts measured at fair value	399	7	4	-	(1)	-	(26)	383
Gross operating margin	**5,238**	**2,543**	**3,117**	**409**	**326**	**47**	**(230)**	**11,450**
Depreciation, amortization and impairment losses	1,683	1,227	979	156	145	32	11	4,233
Operating income	**3,555**	**1,316**	**2,138**	**253**	**181**	**15**	**(241)**	**7,217**
Capital expenditure	**1,124**	**582**	**2,094**	**208** (2)	**1,479**	**25**	**8**	**5,520**

(1) Segment revenue and other income includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Does not include €27 million regarding units classified as “held for sale”..

In addition to the foregoing, the Group monitors performance at the Global Division level, classifying results by Business Line. The following table presents the gross operating margin for the two periods under review, offering visibility of performance not only from a Region/Country perspective but also by Division/Business Line.

Gross operating margin

	Local businesses						Global Divisions																	
Millions of euro	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	1,607	1,534	73	99	72	27	29	178	(149)	2,895	2,649	246	913	805	108	7	-	7	-	-	-	5,550	5,238	312
Iberia	535	331	204	86	50	36	356	597	(241)	1,447	1,389	58	256	176	80	39	-	39	-	-	-	2,719	2,543	176
South America	-	-	-	(68)	(58)	(10)	288	569	(281)	1,321	1,314	7	1,444	1,292	152	31	-	31	-	-	-	3,016	3,117	(101)
Argentina	-	-	-	-	-	-	69	76	(7)	107	171	(64)	26	24	2	-	-	-	-	-	-	202	271	(69)
Brazil	-	-	-	(33)	(27)	(6)	3	98	(95)	602	453	149	304	183	121	(1)	-	(1)	-	-	-	875	707	168
Chile	-	-	-	(35)	(31)	(4)	73	269	(196)	176	190	(14)	573	552	21	5	-	5	-	-	-	792	980	(188)
Colombia	-	-	-	-	-	-	42	37	5	298	350	(52)	427	428	(1)	26	-	26	-	-	-	793	815	(22)
Peru	-	-	-	-	-	-	101	89	12	138	150	(12)	107	98	9	1	-	1	-	-	-	347	337	10
Other	-	-	-	-	-	-	-	-	-	-	-	-	7	7	-	-	-	-	-	-	-	7	7	-
Europe and North Africa	21	(46)	67	2	1	1	158	202	(44)	114	136	(22)	83	116	(33)	2	-	2	-	-	-	380	409	(29)
Romania	21	(46)	67	2	1	1	1	2	(1)	114	136	(22)	40	78	(38)	2	-	2	-	-	-	180	171	9
Russia	-	-	-	-	-	-	156	200	(44)	-	-	-	-	-	-	-	-	-	-	-	-	156	200	(44)
Slovakia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	1	-	1	-	-	-	43	38	5	-	-	-	-	-	-	44	38	6
North and Central America	-	-	-	-	-	-	(4)	-	(4)	-	-	-	452	326	126	31	-	31	-	-	-	479	326	153
United States and Canada	-	-	-	-	-	-	(4)	-	(4)	-	-	-	178	146	32	31	-	31	-	-	-	205	146	59
Mexico	-	-	-	-	-	-	-	-	-	-	-	-	147	72	75	-	-	-	-	-	-	147	72	75
Panama	-	-	-	-	-	-	-	-	-	-	-	-	89	74	15	-	-	-	-	-	-	89	74	15
Other	-	-	-	-	-	-	-	-	-	-	-	-	38	34	4	-	-	-	-	-	-	38	34	4
Africa, Asia and Oceania	-	-	-	-	-	-	-	-	-	-	-	-	42	47	(5)	(2)	-	(2)	-	-	-	40	47	(7)
South Africa	-	-	-	-	-	-	-	-	-	-	-	-	38	40	(2)	(2)	-	(2)	-	-	-	36	40	(4)
India	-	-	-	-	-	-	-	-	-	-	-	-	9	8	1	-	-	-	-	-	-	9	8	1
Other	-	-	-	-	-	-	-	-	-	-	-	-	(5)	(1)	(4)	-	-	-	-	-	-	(5)	(1)	(4)
Other	-	-	-	(4)	(1)	(3)	(13)	-	(13)	(17)	(9)	(8)	138	(58)	196	(19)	-	(19)	(135)	(162)	27	(50)	(230)	180
Total	2,163	1,819	344	115	64	51	814	1,546	(732)	5,760	5,479	281	3,328	2,704	624	89	-	89	(135)	(162)	27	12,134	11,450	684

Italy

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
7,946	6,976	970	13.9%	Thermal	20,761	23,142	(2,381)	-10.3%
4,269	3,768	501	13.3%	Hydroelectric	14,452	11,425	3,027	26.5%
1,397	1,429	(32)	-2.2%	Geothermal	4,233	4,312	(79)	-1.8%
191	277	(86)	-31.0%	Wind	932	871	61	7.0%
39	40	(1)	-2.5%	Other sources	108	112	(4)	-3.6%
13,842	**12,490**	**1,352**	**10.8%**	**Total net generation**	**40,486**	**39,862**	**624**	**1.6%**

In the first nine months of 2018, net electricity generation amounted to 40,486 million kWh (13,842 million kWh in the 3rd Quarter of 2018), an increase of 1.6% or 624 million kWh. The increase in hydroelectric generation (3,027 million kWh) due to better weather conditions compared with the first nine months of 2017, as well as the increase in wind generation, were partly offset by the contraction in thermal generation (2,381 million kWh), largely reflecting the reduction in coal-fired generation.

In the 3rd Quarter of 2018, net generation expanded by 1,352 million kWh (+10.8%) compared with the same period of 2017, the result of an increase in thermal generation, in response to the increase in electricity demand in the 3rd Quarter of 2018, and an increase in hydro generation.

Contribution to gross thermal generation

3rd Quarter						Millions of kWh	First nine months					
2018		2017		Change			**2018**		2017		Change	
-	-	3	-	(3)	-	Fuel oil	-	-	10	-	(10)	-
2,271	26,4%	1,474	19.5%	797	54.1%	Natural gas	5,223	23,1%	5,306	21.2%	(83)	-1.6%
6,271	72,9%	5,957	78.7%	314	5.3%	Coal	17,008	75,3%	19,304	77.0%	(2,296)	-11.9%
61	0,7%	135	1.8%	(74)	-54.8%	Other fuels	361	1,6%	459	1.8%	(98)	-
8,603	**100,0%**	**7,569**	**100.0%**	**1,034**	**13.7%**	**Total**	**22,592**	**100,0%**	**25,079**	**100.0%**	**(2,487)**	**-9.9%**

Gross thermal generation in the first nine months of 2018 totaled 22,592 million kWh (8,603 million kWh in the 3rd Quarter of 2018), a decrease of 2,487 million kWh (-9.9%) compared with the first nine months of 2017 (+13.7% in the 3rd Quarter of 2018). This decrease mainly regarded the use of coal.

Transport of electricity

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
57,792	59,344	(1,552)	-2.6%	Electricity transported on Enel's distribution network (1)	169,874	171,291	(1,417)	-0.8%

1 The figure for 2017 reflects a more accurate calculation of quantities transported.

Electricity transported on Enel's network in Italy in the first nine months of 2018 decreased by 1,417 million kWh (-0.8%) from 171,291 million kWh in the first nine months of 2017 to 169,874 million kWh in the first nine months of 2018. Developments were similar in the 3rd Quarter of 2018, with 57,792 million kWh of electricity transported, a decrease of 1,552 million kWh (-2.6%) compared with the same period of 2017.

Electricity sales

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
				Free market:				
3,402	3,232	170	5.3%	- mass-market customers	9,842	9,170	672	7.3%
12,796	11,804	992	8.4%	- business customers (1)	36,901	33,099	3,802	11.5%
512	837	(325)	-38.8%	- safeguard-market customers	1,607	1,594	13	0.8%
16,710	**15,873**	**837**	**5.3%**	**Total free market**	**48,350**	**43,863**	**4,487**	**10.2%**
				Regulated market:				
10,356	11,961	(1,605)	-13.4%	- enhanced protection market customers	30,332	33,331	(2,999)	-9.0%
27,066	**27,834**	**(768)**	**-2.8%**	**TOTAL**	**78,682**	**77,194**	**1,488**	**1.9%**

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

Electricity sold in the first nine months of 2018 came to 78,682 million kWh, an increase of 1,488 million kWh compared with the same period of the previous year. The trend essentially reflects the greater volumes sold on the free market as a result of commercial policies focusing mainly on business customers, and is partly offset by the decrease in sales on the regulated market as a result of the shift of 1.5 million customers to the free market.
By contrast, electricity sold declined in the 3rd Quarter of 2018.

Gas sales

3rd Quarter				Millions of m^3	First nine months			
2018	2017	Change			**2018**	2017	Change	
189	213	(24)	-11.3%	Mass-market customers (1)	2,095	1,978	117	5.9%
250	268	(18)	-6.7%	Business customers	1,277	1,389	(112)	-8.1%
439	**481**	**(42)**	**-8.7%**	**Total**	**3,372**	**3,367**	**5**	**0.2%**

(1) Includes residential customers and microbusinesses.

Gas sales in the first nine months of 2018 totaled 3,372 million cubic meters (439 million cubic meters in the 3rd Quarter of 2018), an increase of 5 million cubic meters compared with the same period of the previous year.
Sales volumes were lower in the 3rd Quarter of 2018 in response to seasonal factors.

Performance

3rd Quarter				Millions of euro	First nine months				
2018	2017	Change			**2018**		2017	Change	
9,207	9,127	80	0.9%	Revenue and other income	27,582		27,799	(217)	-0.8%
1,849	1,571	278	17.7%	Gross operating margin	5,550		5,238	312	6.0%
1,077	1,006	71	7.1%	Operating income	3,558		3,555	3	0.1%
				Capital expenditure	1,602	(1)	1,124	478	42.5%

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

The following tables break down performance by type of business in the 3rd Quarter and in the first nine months of 2018.

Performance in the 3rd Quarter

Revenue and other income

Millions of euro	3rd Quarter			
	2018	2017	Change	
Generation and Trading	4,453	4,552	(99)	-2.2%
Infrastructure and Networks	1,935	1,813	122	6.7%
Renewables	465	433	32	7.4%
End-user markets	3,949	3,901	48	1.2%
Enel X	54	-	54	-
Services	333	330	3	0.9%
Eliminations and adjustments	(1,982)	(1,902)	(80)	-4.2%
Total	**9,207**	**9,127**	**80**	**0.9%**

Revenue and other income in the 3rd Quarter of 2018 amounted to €9,207 million, an increase of €80 million on 2017 (+0.9%), as a result of the following main factors:

> a decrease of €99 million in revenue from **Generation and Trading** (-2.2%) compared with the same period of 2017. The decrease is mainly the net effect of:
  – a decrease of €150 million in revenue from trading on international energy markets due essentially to a decrease in quantities handled (-34.9 TWh);
  – a €81 million increase in revenue from the sales of electricity, essentially related to the increase in revenue from sales on the Power Exchange (€152 million), only partly offset by the reduction in revenue from electricity sales to other national resellers (€70 million) connected with a decrease in volumes generated;
  – a €28 million decline in revenue from the sale of fuels, mainly natural gas;
  – a €72 million increase in revenue from the sale of environmental certificates;

> a €122 million rise in revenue from **Infrastructure and Networks** operations (+6.7%), mainly attributable to:
  – the recognition of income of €146 million under the provisions of ARERA Resolution no. 50/2018 in respect of the reimbursement by the Energy & Environmental Services Fund of system charges paid but not levied;
  – an increase of €38 million in connection fees;
  – a decrease in transfers from the Energy & Environmental Services Fund for white certificates (in the amount of a €51 million) due to the decrease in volumes purchased and in the unit transfer compared with the 1st Half of 2017;

  - a decline in revenue from the sale of digital meters to other Group companies (€15 million);
- a €32 million increase in revenue from **Renewables** generation;
- a €48 million increase in revenue from **End-user markets** (+1.2%), essentially reflecting:
  - a decrease of €19 million in revenue on the regulated market for electricity, mainly owing to lower volumes sold (-1.5 TWh);
  - a €147 million increase in revenue on the free market for electricity owing to higher volumes sold (+0.9 TWh) mainly to business customers;
  - a €4 million decrease in revenue from the sale of natural gas to end users;
  - a €46 million decline in connection fees following application of new IFRS 15, which calls for recognition only of fees pertaining to the seller;
  - a decrease of €45 million in revenue attributable to the disposals of Enel Sole and Enel.si to the new business line devoted to the development of value-added services;
- an increase of €54 million in revenue from value-added services, essentially attributable to change in the scope of consolidation connected with the new **Enel X** business line**.**

Gross operating margin

Millions of euro	3rd Quarter			
	2018	2017	Change	
Generation and Trading	61	28	33	-
Infrastructure and Networks	1,040	851	189	22.2%
Renewables	243	242	1	0.4%
End-user markets	471	417	54	12.9%
Enel X	-	-	-	-
Services	34	33	1	3.0%
Total	**1,849**	**1,571**	**278**	**17.7%**

The **gross operating margin** in the 3rd Quarter of 2018 came to €1,849 million, a €278 million increase (+17.7%) from €1,571 million in the 3rd Quarter of 2017. The rise is mainly attributable to:

- a €33 million increase in the margin from **Generation and Trading**, reflecting higher quantities sold;
- a €189 million increase in the margin from **Infrastructure and Networks** (+22.2%) essentially as a result of the same factors affecting revenue;
- an increase of €1 million in the margin from **Renewables** generation;
- an increase of €54 million in the margin from **End-user markets** (+12.9%), mainly attributable to an improvement in the margin on the free market (€69 million) as well as in the margin on the regulated market for electricity (€2 million), only partly offset by the change in the scope of consolidation mentioned above (€15 million).

Operating income

Millions of euro	3rd Quarter			
	2018	2017	Change	
Generation and Trading	7	(29)	36	-
Infrastructure and Networks	626	585	41	7.0%
Renewables	172	173	(1)	-0.6%
End-user markets	258	255	3	1.2%
Enel X	(7)	-	(7)	-
Services	21	22	(1)	-4.5%
Total	**1,077**	**1,006**	**71**	**7.1%**

Operating income in the 3rd Quarter of 2018 amounted to €1,077 million, including depreciation, amortization and impairment losses in the amount of €772 million (€565 million in the same period of 2017).

Performance in the first nine months

Revenue and other income

Millions of euro	First nine months			
	2018	2017	Change	
Generation and Trading	13,333	13,912	(579)	-4.2%
Infrastructure and Networks	5,748	5,605	143	2.6%
Renewables	1,524	1,374	150	10.9%
End-user markets	12,049	11,974	75	0.6%
Enel X	143	-	143	-
Services	959	875	84	9.6%
Eliminations and adjustments	(6,174)	(5,941)	(233)	-3.9%
Total	**27,582**	**27,799**	**(217)**	**-0.8%**

Revenue and other income in the first nine months of 2018 amounted to €27,582 million, a decrease of €217 million compared with the same period in 2017 (-0.8%), mainly as a result of the following factors:

> a decrease of €579 million in revenue from **Generation and Trading** (-4.2%) compared with the same period of 2017. The decline is mainly attributable to:
  - a decrease of €823 million in revenue from trading on international energy markets due essentially to a decline in quantities handled (-34.9 TWh);
  - a decrease of €275 million in revenue from the sale of electricity, essentially related to the reduction in revenue from electricity sales to other national resellers (€424 million) associated with lower volumes generated. This was only partially offset by increased sales on the Power Exchange (€149 million);
  - an increase of €320 million in revenue from the sale of fuels, mainly natural gas;
  - an increase of €295 million in revenue from the sale of environmental certificates, primarily sales of CO_2 allowances;

> a €143 million rise in revenue from **Infrastructure and Networks** operations (+2.6%), mainly attributable to:
  - the recognition of income of €146 million under the provisions of ARERA Resolution no. 50/2018 in respect of the reimbursement by the Energy & Environmental Services Fund of system charges paid but not levied;

– the recognition of income of €128 million under the agreement reached by E-Distribuzione with F2i and 2i Rete Gas for the early all-inclusive settlement of the indemnity connected with the sale of the interest in Enel Rete Gas;
– an increase of €70 million in connection fees;
– an increase of €64 million in revenue associated with regulatory amendment no. 654/15 ARERA (the regulatory lag), which more than offset a decrease of €32 million in rate revenue as a result of the reduction in distribution and metering rates and the negative effect of prior-period items (€35 million);
– a decrease in transfers from the Energy & Environmental Services Fund for white certificates (in the amount of €129 million) due to a reduction in volumes purchased and in the unit transfer compared with the 1st Half of 2017;
– a decrease of €50 million in revenue from the sale of digital meters to other Group companies;

> an increase of €150 million in revenue from **Renewables** generation (+10.9%), due to the increase in quantities generated and price effects;

> an increase of €75 million in revenue from **End-user markets** (+0.6%) for electricity, essentially reflecting:
– a decrease of €234 million in revenue on the regulated market for electricity as a result of the decrease of quantities sold (-2.9 TWh) and in the number of customers served (-7.8%);
– an increase of €494 million in in revenue on the free market for electricity, mainly attributable to an increase in volumes sold (+4.5 TWh), mainly to business customers;
– an increase of €85 million in revenue from the sale of natural gas to end users, owing to higher average sale prices;
– a decrease of €149 million in revenue from connection fees following the application of new IFRS 15, which calls for recognition only of fees pertaining to the seller;
– a decrease of €141 million in revenue attributable to the disposals of Enel Sole and Enel.si to the new business line devoted to the development of value-added services;

> an increase of €143 million in revenue from value-added services, essentially attributable to change in the scope of consolidation connected with the new **Enel X** business line**.**

Gross operating margin

Millions of euro	First nine months			
	2018	2017	Change	
Generation and Trading	29	178	(149)	-83.7%
Infrastructure and Networks	2,895	2,649	246	9.3%
Renewables	913	805	108	13.4%
End-user markets	1,607	1,534	73	4.8%
Enel X	7	-	7	-
Services	99	72	27	37.5%
Total	**5,550**	**5,238**	**312**	**6.0%**

The **gross operating margin** in the first nine months of 2018 amounted to €5,550 million, an increase of €312 million compared with the first nine months of 2017 (+6.0%). More specifically, the increase is attributable to:

> a €149 million decrease in the margin from **Generation and Trading**, attributable to the contraction in thermal generation and an increase in costs for gas purchases;

> a €246 million increase in the margin from **Infrastructure and Networks** (+9.3%), mainly owing to:

- the recognition of income of €146 million under the provisions of ARERA Resolution no. 50/2018 in respect of the reimbursement by the Energy & Environmental Services Fund of system charges paid but not levied;
- the recognition of income of €128 million under the agreement reached by E-Distribuzione with F2i and 2i Rete Gas discussed in the comments on revenue;
- the €14 million decrease in the margin on the transport of electricity, connected mainly with the reduction in rates and the negative impact of prior-period items (€47 million);
- a reduction of €28 million in the margin on white certificates;
- an increase of operating costs, mainly connected with the purchase of materials for the Resilience project;

> an increase of €108 million in the margin from **Renewables** generation as a result of greater quantities generated, price effects and an improvement in the margin on ancillary services, only partly offset by a decrease in grants for green certificates;

> an increase of €73 million in the margin from **End-user markets** (+4.8%), mainly attributable to:

- a €92 million increase in the margin on the free market, mainly reflecting the reduction in costs for agencies and telesellers as a result of the application of IFRS 15, which provides for their capitalization where they expand the customer base;
- a €19 million rise in the margin on the regulated market, mainly as a result of lower operating costs;
- a decline of €38 million in the margin attributable to the change in the scope of consolidation referred to earlier;

> an increase of €7 million in the margin on the value-added services of **Enel X**.

Operating income

Millions of euro	First nine months			
	2018	2017	Change	
Generation and Trading	(135)	3	(138)	-
Infrastructure and Networks	1,931	1,811	120	6.6%
Renewables	686	601	85	14.1%
End-user markets	1,027	1,102	(75)	-6.8%
Enel X	(14)	-	(14)	-
Services	63	38	25	65.8%
Total	**3,558**	**3,555**	**3**	**0.1%**

Operating income amounted to €3,558 million, an increase of €3 million (+0.1%) compared with €3,555 million in the same period of 2017, including the effect of an increase of €309 million in depreciation, amortization and impairment losses. The increase in depreciation, amortization and impairment essentially regarded End-user markets as a result of the increase in amortization of intangibles, including the contract costs cited previously, as well as an increase in impairment of trade receivables recognized by the End-user markets and Infrastructure and Networks segments.

Capital expenditure

Millions of euro	First nine months			
	2018	2017	Change	
Generation and Trading	72	34	38	-
Infrastructure and Networks	1,154	866	288	33.3%
Renewables	141 (1)	130	11	8.5%
End-user markets	180	74	106	-
Enel X	27	-	27	-
Services	28	20	8	40.0%
Total	**1,602**	**1,124**	**478**	**42.5%**

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

Capital expenditure in the first nine months of 2018 amounted to €1,602 million, down €478 million on the year earlier. In particular, the change reflects:

> a €38 million decrease in investment in **Generation and Trading**;

> an increase in investment in **Infrastructure and Networks** operations equal to €288 million, mainly for activities connected with service quality and the replacement of digital meters as part of the Open Meter plan;

> an €11 million increase in investment in **Renewables**;

> a €106 million increase in investment in **End-user markets** as a result of the capitalization of costs for agencies and telesellers as contract costs;

> a €27 million increase in investment connected with the **Enel X** business line.

Iberia

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
11,717	11,867	(150)	-1.3%	Thermal	27,494	31,543	(4,049)	-12.8%
6,689	6,871	(182)	-2.6%	Nuclear	18,458	19,967	(1,509)	-7.6%
1,667	1,113	554	49.8%	Hydroelectric	6,956	4,253	2,703	63.6%
598	684	(86)	-12.6%	Wind	2,618	2,437	181	7.4%
9	9	-	-	Other sources	22	22	-	-
20,680	**20,544**	**136**	**0.7%**	**Total net generation**	**55,548**	**58,222**	**(2,674)**	**-4.6%**

Net electricity generation in the first nine months of 2018 amounted to 55,548 million kWh, a decrease of 2,674 million kWh compared with the same period in 2017. This development, characterized by a considerable decrease in conventional thermal and nuclear generation, is due mainly to an increase in use of hydroelectric plants as a result of the improvement in water conditions in Spain, as well as to the shutdown of the Vandellós II and Almaraz II nuclear plants for ordinary maintenance.

In the 3rd Quarter of 2018, net generation totaled 20,680 million kWh, up 136 million kWh compared with the same period of 2017.

Contribution to gross thermal generation

3rd Quarter						Millions of kWh	First nine months					
2018		2017		Change			**2018**		2017		Change	
1,495	7.8%	1,688	8.5%	(193)	-11.4%	Fuel oil	4,296	9.0%	4,859	9.0%	(563)	-11.6%
2,582	13.4%	3,031	15.3%	(449)	-14.8%	Natural gas	4,768	10.0%	6,547	12.2%	(1,779)	-27.2%
7,137	37.1%	6,970	35.1%	167	2.4%	Coal	16,659	34.9%	18,784	34.9%	(2,125)	-11.3%
6,965	36.2%	7,175	36.2%	(210)	-2.9%	Nuclear	19,170	40.1%	20,788	38.6%	(1,618)	-7.8%
1,045	5.5%	981	4.9%	64	6.5%	Other fuels	2,893	6.0%	2,826	5.3%	67	2.4%
19,224	**100.0%**	**19,845**	**100.0%**	**(621)**	**-3.1%**	**Total**	**47,786**	**100.0%**	**53,804**	**100.0%**	**(6,018)**	**-11.2%**

Gross thermal generation in the first nine months of 2018 amounted to 47,786 million kWh (19,224 million kWh in the 3rd Quarter of 2018), a decrease of 6,018 million kWh compared with the same period of 2017 (-621 million kWh in the 3rd Quarter of 2018). The decrease regarded almost all types of fuels but primarily reflected the decrease in conventional generation as a result of the increase in recourse to hydroelectric plants. Developments in the 3rd Quarter showed an analogous decrease on the same period of the previous year, with the exception of coal-fired plants.

Transport of electricity

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
29,319	29,691	(372)	-1.3%	Electricity transported on Enel's distribution network[1]	84,383	84,494	(111)	-0.1%

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

Electricity transported in the first nine months of 2018 amounted to 84,383 million kWh (29,319 million kWh in the 3rd Quarter of 2018), a decrease of 111 million kWh (-372 million kWh in the 3rd Quarter of 2018).

Electricity sales

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
20,212	21,976	(1,764)	-8.0%	Free market	58,311	62,344	(4,033)	-6.5%
3,221	3,371	(150)	-4.4%	Regulated market	9,706	10,159	(453)	-4.5%
23,433	25,347	(1,914)	-7.6%	Electricity sold by Enel	68,017	72,503	(4,486)	-6.6%

Electricity sales to end users for the first nine months of 2018 amounted to 68,017 million kWh (23,433 million kWh in the 3rd Quarter of 2018), a decrease of 4,486 million kWh compared with the same period of 2017 (1,914 million kWh in the 3rd Quarter of 2018). This change reflects the greater liberalization of the market and is in line with developments in the 3rd Quarter of 2018.

Performance

3rd Quarter				Millions of euro	First nine months			
2018	2017	Change			**2018**	2017	Change	
5,181	4,741	440	9.3%	Revenue and other income	14,875	14,701	174	1.2%
965	947	18	1.9%	Gross operating margin	2,719	2,543	176	6.9%
518	527	(9)	-1.7%	Operating income	1,418	1,316	102	7.8%
				Capital expenditure	835	582	253	43.5%

The following tables break down performance by type of business in the 3rd Quarter and in the first nine months of 2018.

Performance in the 3rd Quarter

Revenue and other income

Millions of euro	3rd Quarter			
	2018	2017	Change	
Generation and Trading	1,826	1,562	264	16.9%
Infrastructure and Networks	651	647	4	0.6%
Renewables	154	125	29	23.2%
End-user markets	4,072	3,721	351	9.4%
Enel X	55	-	55	-
Services	104	135	(31)	-23.0%
Eliminations and adjustments	(1,681)	(1,449)	(232)	16.0%
Total	**5,181**	**4,741**	**440**	**9.3%**

Revenue and other income for the 3rd Quarter of 2018 increased by €440 million due to:

> a €264 million increase in revenue from **Generation and Trading**, mainly associated with electricity sales in an environment of rising prices. Much of this revenue was generated with companies that sell domestic electricity and is therefore also reflected in eliminations;

> a €29 million increase in revenue from **Renewables** activities as a result of greater water availability and the acquisition of Gestinver and other minor companies operating in the wind generation sector;

> a €351 increase in revenue from **End-user markets**, essentially due to higher volumes of gas sold, partly offset by a decline in sales on the electricity market;

> a €55 million increase in revenue from the value-added services of the **Enel X** business line**.**

Gross operating margin

Millions of euro	3rd Quarter			
	2018	2017	Change	
Generation and Trading	189	374	(185)	-49.5%
Infrastructure and Networks	483	466	17	3.6%
Renewables	68	40	28	70.0%
End-user markets	184	54	130	-
Enel X	13	-	13	-
Services	28	13	15	-
Total	**965**	**947**	**18**	**1.9%**

The **gross operating margin** amounted to €965 million, an increase of €18 million (+1.9%) compared with the same period of 2017, as a result of:

> a €185 million decrease in the margin from **Generation and Trading**, largely connected with an increase in provisioning costs;

> broadly no change in the margin from **Infrastructure and Networks** (€17 million) compared with the same period of 2017;

> an increase in the margin from **End-user markets**, reflecting the capitalization of contract costs following the application of IFRS 15 and an increase in the margin on the sale of electricity and gas;

> an increase in the margin from **Renewables** generation as a result of the greater use of hydro plants referred to in the comments on revenue;

> an increase of €13 million in the margin on the value-added services connected with the new **Enel X** business line.

Operating income

Millions of euro	3rd Quarter			
	2018	2017	Change	
Generation and Trading	32	225	(193)	-85.8%
Infrastructure and Networks	300	269	31	11.5%
Renewables	30	1	29	-
End-user markets	126	19	107	-
Enel X	12	-	12	-
Services	18	13	5	38.5%
Total	**518**	**527**	**(9)**	**-1.7%**

Operating income totaled €518 million in the 3rd Quarter of 2018, taking account of depreciation, amortization and impairment of €447 million, a decrease of €9 million on the same period of 2017 due an increase in amortization linked to the capitalization of contract costs noted earlier.

Performance in the first nine months

Revenue and other income

Millions of euro	First nine months			
	2018	2017	Change	
Generation and Trading	4,584	4,500	84	1.9%
Infrastructure and Networks	1,988	1,924	64	3.3%
Renewables	542	415	127	30.6%
End-user markets	11,484	11,665	(181)	-1.6%
Enel X	159	-	159	-
Services	346	357	(11)	-3.1%
Eliminations and adjustments	(4,228)	(4,160)	(68)	1.6%
Total	**14,875**	**14,701**	**174**	**1.2%**

Revenue and other income in the first nine months of 2018 showed an increase of €174 million, reflecting:

> an increase of €84 million in revenue from **Generation and Trading**, despite the decrease in output, connected with the environment of higher average sale prices. Much of this revenue was generated with companies that sell domestic electricity and is therefore also reflected in eliminations;

> an increase of €64 million in revenue from **Infrastructure and Networks** operations, mainly associated with rate adjustments granted taking account of the provisions of the proposed ministerial order being finalized by the Ministry for Energy, Tourism and the Digital Agenda. The increase in revenue was only partly offset by the application of IFRS 15 to the revenue from electricity grid connection contracts;

> an increase of €127 million in revenue from **Renewables** generation, primarily due to the increase in water availability in the first nine months of 2018 compared with the same period in 2017, as well as the change in the scope of consolidation connected with the acquisitions of Gestinver and other minor wind generation companies;

> a decrease of €181 million in revenue from **End-user markets**, mainly attributable to lower sales on the electricity market, partly offset by an increase in quantities sold on the free gas market in an environment of rising average prices;

> the revenue of **Enel X**, which was largely generated by the sale of value-added services that in the same period of 2017 were delivered by the sales companies.

Gross operating margin

Millions of euro	First nine months			
	2018	2017	Change	
Generation and Trading	356	597	(241)	-40.4%
Infrastructure and Networks	1,447	1,389	58	4.2%
Renewables	256	176	80	45.5%
End-user markets	535	331	204	61.6%
Enel X	39	-	39	-
Services	86	50	36	72.0%
Total	**2,719**	**2,543**	**176**	**6.9%**

The **gross operating margin** amounted to €2,719 million, an increase of €176 million compared with the same period of 2017, resulting from:

- the €241 million decrease in the margin from **Generation and Trading**, mainly attributable to the improvement in domestic water conditions in the first nine months of 2018, which enabled hydroelectric plants to take the place of conventional generation facilities, as well as the fact that in 2018 the Vandellós II and Almaraz II nuclear plants were shut down for planned ordinary maintenance;
- an increase of €80 million in the margin from **Renewables** generation, reflecting the greater use of hydro plants described above;
- a significant €204 million increase in the margin from **End-user markets,** mainly attributable to higher volumes of gas sold, the combined effect of an increase in consumption and in the number of customers, in an environment of higher average prices. In addition, the gross operating margin of the sale companies reflects the capitalization of customer acquisition costs (contract costs) under the new IFRS 15 (€50 million);
- a rise of €39 million in the margin on value-added services connected with the new **Enel X** business line.

Operating income

Millions of euro	First nine months			
	2018	2017	Change	
Generation and Trading	(106)	134	(240)	-
Infrastructure and Networks	902	866	36	4.2%
Renewables	143	59	84	-
End-user markets	384	217	167	77.0%
Enel X	38	-	38	-
Services	57	40	17	42.5%
Total	**1,418**	**1,316**	**102**	**7.8%**

Operating income in the first nine months of 2018 amounted to €1,418 million, including depreciation, amortization and impairment losses in the amount of €1,301 million (€1,227 million in the first nine months of 2017), reflecting, in addition to the factors noted above, an increase in amortization, notably of contract costs in application of IFRS 15.

Capital expenditure

Millions of euro	First nine months			
	2018	2017	Change	
Generation and Trading	166	122	44	36.1%
Infrastructure and Networks	453	388	65	16.8%
Renewables	117	29	88	-
End-user markets	57	31	26	83.9%
Enel X	27	-	27	-
Services	15	12	3	25.0%
Total	**835**	**582**	**253**	**43.5%**

Capital expenditure amounted to €835 million, up €253 million compared with the same period of 2017, largely attributable to the construction of new wind and photovoltaic plants connected with the award of contracts in tenders held in 2017. Other expenditure regarded work on the distribution network involving substations and transformers, as well as work on lines and the replacement of metering equipment and, in end-user markets, the capitalization of contract costs (€50 million).

South America

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
5,387	7,107	(1,720)	-24.2%	Thermal	17,975	21,002	(3,027)	-14.4%
9,860	8,130	1,730	21.3%	Hydroelectric	26,297	23,688	2,609	11.0%
1,896	1,022	874	85.5%	Wind	4,559	2,419	2,140	88.5%
808	397	411	-	Other sources	2,259	945	1,314	-
17,951	**16,656**	**1,295**	**7.8%**	**Total net generation**	**51,090**	**48,054**	**3,036**	**6.3%**
3,359	*3,707*	*(348)*	*-9.4%*	*- of which Argentina*	*10,654*	*11,486*	*(832)*	*-7.2%*
2,900	*2,029*	*871*	*42.9%*	*- of which Brazil*	*7,398*	*4,971*	*2,427*	*48.8%*
5,137	*5,200*	*(63)*	*-1.2%*	*- of which Chile*	*15,238*	*14,947*	*291*	*1.9%*
4,224	*3,921*	*303*	*7.7%*	*- of which Colombia*	*10,956*	*11,364*	*(408)*	*-3.6%*
2,263	*1,765*	*498*	*28.2%*	*- of which Peru*	*6,707*	*5,174*	*1,533*	*29.6%*
68	*34*	*34*	*-*	*- of which other countries*	*137*	*112*	*25*	*22.3%*

Net generation in the first nine months of 2018 came to 51,090 million kWh, an increase of 3,036 million kWh compared with the same period of 2017.

The increase was mainly the result of an increase in hydroelectric generation and other renewables generation in Brazil and Chile connected with more favorable water conditions in those countries, as well as the acquisition, at the end of 2017, of the Volta Grande plant in Brazil. The decrease in thermal power generation, which was particularly concentrated in Chile, Argentina and Brazil as a result of the unavailability of the Tarapacá, Costanera and Fortaleza plants, was partially offset by greater generation in Peru.

In the 3rd Quarter of 2018, net generation came to 17,951 million kWh, up by 1,295 million kWh on the same period of 2017, owing to the increase in generation by hydro and other renewables plants mentioned above, only partially offset by a decrease the output of traditional generation plants, especially combined-cycle plants.

Contribution to gross thermal generation

3rd Quarter						Millions of kWh	First nine months					
2018		2017		Change			**2018**		2017		Change	
93	1.7%	87	1.3%	6	6.9%	Fuel oil	316	1.7%	733	3.4%	(417)	-56.9%
4,453	79.2%	5,619	81.7%	(1,166)	-20.8%	Natural gas	15,238	81.4%	17,050	78.2%	(1,812)	-10.6%
878	15.6%	552	8.0%	326	59.1%	Coal	2,759	14.7%	2,991	13.7%	(232)	-7.8%
195	3.5%	620	9.0%	(425)	-68.5%	Other fuels	417	2.2%	1,016	4.7%	(599)	-59.0%
5,619	**100.0%**	**6,878**	**100.0%**	**(1,259)**	**-18.3%**	**Total**	**18,730**	**100.0%**	**21,790**	**100.0%**	**(3,060)**	**-14.0%**

Gross thermal generation in the first nine months of 2018 totaled 18,730 million kWh, a decrease of 3,060 million kWh compared with the same period of the previous year, essentially due to a decrease in the use of fuels as a result of the decline in conventional thermal generation in Argentina, Brazil and Chile. In the 3rd Quarter of 2018, gross thermal generation fell by 1,259 million kWh compared with the 3rd Quarter of 2017.

Transport of electricity

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
33,924	**22,863**	**11,061**	**48.4%**	**Electricity transported on Enel's distribution network** (1)	**83,359**	**67,718**	**15,641**	**23.1%**
4,573	*4,552*	*21*	*0.5%*	*- of which Argentina*	*13,615*	*13,642*	*(27)*	*-0.2%*
19,619	*8,703*	*10,916*	*-*	*- of which Brazil*	*40,962*	*25,553*	*15,409*	*60.3%*
4,225	*4,200*	*25*	*0.6%*	*- of which Chile*	*12,355*	*12,274*	*81*	*0.7%*
3,563	*3,493*	*70*	*2.0%*	*- of which Colombia*	*10,443*	*10,276*	*167*	*1.6%*
1,944	*1,915*	*29*	*1.5%*	*- of which Peru*	*5,984*	*5,973*	*11*	*0.2%*

Electricity transported in the first nine months of 2018 totaled 83,359 million kWh (33,924 million kWh in the 3rd Quarter of 2018) for an increase of 15,641 million kWh (+11,061 million kWh in the 3rd Quarter of 2018), particularly in Brazil, which also reflected the consolidation of Enel Distribuição Goiás as from February 2017 and the acquisition of Eletropaulo, a Brazilian distribution company.

Electricity sales

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
26,347	**18,516**	**7,831**	**42.3%**	**Total**	**65,224**	**55,779**	**9,445**	**16.9%**
3,844	*3,857*	*(13)*	*-0.3%*	*- of which Argentina*	*11,394*	*11,500*	*(106)*	*-0.9%*
15,169	*7,298*	*7,871*	*-*	*- of which Brazil*	*32,203*	*22,285*	*9,918*	*44.5%*
3,226	*3,395*	*(169)*	*-5.0%*	*- of which Chile*	*9,673*	*9,972*	*(299)*	*-3.0%*
2,464	*2,366*	*98*	*4%*	*- of which Colombia*	*6,856*	*6,995*	*(139)*	*-2.0%*
1,644	*1,600*	*44*	*2.8%*	*- of which Peru*	*5,098*	*5,027*	*71*	*1.4%*

Electricity sales in the first nine months of 2018 amounted to 65,224 million of kWh (26,347 million of kWh in the 3rd Quarter of 2018), an increase of 9,445 million of kWh (+7,831 million of kWh in the 3rd Quarter of 2018).
As with the developments noted above, the increase is attributable to an increase in sales in Brazil following the acquisition of Eletropaulo, partially offset by a reduction in other countries.

Performance

3rd Quarter				Millions of euro	First nine months			
2018	2017	Change			**2018**	2017	Change	
3,839	3,317	522	15.7%	Revenue and other income	10,432	9,830	602	6.1%
1,002	1,059	(57)	-5.4%	Gross operating margin	3,016	3,117	(101)	-3.2%
646	751	(105)	-14.0%	Operating income	2,018	2,138	(120)	-5.6%
				Capital expenditure	1,380	2,094	(714)	-34.1%

The following tables provide a breakdown of performance by country in the 3rd Quarter and first nine months of 2018.

Performance in the 3rd Quarter

Revenue and other income

Millions of euro	3rd Quarter			
	2018	2017	Change	
Argentina	(11)	380	(391)	-
Brazil	2,100	1,264	836	66.1%
Chile	827	866	(39)	-4.5%
Colombia	592	520	72	13.8%
Peru	328	284	44	15.5%
Other	3	3	-	-
Total	**3,839**	**3,317**	**522**	**15.7%**

Revenue and other income in the 3rd Quarter of 2018 posted an increase of €522 million, primarily attributable to:

> an increase of €836 million in revenue in Brazil, including the impact of €961 million attributable to the acquisition of Eletropaulo on June 7, 2018 and the increase in revenue posted by Enel Green Power Projetos I, a company that since September 28, 2017 holds a 30-year concession to operate the Volta Grande hydroelectric plant (€13 million). The increase compared with the same period of the previous year was partially offset by a decrease in revenue from sales and services registered by Enel Distribuição Goiás (€33 million) and Enel Distribuição Rio de Janeiro (€80 million), as well as adverse exchange rate developments;

> an increase of €72 million in revenue in Colombia, mainly attributable to the combined impact of an increase in average distribution rates and an increase in electricity sales in the 3rd Quarter of 2018 (€68 million), offset by adverse exchange rate developments;

> a €44 million increase in revenue in Peru, mainly accounted for by the rate increase due to the inclusion in rates of a charge borne by customers linked to observed service quality;

> a decrease of €391 million in revenue in Argentina, due primarily to highly adverse exchange rate developments, with the depreciation of the Argentine peso against the euro, which also reflected macroeconomic conditions in the country, which was designated a hyperinflationary economy as of July 1, 2018;

> a decrease of €39 million in revenue in Chile, due to the combined impact of a reduction in sales to distribution companies and a fall in sales to customers as a result of the shift from the regulated to the free market, as well as adverse exchange rate developments.

Gross operating margin

Millions of euro	3rd Quarter			
	2018	2017	Change	
Argentina	(6)	128	(134)	-
Brazil	319	250	69	27.6%
Chile	291	315	(24)	-7.6%
Colombia	285	268	17	6.3%
Peru	110	95	15	15.8%
Other	3	3	-	-
Total	**1,002**	**1,059**	**(57)**	**-5.4%**

The **gross operating margin** amounted to €1,002 million, a decrease of €57 million (-5.4%) compared with the same period in 2017, as a result of:

- a €134 million decrease in the gross operating margin in Argentina, mainly due to the sharply adverse developments in exchange rates as a result of the depreciation of the Argentine peso against the euro, which also reflected macroeconomic conditions in the country, which was designated a hyperinflationary economy as of July 1, 2018;
- a €24 million decrease in the gross operating margin in Chile, the result of a decline in revenue from the sale of electricity due to the combined effect of a decrease in sales to distributors compared with the corresponding period of the previous year and a decline in sales to customers due to the shift from the regulated to the free market;
- a €15 million increase in the gross operating margin in Peru, largely reflecting an improvement in the performance of renewables generation;
- a €17 million increase in the gross operating margin in Colombia, mainly reflecting an increase in electricity sales in the 3rd Quarter;
- a €69 million increase in the gross operating margin in Brazil, essentially reflecting the changes in the scope of consolidation with Eletropaulo (€90 million), Enel Distribuição Goiás (€21 million) and Enel Green Power Projetos I (€11 million). The increase was only partly offset by the reduction in the margin of Enel Generación Fortaleza (€57 million) due to the interruption of supplies by Petrobras, and adverse exchange rate developments against the euro.

Operating income

Millions of euro	3rd Quarter			
	2018	2017	Change	
Argentina	(34)	104	(138)	-
Brazil	153	124	29	23.4%
Chile	212	233	(21)	-9.0%
Colombia	238	226	12	5.3%
Peru	74	62	12	19.4%
Other	3	2	1	50.0%
Total	**646**	**751**	**(105)**	**-14.0%**

Operating income in the 3rd Quarter of 2018 totaled €646 million, including the effect of €356 million in depreciation, amortization and impairment losses (€308 million in the 3rd Quarter of 2017), a decrease of €105 million compared with the same period in 2017. The increase in depreciation, amortization and impairment losses reflected the increase in depreciation due to the entry in service of wind and photovoltaic plants in Brazil and Peru, and the change in the scope of consolidation connected with the consolidation of Eletropaulo as from June 2018.

Performance in the first nine months

Revenue and other income

Millions of euro	First nine months			
	2018	2017	Change	
Argentina	785	1,119	(334)	-29.8%
Brazil	4,635	3,442	1,193	34.7%
Chile	2,367	2,757	(390)	-14.1%
Colombia	1,688	1,590	98	6.2%
Peru	949	913	36	3.9%
Other	8	9	(1)	-11.1%
Total	**10,432**	**9,830**	**602**	**6.1%**

Revenue and other income in the first nine months of 2018 increased by €602 million, mainly owing to:

> a strong €1,193 million increase in revenue in Brazil, attributable to the changes in the scope of consolidation involving Eletropaulo (€1,270 million) and Enel Green Power Projetos I, a company that since September 28, 2017 holds a 30-year concession to operate the Volta Grande hydroelectric plant (€53 million). Other developments included an increase in revenue due to rate revisions for the distribution companies of Goiás and Rio de Janeiro (€271 million) and an increase in quantities sold by Enel Green Power Cachoeira Dourada and Enel Distribuição Ceará (€128 million). These positive effects were only partly offset by adverse exchange rate developments (€814 million) due to the depreciation of the Brazilian real against the euro;

> a €98 million increase in revenue in Colombia, owing to the increase in rates, partially offset by adverse exchange rate developments (€83 million);

> a €36 million increase in revenue in Peru, mainly accounted for by the rate increase due to the inclusion in rates of a charge borne by customers linked to service quality, offset by adverse exchange rate developments (€61 million);

> a decrease of €334 million in revenue in Argentina, due primarily to highly adverse exchange rate developments, with the depreciation of the Argentine peso against the euro (€475 million), only partly offset by distribution rate increases;

> a €390 million decrease in revenue in Chile, essentially following the decline in revenue from the sale of electricity due to the combined impact of a reduction in sales to distribution companies and a fall in sales to customers as a result of the shift from the regulated to the free market (€101 million), the effect of the capital gain recognized in the 1st Quarter of 2017 from the disposal of Electrogas (€144 million) and adverse exchange rate developments (€64 million).

Gross operating margin

Millions of euro	First nine months			
	2018	2017	Change	
Argentina	202	271	(69)	-25.5%
Brazil	875	707	168	23.8%
Chile	792	980	(188)	-19.2%
Colombia	793	815	(22)	-2.7%
Peru	347	337	10	3.0%
Other	7	7	-	-
Total	**3,016**	**3,117**	**(101)**	**-3.2%**

The **gross operating margin** amounted to €3,016 million, a decrease of €101 million (-3.2%) compared with the same period of 2017, as a result of:

- a decrease of €69 million in the gross operating margin in Argentina, mainly owing to the highly negative exchange rate effects of the depreciation of the Argentine peso against the euro (€123 million), whose exchange rate has been adversely impacted by the country's high inflation rate, which led to the designation of Argentina as a hyperinflationary economy as from July 1, 2018;
- a decrease of €188 million in the gross operating margin in Chile, mainly as a result of the effect of the previous year's capital gain cited earlier and adverse exchange rate developments (€20 million);
- an increase of €10 million in the gross operating margin in Peru, mainly associated with the rate increase referred to in the comments on revenue, partially offset by adverse exchange rate developments (€22 million);
- a €22 million decrease in the gross operating margin in Colombia, reflecting an increase in costs for the purchase of electricity on the spot market at higher prices and adverse exchange rate developments (€39 million);
- an increase of €168 million in the gross operating margin in Brazil, which essentially reflects the stronger performance of renewables operations in Brazil (€125 million), comprising the margin of €46 million posted by Enel Green Power Projetos I, which has only been consolidated since November 2017, the acquisition of Eletropaulo (€105 million), and the improved margin posted by Enel Distribuição Goiás (€79 million), due mainly to the efficiency enhancement measures implemented by the company (€63 million). These developments were partially offset by the reduction in the margin of Fortaleza (€86 million) due to the increase in provisioning costs and of Enel Distribuição Ceará (€61 million) as a result of an increase in operating costs, as well as the impact of adverse exchange rate developments (€154 million).

Operating income

Millions of euro	First nine months			
	2018	2017	Change	
Argentina	126	195	(69)	-35.4%
Brazil	440	300	140	46.7%
Chile	552	730	(178)	-24.4%
Colombia	657	685	(28)	-4.1%
Peru	238	223	15	6.7%
Other	5	5	-	-
Total	**2,018**	**2,138**	**(120)**	**-5.6%**

Operating income in the first nine months of 2018 came to €2,018 million, including €998 million in depreciation, amortization and impairment losses (€979 million in the first nine months of 2017), a decrease of €120 million compared with the same period of 2017. In addition to the factors discussed above, this reduction also reflects an increase in depreciation, amortization and impairment losses (€19 million) following the entry in service of wind and photovoltaic plants in Brazil and the entry of Eletropaulo in the scope of consolidation.

Capital expenditure

Millions of euro	First nine months			
	2018	2017	Change	
Argentina	91	132	(41)	-31.1%
Brazil	617	1,143	(526)	-46.0%
Chile	286	342	(56)	-16.4%
Colombia	251	176	75	42.6%
Peru	135	301	(166)	-55.1%
Total	**1,380**	**2,094**	**(714)**	**-34.1%**

Capital expenditure came to €1,380 million, a decrease of €714 million over the same period of the previous year. In particular, capital expenditure in the first nine months of 2018 mainly regarded work on the distribution grids in Brazil, Colombia, Argentina and Peru. The decrease in capital expenditure compared with the first nine months of 2017 is a result of the completion of wind and solar plants in Brazil and Peru.

Europe and North Africa

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
10,506	10,749	(243)	-2.3%	Thermal	28,504	29,074	(570)	-2.0%
1	-	1	-	Hydroelectric	27	18	9	50.0%
310	424	(114)	-26.9%	Wind	1,210	1,325	(115)	-8.7%
55	49	6	12.2%	Other sources	136	124	12	9.7%
10,872	**11,222**	**(350)**	**-3.1%**	**Total net generation**	**29,877**	**30,541**	**(664)**	**-2.2%**
10,506	*10,749*	*(243)*	*-2.3%*	*- of which Russia*	*28,504*	*29,074*	*(570)*	*-2.0%*
366	*473*	*(107)*	*-22.6%*	*- of which other countries*	*1,373*	*1,467*	*(94)*	*-6.4%*

Net electricity generation in the first nine months of 2018 came to 29,877 million kWh, a decrease of 664 million kWh compared with the same period in 2017, mainly owing to the decline in generation in Russia.

Contribution to gross thermal generation

3rd Quarter						Millions of kWh	First nine months					
2018		2017		Change			**2018**		2017		Change	
5,872	53.2%	6,056	53.6%	(184)	-3.0%	Natural gas	15,601	51.9%	15,901	51.9%	(300)	-1.9%
5,168	46.8%	5,241	46.4%	(73)	-1.4%	Coal	14,455	48.1%	14,762	48.1%	(307)	-2.1%
11,040	**100.0%**	**11,297**	**100.0%**	**(257)**	**-2.3%**	**Total**	**30,056**	**100.0%**	**30,663**	**100.0%**	**(607)**	**-2.0%**

Gross thermal generation in the first nine months of 2018 posted a decrease of 607 million kWh, to 30,056 million kWh. The contraction in the period reflects a decline in the use of combined-cycle and coal-fired plants in Russia.

Transport of electricity

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
3,967	3,926	41	1.0%	Electricity transported on Enel's distribution network	11,631	11,454	177	1.5%

Electricity transported, which was concentrated entirely in Romania, increased by 177 million kWh (+1.5%), from 11,454 million kWh to 11,631 million kWh in the first nine months of 2018. This increase was mainly the result of new connections of business customers.

Electricity sales

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
1,900	**1,800**	**100**	**5.6%**	**Free market**	**5,582**	**4,431**	**1,151**	**26.0%**
651	**947**	**(296)**	**-31.3%**	**Regulated market**	**2,214**	**3,169**	**(955)**	**-30.1%**
2,551	**2,747**	**(196)**	**-7.1%**	**Total**	**7,796**	**7,600**	**196**	**2.6%**
2,551	*2,747*	*(196)*	*-7.1%*	*- of which Romania*	*7,796*	*7,600*	*196*	*2.6%*

Electricity sales in the first nine months of 2018 increased by 196 million kWh, from 7,600 million kWh to 7,796 million kWh. The increase is attributable to the expansion in electricity sales in Romania, where sales on the free market overtook those on the regulated market due to the effect of gradual market liberalization.
The 3rd Quarter of 2018 experienced a slowdown in the growth in the free market compared with performance for the first nine months of the year.

Performance

3rd Quarter				Millions of euro	First nine months			
2018	2017	Change			**2018**	2017	Change	
571	593	(22)	-3.7%	Revenue and other income	1,704	1,750	(46)	-2.6%
126	132	(6)	-4.5%	Gross operating margin	380	409	(29)	-7.1%
70	81	(11)	-13.6%	Operating income	221	253	(32)	-12.6%
				Capital expenditure	216	208 (1)	8	3.8%

(1) Does not include €27 million regarding units classified as "held for sale".

The following tables show a breakdown of performance by country in the 3rd Quarter and first nine months of 2018.

Performance in the 3rd Quarter

Revenue and other income

Millions of euro	3rd Quarter			
	2018	2017	Change	
Romania	304	293	11	3.8%
Russia	247	277	(30)	-10.8%
Other	20	23	(3)	-13.0%
Total	**571**	**593**	**(22)**	**-3.7%**

Revenue and other income in the 3rd Quarter of 2018 totaled €571 million, a decrease of €22 million (-3.7%) compared with the same period of the previous year. The decrease is related to:

> a decrease of €30 million in revenue in Russia, reflecting lower prices and output;

> an increase of €11 million in revenue in Romania, essentially owing to the increase in volumes transported and sold.

Gross operating margin

Millions of euro	3rd Quarter			
	2018	2017	Change	
Romania	64	57	7	12.3%
Russia	48	60	(12)	-20.0%
Other	14	15	(1)	-6.7%
Total	**126**	**132**	**(6)**	**-4.5%**

The **gross operating margin** amounted to €126 million, a decrease of €6 million compared with the 3rd Quarter of 2017. The change mainly reflected:

> a decrease of €12 million in the gross operating margin in Russia, due to the contraction in the generation margin;
> an increase of €7 million in the gross operating margin in Romania, reflecting the increase in revenue, partly offset by an increase in operating costs.

Operating income

Millions of euro	3rd Quarter			
	2018	2017	Change	
Romania	28	25	3	12.0%
Russia	33	45	(12)	-26.7%
Other	9	11	(2)	-18.2%
Total	**70**	**81**	**(11)**	**-13.6%**

Operating income for the 3rd Quarter of 2018 amounted to €70 million, a decrease of €11 million compared with the same period of 2017, reflecting the changes discussed in the previous section as well as an increase of €5 million in depreciation, amortization and impairment losses.

Performance in the first nine months

Revenue and other income

Millions of euro	First nine months			
	2018	2017	Change	
Romania	918	847	71	8.4%
Russia	723	834	(111)	-13.3%
Other	63	69	(6)	-8.7%
Total	**1,704**	**1,750**	**(46)**	**-2.6%**

Revenue and other income in the first nine months of 2018 amounted to €1,704 million, a decrease of €46 million (-2.6%) compared with the same period of the previous year. The decline reflected:
> a decrease of €111 million in revenue in Russia, largely attributable to the depreciation of the ruble against the euro (€82 million), together with a decline in prices and output;
> an increase of €71 million in revenue in Romania, reflecting the increase in volumes transported and sold.

Gross operating margin

Millions of euro	First nine months			
	2018	2017	Change	
Romania	180	171	9	5.3%
Russia	156	200	(44)	-22.0%
Other	44	38	6	15.8%
Total	**380**	**409**	**(29)**	**-7.1%**

The **gross operating margin** amounted to €380 million, a decrease of €29 million compared with the first nine months of 2017. The performance mainly reflected:

- a decrease of €44 million in the gross operating margin in Russia, largely due to the exchange rate effects noted earlier and a decrease in the generation margin;
- an increase of €9 million in the margin in Romania, due to the increase in revenue noted above, partly offset by an increase in operating costs.

Operating income

Millions of euro	First nine months			
	2018	2017	Change	
Romania	78	71	7	9.9%
Russia	111	156	(45)	-28.8%
Other	32	26	6	23.1%
Total	**221**	**253**	**(32)**	**-12.6%**

Operating income in the first nine months of 2018 amounted to €221 million, a decrease of €32 million that was entirely attributable to Russia, where the decline reflected the decrease in the gross operating margin.
This adverse performance was only partly offset by the increase in operating income posted in Romania and the other countries in the region.

Capital expenditure

Millions of euro	First nine months			
	2018	2017	Change	
Romania	104	79	25	31.6%
Russia	48	73	(25)	-34.2%
Other	64	56 (1)	8	14.3%
Total	**216**	**208**	**8**	**3.8%**

(1) Does not include €27 million regarding units classified as "held for sale".

Capital expenditure amounted to €216 million, an increase of €8 million compared with the same period of the previous year. The change reflected:
- an increase of €8 million largely attributable to Greece (€24 million), partially offset by a decrease of €16 million in expenditure in Germany as a result of the sale of Erdwärme;
- an increase in Romania, entirely offset by the decrease of €25 million registered in Russia, mainly due to the stoppage at the Reftinskaya plant.

North and Central America

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
699	671	28	4.2%	Hydroelectric	2,233	1,858	375	20.2%
1,648	1,225	423	34.5%	Wind	6,294	4,679	1,615	34.5%
525	81	444	-	Other sources	1,096	156	940	602.6%
2,872	**1,977**	**895**	**45.3%**	**Total net generation**	**9,623**	**6,693**	**2,930**	**43.8%**
1,299	*915*	*384*	*42.0%*	*- of which United States and Canada*	*5,202*	*3,526*	*1,676*	*47.5%*
933	*457*	*476*	-	*- of which Mexico*	*2,319*	*1,477*	*842*	*57.0%*
390	*319*	*71*	*22.3%*	*- of which Panama*	*1,472*	*1,049*	*423*	*40.3%*
250	*286*	*(36)*	*-12.6%*	*- of which other countries*	*630*	*641*	*(11)*	*-1.7%*

In the first nine months of 2018 net electricity generation amounted to amounted to 9,623 million kWh, an increase of 2,930 million kWh compared with the same period of 2017. The increase is mainly attributable to the greater wind generation in the United States and Canada (+1,676 million kWh) as a result of the entry in service at the end of 2017 of the Rock Creek, Thunder Ranch and Red Dirt plants. This increase was accompanied by greater generation in Mexico (+842 million kWh) mainly solar, as a result of the entry in service of the Villanueva and Don José plants, and hydro generation in Panama (+423 million kWh). These increases were partially offset by a decline in output in Guatemala. Similar developments were registered in the 3rd Quarter of 2018.

Performance

3rd Quarter				Millions of euro	First nine months			
2018	2017	Change			**2018**	2,017	Change	
400	243	157	64.6%	Revenue and other income	956	608	348	57.2%
189	108	81	75.0%	Gross operating margin	479	326	153	46.9%
121	58	63	-	Operating income	285	181	104	57.5%
				Capital expenditure	968 (1)	1,479	(511)	-34.6%

(1) Does not include €375 million regarding units classified as “held for sale”.

The following tables break down performance by geographical area in the 3rd Quarter and first nine months of 2018.

Performance in the 3rd Quarter

Revenue and other income

Millions of euro	3rd Quarter			
	2018	2017	Change	
United States and Canada	256	156	100	64.1%
Mexico	90	36	54	-
Panama	34	31	3	9.7%
Other	20	20	-	-
Total	**400**	**243**	157	64.6%

Revenue and other income in 3rd Quarter of 2018 amounted to €400 million, an increase of €157 million (+64.6%) compared with the same period of the previous year, despite adverse exchange rate developments. The change reflected:

> an increase of €100 million in revenue in North America, mainly attributable to an increase in the revenue of the Enel X Global Business Line, notably EnerNOC (€86 million) and eMotorWerks (€2 million), both of which were acquired in the 2nd Half of 2017, as well as an increase in revenue from tax partnerships as a result of the development of the new plants of Enel Green Power North America (€7 million);
> an increase of €54 million in revenue in Mexico, largely due to an increase in sales by Kino Contractor of electricity delivered to the grid in the pre-operational phase of its plants;
> an increase of €3 million in revenue in Panama as a result of an increase in electricity generated and sold.

Gross operating margin

Millions of euro	3rd Quarter			
	2018	2017	Change	
United States and Canada	80	53	27	50.9%
Mexico	72	23	49	-
Panama	24	20	4	20.0%
Other	13	12	1	8.3%
Total	189	108	81	75.0%

The **gross operating margin** in the 3rd Quarter of 2018 amounted to €189 million, up €81 million (+75.0%) compared with the same period of 2017. The increase reflects:

> an increase of €27 million in the margin achieved in North America, largely reflecting the positive gross operating margin connected with the acquisition of EnerNOC;
> an increase of €49 million in the margin in Mexico, essentially connected with the increase in revenue noted above, only partially offset by an increase in costs;
> an increase of €4 million in the margin in Panama, reflecting the increase in revenue from the sale of electricity noted above;
> an increase of €1 million in the margin posted in other countries.

Operating income

Millions of euro	3rd Quarter			
	2018	2017	Change	
United States and Canada	36	26	10	38.5%
Mexico	60	11	49	-
Panama	20	17	3	17.6%
Other	5	4	1	25.0%
Total	121	58	63	-

Operating income amounted to €121 million, an increase of €63 million connected with the improvement in margins, partially offset by an increase of €18 million in depreciation, amortization and impairment losses.

Performance in the first nine months

Revenue and other income

Millions of euro	First nine months			
	2018	2017	Change	
United States and Canada	595	335	260	77.6%
Mexico	186	106	80	75.5%
Panama	118	112	6	5.4%
Other	57	55	2	3.6%
Total	**956**	**608**	**348**	**57.2%**

Revenue and other income in the first nine months of 2018 amounted to €956 million, an increase of 348 million (+57.2%) compared with the same period of the previous year. This reflected:

> an increase of €260 million in revenue in the United States and Canada, in an analogous development to that noted above, mainly reflecting an increase of €210 million in revenue for the Enel X Global Business Line, especially EnerNOC (€205 million) and eMotorWerks (€5 million), and an increase of €45 million in revenue from tax partnerships;

> an increase of €80 million in revenue in Mexico, largely due to an increase in sales by Kino Contractor of electricity delivered to the grid in the pre-operational phase of its plants;

> an increase of €6 million in revenue in Panama as a result of an increase in electricity sold;

> an increase of €2 million in revenue in other countries, comprising an increase in revenue in Guatemala of €4 million, partially offset by a decrease of €2 million in revenue in Costa Rica.

Gross operating margin

Millions of euro	First nine months			
	2018	2017	Change	
United States and Canada	205	146	59	40.4%
Mexico	147	72	75	-
Panama	89	74	15	20.3%
Other	38	34	4	11.8%
Total	**479**	**326**	**153**	**46.9%**

The **gross operating margin** in the first nine months of 2018 amounted to €479 million, an increase of €153 million (+46.9%) compared with the first nine months of 2017.
As mentioned above in relation to revenue, this increase is mainly attributable to the increase in the margin achieved in all countries, especially in the United States and Canada (€59 million), Mexico (€75 million) and Panama (€15 million).

Operating income

Millions of euro	First nine months			
	2018	2017	Change	
United States and Canada	78	70	8	11.4%
Mexico	113	36	77	-
Panama	79	65	14	21.5%
Other	15	10	5	50.0%
Total	**285**	**181**	**104**	**57.5%**

Operating income in the first nine months of 2018 amounted to €285 million, an increase of €104 million that reflects the rise in the gross operating margin, partly offset by an increase of €49 million in depreciation, amortization and impairment losses, largely in the United States connected with the consolidation of EnerNOC and the entry in service of the new plants at Rock Creek, Red Dirt and Thunder Ranch.

Capital expenditure

Millions of euro	First nine months			
	2018	2017	Change	
United States and Canada	858	993	(135)	-13.6%
Mexico	101 (1)	452	(351)	-77.7%
Panama	5	8	(3)	-37.5%
Other	4	26	(22)	-84.6%
Total	**968**	**1,479**	**(511)**	**-34.6%**

(1) Does not include €375 million regarding units classified as "held for sale".

Capital expenditure in the first nine months of 2018 amounted to €968 million, down €511 million compared with the same period of the previous year, largely attributable to a decline in capital expenditure on wind and solar plants in the United States and on photovoltaic plants in Mexico, only partly offset by an increase in capital expenditure on wind plants in Mexico.

Africa, Asia and Oceania

Operations

Net electricity generation

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
303	285	18	6.3%	Wind	732	680	52	7.6%
129	132	(3)	-2.3%	Other sources	409	419	(10)	-2.4%
432	**417**	**15**	**3.6%**	**Total**	**1,141**	**1,099**	**42**	3.8%
286	*307*	*(21)*	*-6.8%*	*- of which South Africa*	*861*	*825*	*36*	4.4%
146	*110*	*36*	*32.7%*	*- of which India*	*280*	*274*	*6*	*2.2%*

Net electricity generation in the first nine months of 2018 totaled 1,141 million kWh (432 million kWh in the 3rd Quarter of 2018), an increase compared with the same period of 2017 of 42 million kWh (15 million kWh in the 3rd Quarter of 2018). The increase is mainly attributable to the increase in wind output (+52 million kWh) connected with the monsoon season in India and generation in South Africa from the Gibson Bay plant. The decrease in solar generation (-10 million kWh) in South Africa was attributable to adverse weather conditions.
In the 3rd Quarter of 2018, output expanded by 15 million kWh, reflecting an increase in wind generation in India, partially offset by a decrease in South Africa caused by seasonal factors.

Performance

3rd Quarter				Millions of euro	First nine months			
2018	2017	Change			**2018**	2017	Change	
25	26	(1)	-3.8%	Revenue and other income	73	72	1	1.4%
13	19	(6)	-31.6%	Gross operating margin	40	47	(7)	-14.9%
4	8	(4)	-50.0%	Operating income	6	15	(9)	-60.0%
				Capital expenditure	97	25	72	-

The following tables break down performance by geographical area in the 3rd Quarter and first nine months of 2018.

Performance in the 3rd Quarter

Revenue and other income

Millions of euro	3rd Quarter			
	2018	2017	Change	
South Africa	19	20	(1)	-5.0%
India	6	6	-	-
Total	**25**	**26**	**(1)**	**-3.8%**

Revenue and other income for the 3rd Quarter of 2018 amounted to €25 million, a decrease of €1 million compared with the same period of the previous year. The decrease came in South Africa as a result of a decrease in output connected with seasonal factors.

Gross operating margin

Millions of euro	3rd Quarter			
	2018	2017	Change	
South Africa	10	16	(6)	-37.5%
India	5	3	2	66.7%
Other	(2)	-	(2)	-
Total	**13**	**19**	**(6)**	**-31.6%**

The **gross operating margin** in the 3rd Quarter of 2018 amounted to €13 million, down €6 million compared with the same period of 2017, reflecting the same developments noted in the comments on revenue and an increase in costs in Morocco and Australia.

Operating income

Millions of euro	3rd Quarter			
	2018	2017	Change	
South Africa	1	6	(5)	-83.3%
India	4	2	2	-
Other	(1)	-	(1)	-
Total	**4**	**8**	**(4)**	**-50.0%**

Operating income totaled €4 million, a decrease of €4 million, taking account of a €2 million increase in depreciation, amortization and impairment losses.

Performance in the first nine months

Revenue and other income

Millions of euro	First nine months			
	2018	2017	Change	
South Africa	60	58	2	3.4%
India	13	14	(1)	-7.1%
Total	**73**	**72**	**1**	**1.4%**

Revenue and other income in the first nine months of 2018 amounted to €73 million, an increase of €1 million compared with the same period of the previous year. The rise reflects an increase in revenue thanks to greater output and sales of wind power in South Africa.

Gross operating margin

Millions of euro	First nine months			
	2018	2017	Change	
South Africa	36	40	(4)	-10.0%
India	9	8	1	12.5%
Other	(5)	(1)	(4)	-
Total	**40**	**47**	**(7)**	**-14.9%**

The **gross operating margin** in the first nine months of 2018 amounted to €40 million, a decrease of €7 million compared with the first nine months of 2017. The decline reflects higher costs in South Africa, Morocco and Australia.

Operating income

Millions of euro	First nine months			
	2018	2017	Change	
South Africa	7	13	(6)	-46.2%
India	5	3	2	66.7%
Other	(6)	(1)	(5)	-
Total	**6**	**15**	**(9)**	-60.0%

Operating income in the first nine months of 2018 amounted to €6 million, a decrease of €9 million, including an increase of €2 million in depreciation, amortization and impairment losses.

Capital expenditure

Millions of euro	First nine months			
	2018	2017	Change	
South Africa	69	22	47	-
India	24	2	22	-
Other	4	1	3	-
Total	**97**	**25**	**72**	**-**

Capital expenditure in the first nine months of 2018 amounted to €97 million, an increase of €72 million compared with the same period of the previous year. Spending primarily regarded new projects in South Africa (Round 4) and India (Coral).

Other, eliminations and adjustments

Performance

3rd Quarter				Millions of euro	First nine months			
2018	2017	Change			**2018**	2017	Change	
319	122	197	-	Revenue and other income (net of eliminations)	535	276	259	93.8%
133	(64)	197	-	Gross operating margin	(50)	(230)	180	-78.3%
127	(68)	195	-	Operating income	(68)	(241)	173	-71.8%
				Capital expenditure	61	8	53	-

Performance in the 3rd Quarter

Revenue and other income, net of eliminations, in the 3rd Quarter of 2018 amounted to €319 million, an increase of €197 million compared with the same period of the previous year, essentially attributable to the capital gain of €152 million posted by Enel Green Power following the disposal of 80% of the share capital of eight special purpose vehicles that own eight plants in operation or under construction in Mexico (the “Kino project”) and the remeasurement at fair value of the residual interest held by the Group (€40 million).

The **gross operating margin** in the 3rd Quarter of 2018, a positive €133 million, improved by €197 million on the performance registered in the same period of 2017 as a result of the developments noted under revenue.

Operating income amounted to €127 million, an improvement of €195 million on the 3rd Quarter of 2017.

Performance in the first nine months

Revenue and other income in the first nine months of 2018, net of eliminations, amounted to €535 million, an increase of €259 million compared with the same period of the previous year (+93.8%).
The increase essentially reflects:

- the capital gain of €152 million posted by Enel Green Power following the disposal of 80% of the share capital of eight special purpose vehicles that own eight plants in operation or under construction in Mexico (the “Kino project”);
- the gain recognized from the remeasurement at fair value of the assets and liabilities still held by the Group following the loss of control of the eight Mexican special purpose vehicles (the “Kino project”), which required the remeasurement at fair value of the residual interest of 20% (€40 million);
- the transfer of the Global functions of a number of a Group companies to the Central area;
- the new Enel X business line.

The **gross operating margin** in the first nine months of 2018, a negative €50 million, showed an improvement of €180 million. Excluding the capital gain and remeasurement at fair value connected with the disposal of the eight Mexican special purpose vehicles, the gross operating margin deteriorated by €12 million, essentially reflecting an increase in costs with a consequent reduction in unit margins on certain services provided to other Group divisions, as well as the entry of the Global functions referred to above.

The **operating loss** for the first nine months of 2018 amounted to €68 million, an improvement of €173 million compared with the same period of the previous year, taking account of an increase of €7 million in depreciation, amortization and impairment losses, broadly in line with developments in the margin.

Capital expenditure

Capital expenditure in the first nine months of 2018 amounted to €61 million, an increase of €53 million compared with the first nine months of 2017. Expenditure was mainly connected with the new Enel X business line and the applications software of Enel SpA and Enel Green Power.

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 Sept. 30, 2018	at Dec. 31, 2017	Change	
Net non-current assets:				
- property, plant and equipment and intangible assets	93,789	91,738	2,051	2.2%
- goodwill	14,989	13,746	1,243	9.0%
- equity investments accounted for using the equity method	1,880	1,598	282	17.6%
- other net non-current assets/(liabilities)	(6,650)	(1,677)	(4,973)	-
Total net non-current assets	**104,008**	**105,405**	**(1,397)**	**-1.3%**
Net current assets:				
- trade receivables	13,860	14,529	(669)	-4.6%
- inventories	3,240	2,722	518	19.0%
- net receivables due from institutional market operators	(3,174)	(3,912)	738	18.9%
- other net current assets/(liabilities)	(6,085)	(6,311)	226	-3.6%
- trade payables	(11,219)	(12,671)	1,452	11.5%
Total net current assets	**(3,378)**	**(5,643)**	**2,265**	**40.1%**
Gross capital employed	**100,630**	**99,762**	**868**	**0.9%**
Provisions:				
- employee benefits	(3,062)	(2,407)	(655)	-27.2%
- provisions for risks and charges and net deferred taxes	(6,426)	(8,025)	1,599	19.9%
Total provisions	**(9,488)**	**(10,432)**	**944**	**9.0%**
Net assets held for sale	**81**	**241**	**(160)**	**-66.4%**
Net capital employed	**91,223**	**89,571**	**1,652**	**1.8%**
Total shareholders’ equity	**48,101**	**52,161**	**(4,060)**	**-7.8%**
Net financial debt	**43,122**	**37,410**	**5,712**	**15.3%**

Net capital employed at September 30, 2018 amounted to €91,223 million and was funded by shareholders’ equity attributable to the shareholders of the Parent Company and non-controlling interests in the amount of €48,101 million and net financial debt of €43,122 million. At September 30, 2018 the debt/equity ratio was 0.90 (0.72 at December 31, 2017). The percentage increase in leverage is attributable to the decrease in the Group’s consolidated shareholders’ equity as a result of the retrospective application of IFRS 9 and IFRS 15 (€3,688 million) and extraordinary transactions in the period, which increased net financial debt, as discussed below.

Analysis of the Group's financial structure

Net financial debt

Net financial debt and changes in the period are detailed in the table below:

Millions of euro

	at Sept. 30, 2018	at Dec. 31, 2017	Change	
Long-term debt:				
- bank borrowings	9,597	8,310	1,287	15.5%
- bonds	39,334	32,285	7,049	21.8%
- other borrowings	1,545	1,844	(299)	-16.2%
Long-term debt	*50,476*	*42,439*	*8,037*	*18.9%*
Long-term financial receivables and securities	(2,670)	(2,444)	(226)	-9.2%
Net long-term debt	**47,806**	**39,995**	**7,811**	**19.5%**
Short-term debt				
Bank borrowings:				
- short-term portion of long-term bank borrowings	1,527	1,346	181	13.4%
- other short-term bank borrowings	861	249	612	-
Short-term bank borrowings	*2,388*	*1,595*	*793*	*49.7%*
Bonds (short-term portion)	2,690	5,429	(2,739)	-50.5%
Other borrowings (short-term portion)	210	225	(15)	-6.7%
Commercial paper	4,181	889	3,292	-
Cash collateral and other financing on derivatives	772	449	323	71.9%
Other short-term financial payables (1)	317	307	10	3.3%
Other short-term debt	*8,170*	*7,299*	*871*	*11.9%*
Long-term financial receivables (short-term portion)	(1,770)	(1,094)	(676)	-61.8%
Factoring receivables	-	(42)	42	-
Financial receivables and cash collateral	(2,741)	(2,664)	(77)	-2.9%
Other short-term financial receivables	(1,071)	(589)	(482)	81.8%
Cash and cash equivalents with banks and short term securities	(9,660)	(7,090)	(2,570)	-36.2%
Cash and cash equivalents and short-term financial receivables	*(15,242)*	*(11,479)*	*(3,763)*	*-32.8%*
Net short-term debt	**(4,684)**	**(2,585)**	**(2,099)**	**81.2%**
NET FINANCIAL DEBT	**43,122**	**37,410**	**5,712**	**15.3%**
Net financial debt of "Assets held for sale"	**(8)**	**1,364**	**(1,372)**	**-**

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

Net financial debt amounted to €43,122 million at September 30, 2018, an increase of €5,712 million on December 31, 2017.

Net long-term debt increased by €7,811 million, due to the combined effect of an increase of €226 million in financial receivables and an increase of €8,037 million in gross long-term debt.

With regard to the latter:

> bank borrowings amounted to €9,597 million, an increase of €1,287 million, due primarily to loans granted by the European Investment Bank to Endesa SA in the amount of €500 million and to E-Distribuzione in the amount of €200 million and to drawings on long-term bank loans by Endesa SA and the South American companies. The increase was partially offset by the reclassification of the current portion of long-term bank loans to short term;

- bonds amounted to €39,334 million, an increase of €7,049 million on the end of 2017, due mainly to:
  - new bond issues, including:
    - €1,250 million in respect of a fixed-rate green bond maturing in 2026, issued by Enel Finance International in January 2018;
    - €1,250 million in respect of two fixed-rate hybrid bonds, with early redemption dates in 2023 and 2026, issued by Enel Finance International in May 2018;
    - $4,000 million (equivalent to €3,453 million) in respect of a multi-tranche bond maturing in 2023, 2025 and 2029, issued by Enel Finance International in September 2018;
    - the equivalent of €2,879 million in respect of local issues by the South American companies.
  - the repurchase by Enel Finance International of a euro-denominated hybrid bond issued in 2013 with an early redemption date in January 2019, amounting to €732 million;
  - the reclassification to short term of bonds maturing in the following 12 months, including a euro-denominated hybrid bond issued by Enel SpA with a residual value of €517 million (the bond was involved in a tender offer in May 2018), a bond denominated in pounds sterling issued by Enel SpA maturing in June 2019 in the amount of €619 million and bonds issued in local currencies by South American companies in the total amount of €302 million;
  - exchange losses of €443 million (this also includes the exchange differences on the short-term portion of bonds).

  The main bonds maturing in the first nine months of 2018 included:
  - €3,000 million in respect of one fixed-rate and one floating-rate retail bonds issued by Enel SpA, maturing in February 2018;
  - €512 million in respect of a fixed-rate bond issued by Enel Finance International, maturing in April 2018;
  - €591 million in respect of a fixed-rate bond issued by Enel SpA, maturing in June 2018;
  - the equivalent of €694 million in respect of bonds issued by South American companies.

Net short-term financial debt showed a net creditor position of €4,684 million at September 30, 2018, an increase of €2,099 million on the end of 2017, the result of an increase in cash and cash equivalents and short-term financial receivables in the amount of €3,763 million, only partially offset by an increase in short-term bank borrowings in the amount of €793 million and an increase in other short-term debt in the amount of €871 million.

Other short-term debt, totaling €8,170 million, includes commercial paper issued by Enel Finance International, International Endesa BV and the South American companies amounting to €4,181 million, and bonds maturing within 12 months amounting to €2,690 million.
Finally, cash collateral paid to counterparties in over-the-counter derivatives transactions on interest rates, exchange rates and commodities totaled €2,741 million, while cash collateral received from such counterparties amounted to €772 million.

Cash and cash equivalents and short-term financial receivables amounted to €15,242 million, an increase of €3,763 million on the end of 2017, mainly due to the increase in cash with banks and short-term securities in the amount of €2,570 million and an increase in the short-term component of long-term financial receivables in the amount of €676 million.

Cash flows

Cash flows from operating activities in the first nine months of 2018 were a positive €7,120 million, a decrease of €41 million on the corresponding period of the previous year. The increase in cash requirements due to the change in net working capital was only partially offset by the improvement in the gross operating margin.

Cash flows from investing/disinvesting activities in the first nine months of 2018 absorbed funds in the amount of €6,955 million, while in the first nine months of 2017 they had absorbed €6,237 million.
More specifically, cash requirements in respect of investments in property, plant and equipment and in intangible assets amounted to €5,537 million in the first nine months of 2018, a decrease of €10 million on the corresponding period of the previous year. The decrease in investments in the renewables sector in South America and in North and Central America was only partly offset by an increase in investment in Italy and Iberia on the electricity distribution grid.

In the first nine months of 2018, investments in entities (or business units) less cash and cash equivalents acquired amounted to €1,465 million and were mainly accounted for by the acquisition of the Brazilian electricity distribution company Eletropaulo Metropolitana Eletricidade de São Paulo SA and the acquisition of the Spanish electricity distribution company Ceuta in the autonomous city of the same name in North Africa.

Disposals of entities and business units, net of cash and cash equivalents sold, amounted to €264 million. They mainly regarded the early all-inclusive settlement of the earn-out clause connected with the sale of E-Distribuzione's interest in Enel Rete Gas and the disposal of 80% of the share capital of the Mexican companies involved in the "Kino project".
In the first nine months of 2017, the item amounted to €19 million and mainly regarded the disposal of a number of minor renewable generation companies in Spain.

Cash flows absorbed by other investing/disinvesting activities in the first nine months of 2018 amounted to €217 million, essentially reflecting the acquisition of 21% of Zacapa Topco SA RL, a vehicle to which 100% of Ufinet International was transferred (€150 million).

Cash flows from financing activities generated liquidity in the amount of €2,558 million, while in the first nine months of 2017 it had absorbed liquidity totaling €3,747 million. The flow in the first nine months of 2018 essentially regarded:

> the increase in net financial debt (the net balance of repayments and new borrowings) in the amount of €7,342 million;

> transactions in non-controlling interests amounting to €1,413 million, mainly regarding the tender offer of Enel Chile for all of the shares of the subsidiary Enel Generación Chile held by minority shareholders;

> the payment of dividends totaling €3,371 million, which include €1,068 million in respect of the interim dividend of €0.105 per share authorized by the Board of Directors of Enel SpA on November 8, 2017.

In the first nine months of 2018 cash flows from operating activities in the amount of €7,120 million and cash flows from financing activities of €2,558 million covered the cash needs of investing activities totaling €6,955 million. The difference is reflected in the increase in cash and cash equivalents, which at September 30, 2018 amounted to €9,668 million, compared with €7,121 million at the end of 2017. This change also reflects the effect of adverse developments in the exchange rates of the various local currencies against the euro, equal to €176 million.

Significant events in the 3rd Quarter of 2018

Enel closes acquisition of 21% of Ufinet International

On July 3, 2018, Enel, acting through Enel X International, wholly owned by Enel X, the Enel Group's advanced energy solutions company, finalized the acquisition from a holding company controlled by Sixth Cinven Fund (which is operated by the international private equity firm Cinven) for €150 million, of about 21% of the share capital of a vehicle company ("NewCo") to which 100% of Ufinet International was transferred. The latter is a leading wholesale operator of fiber-optic networks in South America. In turn, Sixth Cinven Fund owns around 79% of NewCo's share capital.

As announced on June 25, 2018, under the agreements between the parties, with the closing of the transaction, Enel X International has a call option to acquire Sixth Cinven Fund's stake between December 31, 2020 and December 31, 2021 for an additional amount of between €1,320 million and €2,100 million depending upon developments in various performance indicators. Enel X International and Sixth Cinven Fund jointly control Ufinet International, each exercising 50% of voting rights in the NewCo's shareholders' meeting. Should Enel X International not exercise its call option by December 31, 2021, its joint control over NewCo will lapse. In this case, Sixth Cinven Fund would then have the right to sell its stake with a "drag along" right over Enel X International's stake, while the latter would have the right to exercise a "tag along" right if Sixth Cinven Fund reduces its holding in NewCo to below 50%.

On the grounds of its size, business model and geographic footprint, Ufinet International represents a significant opportunity for the Enel Group to accelerate growth in South America in the ultra-broadband sector, which is part of the business objectives of Enel X as envisaged in Enel Group's 2018-2020 Strategic Plan. Through this transaction, the Group has immediately positioned itself in the South American value-added services market, accelerating its development through skills and technologies already consolidated by Ufinet International and gaining access to a vast customer base in a region with high growth and urbanization rates.

Enel reaches 95.88% stake in Eletropaulo

On July 16, 2018, Enel announced that Enel Brasil Investimentos Sudeste SA ("Enel Sudeste"), a subsidiary of Enel, had received confirmation that between June 5 and July 4, 2018, in line with Brazilian stock exchange regulations, the shareholders of Eletropaulo Metropolitana Eletricidade de São Paulo SA ("Eletropaulo") had sold Enel Sudeste 33,359,292 additional shares of Eletropaulo, equal to 19.9% of its share capital, for the same price of 45.22 Brazilian reais per share set for the voluntary tender offer carried out by Enel Sudeste to purchase the entire capital of the company. Therefore, the overall stake held by Enel Sudeste has increased to 93.31% of Eletropaulo's share capital, up from the previous 73.38%. Considering treasury shares, the percentage rises to 95.05% and in September 2018 the stake increase further to 95.88% as a result of the increase in Enel Sudeste's subscription of the Eletropaulo capital increase.

Merger of Enel Holding Chile and Hydromac Energy into Enel

On July 16, 2018, Enel announced that the plan for the merger into Enel of Enel Holding Chile Srl ("Enel Holding Chile"), a company wholly owned directly by Enel, and Hydromac Energy Srl ("Hydromac Energy"), a company wholly owned by Enel through Enel Holding Chile, which was approved by the administrative bodies of those companies, had been filed with the Company Register of Rome.

The transaction is part of the Group's effort to simplify its corporate structure, one of the key pillars of Enel's 2018-2020 Strategic Plan. Specifically, the transaction will allow for the consolidation into Enel of the Group's 61.93% interest in Enel

Chile SA, of which 43.03% is currently held directly by Enel itself, while 18.88% is indirectly held through Hydromac Energy and 0.02% through Enel Holding Chile.
On September 20, 2018, the Enel Board of Directors approved the merger of the wholly owned subsidiaries Enel Holding Chile Srl and Hydromac Energy Srl into Enel.

Enel Green Power agrees loan of €950 million for 700 MW of new wind plants in South Africa

On August 1, 2018, Enel Green Power RSA ("EGP RSA"), the Enel Group's South African renewables subsidiary, signed with senior lenders Nedbank Limited and Absa all project financing agreements for up to €950 million, namely up to 80% of the overall investment of around €1.2 billion in a portfolio of five new wind projects with a total of about 700 MW of capacity. The five facilities – Nxuba, Oyster Bay, Garob, Karusa and Soetwater - have a capacity of around 140 MW each. The Enel Group is contributing around €230 million of capital for the construction of the five wind farms. Following the signing of the agreements, termed the "financial close", construction of the first project, Nxuba, is expected to start by the end of 2018. Following the start of construction of Nxuba, construction of Oyster Bay and Garob is expected to start by the 1st Half of 2019 and construction of Soetwater as well as Karusa is expected to start in the 2nd Half of the same year. Nxuba is expected to begin operations in the 2nd Half of 2020, Oyster Bay in the 1st Half of 2021 and Garob, Soetwater and Karusa in the 2nd Half of 2021. By 2021, all five new wind farms are due to be in service, bringing Enel Green Power's total installed capacity in South Africa to more than 1.2 GW. Once operational, the five projects are expected to produce around 2.6 TWh each year, preventing the annual emission of some 2.7 million metric tons of CO_2 into the atmosphere.

Enel starts construction of Ngonye solar plant, its first facility in Zambia

On August 22, 2018, the Enel Group's global renewable energy division Enel Green Power ("EGP") started construction on the 34 MW Ngonye photovoltaic plant. The facility is part of the World Bank Group's Scaling Solar program carried out by Zambia's Industrial Development Corporation (IDC), which in June 2016 awarded Enel the right to develop, finance, construct, own and operate the plant.
Enel will be investing around $40 million in the construction of Ngonye, which is expected to be completed in the 1st Quarter of 2019. The Ngonye solar plant, which will be owned by a special purpose vehicle 80% held by EGP and 20% by IDC, is supported by a 25-year power purchase agreement signed with Zambia's state owned utility ZESCO. Once fully up and running, the facility is expected to produce around 70 GWh per year, avoiding the annual emission of over 45 thousand metric tons of CO_2 into the atmosphere.

Updating of contract terms for disposal of investment in Slovenské elektrárne

On September 4, 2018, Enel, following the release issued on July 10, announced that its subsidiary Enel Produzione SpA and the Czech company Energetický a průmyslový holding a.s. ("EPH") had signed an agreement that makes a number of changes to the terms and conditions of the contract (the "Contract") signed on December 18, 2015 between Enel Produzione and EP Slovakia BV ("EP Slovakia"), a subsidiary of EPH, regarding the sale of the stake held by Enel Produzione in Slovenské elektrárne a.s. ("Slovenské elektrárne"), in line with the Term Sheet signed by the parties in May 2017. The agreement came into force once the conditions envisaged in the terms of the subordinated loan described below were met.
As announced on December 18, 2015 and on July 28, 2016, the contract provided for the contribution to the newly established company Slovak Power Holding BV (the "HoldCo") of the entire stake held by Enel Produzione in Slovenské

elektrárne, equal to 66% of the latter's capital. The contract also defined the subsequent two-stage sale of 100% of HoldCo to EP Slovakia for a of €750 million, subject to adjustment based on a set of criteria.

As a result of the amendments agreed between Enel Produzione and EPH, the Contract also governs relations between the parties with regard to the financial support they are to provide to Slovenské elektrárne for the completion of units 3 and 4 of the Mochovce nuclear power plant. Specifically, the Term Sheet provides for Enel Produzione to grant, directly or through another company of the Enel Group, a subordinated loan to the HoldCo, which is in turn expected to make it available to Slovenské elektrárne, for a total of up to €700 million falling due in January 2027. Moreover, the Contract – which provides for the sale by Enel Produzione to EP Slovakia of its remaining 50% stake in the HoldCo through the exercise of put or call options by the respective parties – has been updated to include also the advance repayment of the Loan (or its final maturity date) as an additional condition for the exercise of the respective options. This update means that the exercise date of the options can take place at the earlier of a) 12 months after obtaining the Trial Operation Permit for unit 4 of the Mochovce nuclear power plant; or b) upon reaching the Long Stop Date,[1] and, in either case, only once the additional condition above is satisfied.

On the basis of the current work program and in line with the amendments to the Contract, the put and call options are expected to become exercisable by the first half of 2021. In addition, the Long Stop Date, initially set as of June 30, 2022, has been postponed by 12 months beyond the original deadline.

Finally, the Contract now provides for the existing mechanism for adjusting the total price of the two phases of the transaction, which will be applied upon the close of the second phase based on various criteria, to be complemented by an additional mechanism that ensures the offsetting of any amount due from Enel Produzione to EP Slovakia with any amount due from EPH or EP Slovakia to Enel Group companies in respect of principal and/or interest of the Loan if EPH or EP Slovakia take it over from Enel Group on the closing date of the second phase.

Enel Green Power wins contract for 34 MW of new solar capacity in renewables tender in Australia

On September 11, 2018, the Enel Group, acting through its renewable energy subsidiary Enel Green Power Australia Pty Ltd. ("Enel Green Power Australia"), was awarded a 15-year agreement with the Australian State of Victoria for the production of electricity and green certificates by the 34 MW Cohuna Solar Farm. The agreement was awarded through a renewable energy reverse auction launched last year by the State of Victoria. Enel is expected to invest around $42 million in the solar facility, whose construction is set to begin in the 1st Half of 2019. The plant is due to enter commercial operation by the end of 2019 and will be backed by a 15-year support agreement with the State of Victoria. The tender held by the State of Victoria was launched in November 2017 for 650 MW of renewable capacity, of which 100 MW was earmarked for solar. The tender is part of Victoria's Renewable Energy Target (VRET) to source 25% of its electricity production from renewables by 2020 and 40% by 2025.

Enel Finance International issues $4 billion bond on US market

On September 12, 2018, Enel Finance International NV ("EFI"), an Enel SpA ("Enel") finance subsidiary serving the Enel Group, placed a multi-tranche bond for institutional investors on the US and international markets totaling $4 billion, the equivalent of about €3.5 billion. The issue, which is guaranteed by Enel, was oversubscribed by about 3 times, with total orders of some $11 billion. The bond issue is part of the Enel Group's strategy to raise financing and refinance its maturing consolidated debt. The strong investor demand for Enel's third Yankee bond issued since 2017 once again confirms the financial markets' appreciation for Enel's solid fundamentals, performance and financial structure.

The transaction is structured in the following tranches:

[1] The date as of which Enel Produzione and EP Slovakia can exercise their put and call options respectively, regardless the completion of units 3 and 4 of Mochovce nuclear power plant.

- $1,250 million at 4.250% fixed rate maturing in 2023;
- $1,500 million at 4.625% fixed rate maturing in 2025;
- $1,250 million at 4.875% fixed rate maturing in 2029.

In view of their characteristics, the above tranches have been assigned a provisional rating of BBB+ by Standard & Poor's, Baa2 by Moody's and BBB+ by Fitch. Enel's rating is BBB+ (stable) for Standard & Poor's, Baa2 (stable) for Moody's and BBB+ (stable) for Fitch.

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 as from February 13, 2018, to file their report.

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 use the management

approach referred to earlier, which separates the ash by operational stage, thereby implementing the requirements of the seizure order. Following that authorization and pending completion of the evidentiary phase, the investigating magistrate subsequently issued, at the request of Enel Produzione, a new 90-day temporary authorization as from May 24, 2018.
On July 16, 2018, the experts appointed by the investigating magistrate filed their preliminary technical report, the findings of which confirm the validity of Enel Produzione's classification of the ash as "non-hazardous waste" and its suitability for use in second manufacturing processes, such as the production of cement.
On July 19, 2018 Enel Produzione therefore filed a petition with the court to lift the seizure of the plant and the funds.
On July 23, 2018, Enel Produzione also filed a request for a further extension of 90 days as from August 22, 2018, for the operation of the plant.
On August 1, 2018, the Lecce Public Prosecutor lifted its seizure of the plant, with the termination of the judicial custody/administration of the facility and the restitution of the €523 million to Enel Produzione. However, the preliminary investigation is continuing both against the accused individuals and the company pursuant to Legislative Decree 231/2001.

Enel Green Power España starts construction of its largest solar farm in Spain

Endesa's renewable company Enel Green Power España ("EGPE") began construction of the 84.7 MW Totana photovoltaic facility, the company's largest solar plant in Spain. The overall investment in the construction of the facility amounts to about €59 million. The Totana facility, located in the Region of Murcia, is scheduled to start operation in the 3rd Quarter of 2019. Once fully operational the photovoltaic facility, composed of 248,000 photovoltaic modules, will be able to generate around 150 GWh per year, avoiding the annual emission of around 105 thousand metric tons of CO_2 into the atmosphere. Totana is the first of the seven solar projects, with a total capacity of 339 MW, that were awarded to Enel Green Power España in the Spanish government's third renewables tender held in July 2017.

Enel closes sale of a majority stake in 1.8 GW of renewables capacity in Mexico while continuing to operate the plants

On September 28, 2018, Enel SpA ("Enel"), acting through its renewables subsidiary Enel Green Power SpA ("EGP"), closed the deal with the Caisse de dépôt et placement du Québec ("CDPQ"), a long-term institutional investor, and the investment vehicle of the leading Mexican pension funds CKD Infraestructura México SA de CV ("CKD IM") for the sale of 80% of the share capital of eight special purpose vehicles ("SPVs"), which own eight plants in operation and under construction in Mexico with a total capacity of 1.8 GW. Following the closing of the deal, EGP and CDPQ own a 20% and a 40.8% stake respectively in the SPVs through a newly-formed holding company ("Kino Holding"), while CKD IM owns a 39.2% stake in the same SPVs, through newly-formed sub-holdings ("Mini HoldCos"). EGP will continue to operate the plants owned by the SPVs and will complete those still under construction through two newly-formed subsidiaries. In addition, starting from January 1, 2020, EGP may contribute or transfer additional projects, increasing its indirect interest in the SPVs and becoming majority shareholder.
The enterprise value of 100% of the SPVs is equal to about $2.6 billion, with an equity value of about $0.3 billion, project financing of about $0.8 billion and related-party loans totaling $1.5 billion. As a result of the transaction, CDPQ and CKD IM paid $1.4 billion, of which about $0.2 billion for the majority interest in the SPVs and around $1.2 billion for related-party loans to the SPVs. The price paid is subject to adjustments typical of this type of transaction, primarily based on variations in the net working capital of the SPVs. The transaction was carried out using the Build, Sell and Operate ("BSO") model, in line with the Group's Strategic Plan.

Fortaleza - Brazil

Petroleo Brasileiro SA-Petrobras, as 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 grounds that the agreement was allegedly imbalanced financially in consideration of current market conditions. The contract was signed in 2003 as part of the "Priority Thermal Generation Program" established by the Brazilian government in order to increase thermoelectric generation and the security of supply in the country. The program established that the Brazilian government would act as the guarantor of the supply of gas at regulated prices defined by the Brazil's Ministry of Finance, Mines and Energy.

In order to guarantee the security of electricity supply in Brazil, CGTF initiated legal action in the ordinary courts against Petrobras with a request for precautionary protection, obtaining, at the end of 2017, a court injunction suspending the termination of the contract, which was declared still in force.

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 measure that had permitted the supply of gas. CGTF filed appeals against these latest decisions on both a precautionary and ordinary basis, obtaining a second favorable ruling that enabled the plant to operate for some time but which was subsequently revoked. CGTF has challenged this decision, confident that the courts will recognize Petrobras' obligation to perform the contract.

At the end of January 2018, CGTF received an arbitration request from Petrobras in relation to the disputes described above and this procedure is in the preliminary stages.

Subsequently, a precautionary measure was obtained in favor of CGTF, ordering the suspension of the payment of certain amounts by CGTF to Enel Ceará (the purchaser of the electricity).

On October 25, 2018, another precautionary measure was obtained in favor of CGTF, ordering the restoration of Petrobras' obligation to supply gas.

Reference scenario

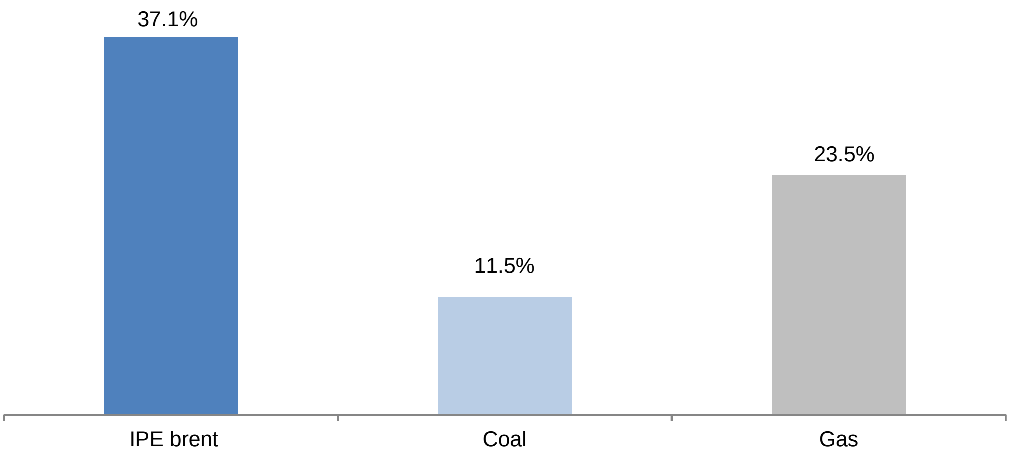
Developments in the main market indicators

	First nine months	
	2018	2017
Market indicators		
Average IPE Brent oil price ($/bbl)	72.7	52.6
Average price of CO_2 (€/ton)	14.4	5.3
Average price of coal ($/ton CIF ARA) (1)	91.9	81.5
Average price of gas (€/MWh) (2)	22.2	16.7
Average dollar/euro exchange rate	1.19	1.11
Six-month Euribor (average for the period)	-0.27%	-0.26%

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

The euro/dollar exchange rate stabilized at its June level in 3rd Quarter of 2018. The policies of the European Central Bank and the performance of national economies also left average interest rates stable at historically low levels despite the imminent termination of quantitive easing, as the ECB has already announced that it will remain active in the bond market to support financial stability.

Change in average fuel prices in the first nine months of 2018 compared with the first nine months of 2017



Consumer price indices (CPI)

%	First nine months		
	2018	2017	Change
Italy	**1.0**	**1.3**	**-0.3**
Spain	1.7	2.1	-0.5
Russia	2.5	4.1	-1.5
Argentina	29.2	26.4	2.7
Brazil	3.5	3.7	-0.2
Chile	2.3	2.2	0.1
Colombia	3.2	4.4	-1.2
Peru	1.1	3.2	-2.1

Exchange rates

	First nine months		
	2018	2017	Change
Euro/US dollar	1.19	1.11	6.8%
Euro/Pound sterling	0.88	0.87	1.3%
Euro/Swiss franc	1.16	1.09	5.7%
US dollar/Japanese yen	110	111.90	-2.0%
US dollar/Canadian dollar	1.29	1.31	-1.5%
US dollar/Australian dollar	1.32	1.31	1.1%
US dollar/Russian ruble	61.51	58.29	5.2%
US dollar/Argentine peso	25.11	16.23	35.4%
US dollar/Brazilian real	3.60	3.17	12.0%
US dollar/Chilean peso	629.22	653.85	-3.9%
US dollar/Colombian peso	2,887.26	2,939.48	-1.8%
US dollar /Peruvian nuevo sol	3.26	3.27	-0.1%
US dollar/Mexican peso	19.03	18.90	0.7%
US dollar/Turkish lira	4.62	3.60	22.2%
US dollar/Indian rupee	67.19	65.24	2.9%
US dollar/South African rand	12.90	13.21	-2.4%

Economic and energy conditions in the first nine months of 2018

Economic developments

In the first three quarters of 2018 the world economy grew by about 3%,[2] in line with the pace registered in 2017. The United States and China continue to drive growth, buoyed by expansionary fiscal policies, while the euro area grew at a slower rate. The normalization of monetary policies in the advanced countries (especially in the United States) has placed strong pressures on emerging markets (especially the structurally weaker economies). Geopolitical uncertainty persists. Protectionist policies, although representing a risk for global growth, as repeatedly stressed by leading institutions such as the International Monetary Fund (IMF), are increasingly being considered a valid option for reviving national economies. While the United States has reached a new trade agreement with Canada and Mexico (the USMCA), it has also raised tariffs on China (currently $250 billion of the $450 billion of Chinese exports to the United States are subject to tariffs). In Europe the Brexit negotiations continue without significant progress, while tensions between Italy and the European Union have increased over the country's fiscal policy strategies and the possibility of relaxing the constraints imposed at the European level.

The United States entered the ninth year of its expansion. In the first two quarters of 2018, the economy, boosted by the recent tax reform introduced by the Trump administration, grew by 2.7% and could accelerate further in the 2nd Half of the year. The labor market is solid, with the unemployment rate having declined steadily since 2009 and now at 3.9%, about 40 basis points lower than its structural level. Real wages in the 1st Half of the year increased by 0.7% compared with the first six months of 2017. The strengthening of the economy beyond its potential has lent impetus to inflation: since the beginning of the year consumer prices have grown by an average of 2.5%, beyond the 2% target rate set by the Federal Reserve (Fed). In order to avoid overheating, the US central bank continued the process of normalizing monetary policy, repeatedly raising the benchmark rate (the Fed Funds target rate), with the latest increase in September bringing the reference corridor to 2-2.25%.

In the 1st Half of the year, the euro area grew by 2.3%. However, the signs of a slight slowdown are now more evident (growth in the 2nd Quarter was 0.4% on the previous quarter, representing a gradual decline since mid-2017). Consumer prices rose by 2.1% in the last three months (July-September), driven by the energy component. Core inflation (the key reference for monetary policy decisions) remains modest (1%), albeit rising. The labor market is improving: in the 2nd Quarter the unemployment rate was 8.3% (declining since 2013) and real wages increased compared with 2017. The European Central Bank (ECB) announced that its extraordinary asset purchase program (quantitative easing) will be terminated at the end of 2018, but the bank will continue to reinvest repayments of maturing securities for the time necessary to maintain favorable liquidity conditions and a high degree of monetary accommodation. Interest rates should remain unchanged at least until the summer of 2019.

Italy grew by 1.3% in the 1st Half year-on-year. The labor market has improved steadily, with the unemployment rate at 9.8% in August (the lowest since 2012), and real wages rising significantly (1.4% compared with the previous year in the 2nd Quarter). Inflation is increasing gradually, reaching 1.5% in the last three months (July-September). The next few months will be particularly important for understanding how the country's fiscal strategy will be implemented and whether the necessary policies will be undertaken to boost productivity.

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[2] Source: Oxford Economics

Spain continues to expand faster than the euro-area average (2.8% in the first two quarters of 2018), sustained above all by especially strong growth in private consumption (2.5%) and investment (4.6%).The improvement in labor market conditions (the unemployment rate has fallen by almost half since 2013 and now stands at 15.2%) and the low level of inflation (1.7% on average since the beginning of the year) have contributed to increasing household purchasing power and boosting confidence in the outlook (reducing precautionary savings in the economy).

Russia grew by 1.6% on an annual basis in the 1st Half. As well as bringing gains in real income, the low level of inflation has made it possible to reduce the cost of credit, with a consequent increase in lending, fueling private consumption. The recent renewal of President Putin's political mandate (following the elections held in March) could give him enough strength to proceed with fiscal consolidation and, at the same time, the structural reforms needed to revive the country's economic potential.

Romania continues to expand rapidly (4.25% in the 1st Half) thanks to an expansionary fiscal policy. Real wages rose 30% on an annual basis in the first six months, sustaining household consumption. The strong pressure from domestic demand has pushed inflation very high (5.1% in September) and above the central bank's target range (1.5-3.5%). The official monetary policy rate has been raised by 75 basis points since the beginning of the year in an attempt to prevent the economy from overheating and now stands at 2.5%.

In South America, the global macroeconomic environment, which has penalized emerging markets in 2018, has brought out the structural weaknesses of certain countries (i.e. Argentina and Brazil), while other economies (i.e. Chile, Colombia and Peru) have displayed considerable resilience. In general, inflation is subdued in almost all of the countries of interest to the Group (the only exceptions are Argentina and, in part, Mexico), which favors domestic consumption while ensuring compliance with fiscal constraints.

On the political side, elections were held in Colombia, Mexico and Brazil in the first three quarters of the year.

In Argentina, the robust expansion in the 1st Quarter (3.6% compared with the previous year) was followed by an equally sharp contraction in GDP in the 2nd Quarter (-2.1%). On the demand side, high inflation (e.g. about 41% in September) has squeeze real household income, while poor expectations for the economy are discouraging new investment. On the supply side, economic activity has been affected by contingent factors such as the drought that hit agriculture.

The crisis of confidence has contributed to the depreciation of the currency, pushing inflation well beyond the target level and forcing the central bank to raise its official interest rate.

The government, in an attempt to reassure the markets and to meet its financial needs, has reached an agreement with the International Monetary Fund (IMF) for an aid plan worth more than $50 billion linked to the elimination of the primary deficit by 2019 and achievement of a primary surplus of 1% of GDP in 2020. The actions already taken by the authorities made it possible to reduce the primary deficit by 80 basis points in the first seven months of 2018.

The Brazilian economy grew by 1.1% in the 1st Half of the year compared with the same period of 2017. Household consumption was the main factor driving expansion (2.3%), favored by modest inflationary pressures (3.5% since the beginning of 2018). Investment grew by 3.6% compared with the 1st Half of 2017, but contracted by 2% between the 1st and 2nd Quarters of 2018. The decline can be partly attributed to the uncertainty engendered by the results of the elections.

Chile continues to expand (5.1% in the 1st Half of 2018 compared with the 1st Half of 2017), buoyed by private consumption and investment. On the demand side, the low level of inflation (2.3% on average since the beginning of the year) contributed to increasing the real purchasing power of households, while the improvement in the climate of confidence boosted investment (5.2%). Economic conditions have prompted the central bank to raise its official rate by 25 basis points, bringing it to 2.75% in October.

Colombia grew by 2.5% year-on-year in the 1st Half, thanks to the contribution of private consumption and investment. Inflation (3.2% on average since the beginning of the year) is stable around the average target (3%) of the central bank (BanRep). The monetary policy reference rate remains at 4.3%, thus leaving the liquidity conditions unchanged. BanRep announced the start of a program to increase its reserves of US dollars, which could increase pressure on the Colombian peso, which has been very stable since the beginning of the year.
In Peru, the accommodative monetary conditions (the benchmark interest rate has been reduced by 150 basis points compared with the 1st Quarter of 2017 and has been steady at 2.75% for six months) and the implementation of a counter-cyclical fiscal policy (government spending grew by 3% compared with the 1st Half of 2017) fostered the strong recovery of the economy in the 1st Half of the year (4.3%). Inflationary pressure was slight in the 1st Half of the year (developments reflected the basis effect connected with the price shock in the 1st Half of 2017), but rose in the 3rd Quarter (1.3%). From a public finance perspective, the low level of debt (the debt/GDP is about 25%) should give the government room to prolong the fiscal stimulus, although the target value of the government deficit for the coming years is -1%.
Mexico grew by 1.9% in the 1st Half of the year compared with the same period in 2017. Consumption continues to support the expansion, despite high inflation (4.9% on average since the start of the year). The national elections held in early July were won by Andres Manuel Lopez Obrador, who will take over the country's leadership in December this year. A decline in the uncertainty connected with the general election and the new trade agreement reached with the United States and Canada (the USMCA) could bolster expectations and investment.

International commodity prices

Oil prices experienced a continuous and broad rise in the first three quarters of 2018, with Brent reaching $83 a barrel, a level not seen since the end of 2014.
The sharp rise in the price of oil (+24% since the beginning of the year) was triggered by a number of factors: 1) the exit of the United States from the Iranian nuclear agreement, which led to a decline in latter's exports and 2) renewed geopolitical tensions at the global level, with unrest at Libyan ports and the continuation of the economic and financial crisis in Venezuela, against a background of continuing growth in world demand.

The European gas market was characterized by strong demand in the first part of the year following two cold snaps that led to a significant reduction in stocks, which fell below the average of the last few years. Compounding this factor was a strong Asian demand, which attracted LNG flows to the Far East, creating a decline in supply in Europe, with a strong impact on prices.

As for the coal market, the first nine months of 2018 were characterized by rising prices due to: 1) a sharp increase in demand in China and 2) structural problems in the main producer countries (Colombia, Indonesia and Australia), which limited supplies to the main user countries. In addition, although CO_2 levels were high, the simultaneous jump in gas prices made coal generation more competitive than gas, thus increasing the demand for coal.

Electricity and natural gas markets

Developments in electricity demand

3rd Quarter			GWh	First nine months		
2018	2017	Change		**2018**	2017	Change
83,947	**82,901**	**1.3%**	**Italy**	**242,177**	**240,678**	**0.6%**
64,790	64,328	0.7%	Spain	191,009	189,300	0.9%
183,045	181,121	1.1%	Russia	587,848	581,028	1.2%
35,211	34,250	2.8%	Argentina	105,350	103,004	2.3%
141,142	139,586	1.1%	Brazil	432,519	428,006	1.1%
18,911	18,751	0.9%	Chile	56,974	55,030	3.5%
17,450	17,054	2.3%	Colombia	51,177	49,879	2.6%
12,555	12,157	3.3%	Peru	37,650	36,510	3.1%

Source: national TSOs.

In the first nine months of 2018 electricity demand continued to growth in all the countries in which Enel operates.
More specifically, in Italy and Spain demand expanded by 0.6% and 0.9%, respectively, primarily reflecting unseasonable temperatures. Similar developments were posted in Russia, where electricity demand rose by 1.2%.
In South America, electricity demand was also boosted by economic recovery throughout the region (Brazil +1.1%, Chile +3.5%, Colombia +2.6% and Peru +3.1%), with the exception of Argentina, where demand ran counter to the economic crisis under way in that country (+2.3%).

Electricity prices

	Average baseload price Q3 2018 (€/MWh)	Change in average baseload price Q3 2018 - Q3 2017	Average peakload price Q3 2018 (€/MWh)	Change in average peakload price Q3 2018 - Q3 2017
Italy	**68.9**	**33.7%**	**73.9**	**28.8%**
Spain	65.8	36.0%	69.3	23.6%
Russia	15.9	-7.2%	18.2	-9.8%
Brazil	107.5	-8.3%	88.4	-37.5%
Chile	61.1	23.9%	159.6	42.8%
Colombia	25.5	-6.2%	29.8	-25.8%

Italy

Domestic natural gas demand

3rd Quarter				Millions of m^3	First nine months			
2018	2017	Change			**2018**	2017	Change	
2,886	2,913	(27)	-0.9%	Residential and civil	22,254	21,369	885	4.1%
3,211	3,330	(119)	-3.6%	Industry and services	10,597	10,569	28	0.3%
6,329	6,110	219	3.6%	Thermal generation	16,944	18,424	(1,480)	-8.0%
220	207	13	6.3%	Other (1)	1,103	1,054	49	4.6%
12,646	**12,560**	**86**	**0.7%**	**Total**	**50,898**	**51,416**	**(518)**	**-1.0%**

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

Demand for gas in Italy in the first nine months of 2018 amounted to 51 billion cubic meters, a decrease of 1.0% compared with the same period of 2017. In the 3rd Quarter of 2018, consumption edged up by 0.7% on the same period of 2017, with demand for thermal generation returning to growth thanks to high temperatures in September. Demand for residential, civil and industrial uses remains weak.

Domestic electricity generation and demand

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
				Net electricity generation:				
49,222	48,919	303	0.6%	- thermal	135,280	146,067	(10,787)	-7.4%
12,634	11,605	1,029	8.9%	- hydroelectric	38,364	30,980	7,384	23.8%
2,920	3,694	(774)	-21.0%	- wind	12,572	12,534	38	0.3%
1,406	1,439	(33)	-2.3%	- geothermal	4,265	4,359	(94)	-2.2%
8,023	7,897	126	1.6%	- photovoltaic	19,451	20,361	(910)	-4.5%
74,205	**73,554**	**651**	**0.9%**	**Total net electricity generation**	**209,932**	**214,301**	**(4,369)**	**-2.0%**
10,087	9,833	254	2.6%	Net electricity imports	33,930	28,147	5,783	20.5%
84,292	**83,387**	**905**	**1.1%**	**Electricity delivered to the network**	**243,862**	**242,448**	**1,414**	**0.6%**
(345)	(486)	141	29.0%	Consumption for pumping	(1,685)	(1,770)	85	-4.8%
83,947	**82,901**	**1,046**	**1.3%**	**Electricity demand**	**242,177**	**240,678**	**1,499**	**0.6%**

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

Electricity demand in Italy in the first nine months of 2018 increased by 0.6% on the same period of 2017, to 242.2 TWh (83.9 TWh in the 3rd Quarter of 2018). Of total electricity demand, 86.0% was met by net domestic electricity generation for consumption (88.3% in the first nine months of 2017), with the remaining 14.0% being met by net electricity imports (11.7% in the first nine months of 2017).

Net electricity imports in the first nine months of 2018 increased by 20.5% on the first nine months of 2017. Developments in the 3rd Quarter of 2018 were similar, with an increase of 2.6% (+0.3 TWh).

Net electricity generation in the first nine months of 2018 fell by 2.0% (-4.4 TWh), to 209.9 TWh (74.2 TWh in the 3rd Quarter of 2018). More specifically, the increase in hydroelectric generation (+7.4 TWh) and in wind generation was offset by a decrease in thermal generation (-10.8 TWh) and photovoltaic generation (-0.9 TWh).
In the 3rd Quarter of 2018, net generation increased, with the exception of wind output, which contracted by 21.0%.

Spain

Electricity generation and demand in the peninsular market

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
61,158	60,814	344	0.6%	Net electricity generation	184,115	183,208	907	0.5%
(630)	(981)	351	35.8%	Consumption for pumping	(2,443)	(2,560)	117	4.6%
4,262	4,495	(233)	-5.2%	Net electricity imports (1)	9,337	8,652	685	7.9%
64,790	**64,328**	**462**	**0.7%**	**Electricity demand**	**191,009**	**189,300**	**1,709**	**0.9%**

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

Electricity demand in the peninsular market in the first nine months of 2018 increased by 0.9% compared with the same period of 2017 (+0.7% in the 3rd Quarter of 2018), standing at 191.0 TWh (64.8 TWh in the 3rd Quarter of 2018). Demand was met in part by net domestic electricity generation for consumption.
Net electricity imports in the first nine months of 2018 increased from their level in the same period of 2017, reflecting the greater imports needed to meet domestic demand. Developments differed in the 3rd Quarter of 2018.

Net electricity generation in the first nine months of 2018 totaled 184.1 TWh (61.2 TWh in the 3rd Quarter of 2018), an increase of 0.5% (+0.9 TWh). A similar pattern was seen in the 3rd Quarter of 2018.

Electricity generation and demand in the extra-peninsular market

3rd Quarter				Millions of kWh	First nine months			
2018	2017	Change			**2018**	2017	Change	
3,963	3,931	32	0.8%	Net electricity generation	10,710	10,714	(4)	-
423	438	(15)	-3.4%	Net electricity imports	964	924	40	4.3%
4,386	**4,369**	**17**	**0.4%**	**Electricity demand**	**11,674**	**11,638**	**36**	**0.3%**

Source: Red Eléctrica de España (*Series estadísticas nacionales – Balance eléctrico* – September 2018 report). The volumes reported for the first nine months of 2017 are updated to August 31, 2018.

Electricity demand in the extra-peninsular market in the first nine months of 2018 rose by 0.3% compared with the first nine months of 2017, to 11.7 TWh (4.4 TWh, +0.4% in the 3rd Quarter of 2018). Of total demand, 91.7% was met by net generation in the extra-peninsular market, with net imports accounting for the remaining 8.3%.

Net electricity imports in the first nine months of 2018 amounted to 1.0 TWh (0.4 TWh in the 3rd Quarter of 2018) and were entirely accounted for by trade with the Iberian Peninsula.

Net electricity generation in the first nine months of 2018 was unchanged compared with the same period of the previous year. Generation increased slightly in the 3rd Quarter of 2018.

Outlook

In the first nine months of 2018, the solid performance of Enel more than offset the adverse impact of the unfavorable macroeconomic environment. Performance for the period was driven by renewables, which remain the engine of Group growth, and by investment in grids and the improvement in retail margins. Developments in the first nine months of 2018 position the Group to achieve the targets set out in the 2018-2020 Plan.

For the remainder of the year, in line with Plan targets, we expect:

> to complete investments in **digitization**, which are mainly connected with the installation of **smart meters** in Italy and Iberia;
> benefits connected with the **customer** focus strategy, supported by the activities of Enel X;
> an acceleration in **industrial growth** through investments in renewables and networks;
> significant progress in the **operating efficiency** program;
> additional progress in the process of corporate **simplification** and **management of the portfolio**.

The targets for EBITDA and net income for 2018 are therefore confirmed, despite the negative impact of developments in exchange rates.

Condensed consolidated financial statements at September 30, 2018

Condensed consolidated income statement

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

Statement of consolidated comprehensive income

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

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

Condensed consolidated balance sheet

Millions of euro

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

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

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

Statement of changes in consolidated shareholders' equity

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

Condensed consolidated statement of cash flows

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

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

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

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

1. Accounting policies and measurement criteria

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

> "IFRS 9 - Financial instruments", the final version was issued on July 24, 2014, replacing "IAS 39 - Financial instruments: recognition and measurement".
For the purpose of classifying and measuring financial instruments, the Group recognizes financial assets at fair value inclusive of transaction costs.
Financial assets represented by debt instruments falling within the scope of application of the standard (e.g. trade receivables, financial receivables, etc.) are classified on the basis of the business model adopted (i.e. the manner in which the Group manages financial assets in order to generate cash flows) and the contractual characteristics of cash flows (i.e. the SPPI test, or solely payment of principal and interest) in one of the following categories:
  - amortized cost, for financial assets held with the objective of collecting contractual cash flows that pass the SPPI test, as the cash flows represent principal and interest payments only. This category includes trade receivables, other receivables of an operational nature reported under other current and non-current assets and financial receivables included in other current and non-current financial assets;
  - fair value through other comprehensive income (FVOCI), for financial assets held with the aim of either collecting contractual cash flows represented exclusively by principal and interest payments or for sale. Changes in fair value subsequent to initial recognition are recognized in OCI and are recycled to the income statement at the time of derecognition. The Group classifies in this category listed securities that pass the SPPI test and are held for the purpose of collecting contractual cash flows and cash flows from sales;
  - fair value through profit or loss (FVTPL), as a residual category for assets that are not held under one of the above business models. This category mainly includes derivative financial instruments held for trading purposes and debt instruments whose contractual cash flows are not represented solely by principal and interest payments.

  Financial assets with embedded derivatives are measured in their entirety at fair value through profit or loss if they do not pass the SPPI test as a single financial instrument.
  Financial assets that qualify as contingent consideration are measured at fair value through profit or loss.
  Based on the aforementioned criteria introduced by IFRS 9 (i.e. the SPPI test and the business model approach), the methods for classifying the financial instruments held by the Group pursuant to IAS 39 have been verified in comparison with current classification approaches.
  For investments in other companies not held for trading purposes, which are classified as available for sale (AFS) in accordance with IAS 39, the Group has exercised the option allowed under the new standard of irrevocably designating such shares as at FVOCI. Therefore, subsequent changes in fair value and impairment will be recognized in OCI, without recycling to the income statement in the case of derecognition of the investments. Otherwise, accrued dividends will be recognized through profit or loss.
  It follows that these investments have been reclassified among the financial assets measured at FVOCI. A similar reclassification in OCI involved the reclassification of the AFS reserve to the FVOCI reserve.
  In accordance with IFRS 9, the Group recognizes financial liabilities not measured at fair value through profit or loss at fair value less transaction costs.

Following initial recognition, the Group measures financial liabilities at amortized cost or at fair value in the presence of specific circumstances. In the case of financial liabilities for which the fair value option was elected at the time of initial recognition, the portion of the change in fair value attributable to own credit risk is recognized in OCI.
Financial liabilities that qualify as contingent consideration are measured at fair value through profit or loss.
As from January 1, 2018, the Group also applies the amendments to IFRS 9: “Prepayment features with negative compensation”, in accordance with which the requirements of IFRS 9 for the adjustment of the amortized cost of a financial liability in the event of a modification (or an exchange) that does not result in the derecognition of the financial liability are consistent with the requirements for adjusting a financial asset when a modification does not result in the derecognition of the financial asset. As a result, in these circumstances, the new cash flows are discounted using the original effective interest rate and the difference between the pre-modification carrying amount of the liability and the new value is recognized through profit or loss as of the date of the modification.
In compliance with IFRS 9, as from January 1, 2018, the Group has adopted a new impairment model for all financial assets not measured at fair value through profit or loss and other assets falling within the scope of application of the standard. This new model is based on the determination of expected losses (expected credit loss - ECL) using a forward-looking approach.
In essence the model provides for:

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

In consideration of the specific reference market and the regulatory context of the sector, as well as expectations of recovery after 90 days, the Enel Group mainly applies a default definition of 180 days past due to determine expected losses, as this is considered an effective indication of a significant increase in credit risk. Accordingly, financial assets that are more than 90 days past due are generally not considered to be in default.
For trade receivables, contract assets and lease receivables, including those with a significant financial component, the Group adopts the simplified approach, determining expected losses over a period corresponding to the entire life of the receivable, generally equal to 12 months.
More specifically, for trade receivables the Group mainly applies a collective approach based on grouping the receivables into specific clusters, taking due account of the specific regulatory context. Only if the trade receivables are deemed individually significant by management and they have specific information about any significant increase in credit risk does the Group adopt an analytical approach.
For all financial assets other than trade receivables, contract assets and lease receivables, the Group applies the general approach based on monitoring developments in credit risk from origination. The calculation of the expected credit loss, therefore, considers a time horizon of 12 months in the event that no significant increase in credit risk has occurred as of the closing date of the accounts; otherwise, the time horizon adopted for the calculation is the entire life of the asset, taking a lifetime approach.
With reference to hedge accounting, the Enel Group has adopted a new model compliant with the new IFRS 9 standard, which is applied prospectively.
Under the new approach, a hedging relationship is effective if and only if it meets the following requirements:

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

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

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

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

> "IFRS 15 - Revenue from contracts with customers", issued in May 2014, including "Amendments of IFRS 15: effective date of IFRS 15", issued in September 2015. The new standard will replace "IAS 11 - Construction contracts", "IAS 18 - Revenue", "IFRIC 13 - Customer loyalty programmes", "IFRIC 15 - Agreements for the construction of real estate", IFRIC 18 - Transfers of assets from customers" and "SIC 31 - Revenue - Barter transactions involving advertising services" and will apply to all contracts with customers, with a number of exceptions (for example, lease and insurance contracts, financial instruments, etc.). In compliance with the new standard, the Enel Group applies the rules for the recognition and measurement of revenue in a manner that faithfully depicts the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In the recognition of revenue, the Enel Group applies a model consisting of five key phases (steps): the entity must identify the contract with the customer (step 1); it must identify the performance obligations in the contract, recognizing separable goods or services as separate obligations (step 2); the entity must then determine the transaction price, which is represented by the consideration that it expects to obtain (step 3); the entity must then allocate the transaction price to the individual obligations identified in the contract on the basis of the individual price of each separable good or service (step 4); revenue is recognized when (or if) each individual performance obligation is satisfied through the transfer of the good or service to the customer, i.e. when the customer obtains control of the good or service (step 5).

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

> "Clarification to IFRS 15 - Revenue from contracts with customers", issued in April 2016, introduces amendments of the standard in order to clarify a number of practical expedients and topics addressed by the Joint Transition Resource Group established by the IASB and the FASB. The aim of these amendments is to clarify a number of provisions of IFRS 15 without modifying the basic principles of the standard.

> "Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", issued in September 2016. The amendments:

- permit insurers whose activities are predominantly connected with insurance to postpone the application of IFRS 9 until 2021 ("temporary exemption"); and
- permits insurers, until the future issue of the new accounting standard for insurance contracts, to recognize the volatility that should be caused by the application of IFRS 9 in other comprehensive income rather than through profit or loss (the "overlay approach").

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

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

> "Amendments to IFRS 2: Share-based payment", issued in June 2016. The amendments:

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

> Annual improvements to IFRSs 2014-2016 cycle", issued in December 2016, limited to the amendments of the following standards:
  - "IFRS 1 - First-time adoption of International Financial Reporting Standards*";* the amendments eliminated the "short-term exemptions from IFRSs" regarding the transition to IFRS 7, IAS 19 and IFRS 10;
  - "IAS 28 - Investments in associates and joint ventures"; the amendments clarify that the option to measure investments in associates or joint ventures at fair value through profit or loss held by a venture capital organization (or a mutual fund, unit trust and similar entities, including investment-linked insurance funds) must be elected at initial recognition separately for each associate or joint venture.

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

In addition, as from January 1, 2018, the Group applies "IAS 29 - Financial Reporting in Hyperinflationary Economies*"* with regard to its Argentine companies.
The standard applies to the financial statements of companies whose functional currency is the currency of a hyperinflationary economy and essentially defines the criteria governing measurement, presentation and disclosure in hyperinflationary economies.
In order to reflect in the financial statements the loss of purchasing power of the functional currency in those circumstances, non-monetary items, shareholders' equity and items deriving from contracts with inflation indexing clauses are remeasured, up to the limits of recoverable value, by applying an inflation index that reflects general price developments in the hyperinflationary period.
The effects of this assessment at the time of initial application are recognized in equity net of tax effects.
Conversely, the result for the period of initial application and subsequent accounting periods over the duration of the hyperinflationary period is recognized through profit or loss and presented separately from the other items in the financial statements. The preparation and presentation of the financial statements on the basis of these criteria is terminated when the period of hyperinflation ends.
Finally, in order to clarify the effects of hyperinflation on the financial statements, entities must disclose the reasons for applying the standard, the criteria adopted in preparing the financial statements and the inflation index applied at the end of the accounting period and its variations in the current period and in comparison with the previous period.

Seasonality

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

2. Effects of the application of new accounting standards

Impact of first-time application of IFRS 9 and 15

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

> "IFRS 9 - Financial instruments", issued in its definitive version on July 24, 2014, replaces the existing "IAS 39 - Financial instruments: Recognition and measurement" and supersedes all previous versions. The final version of IFRS 9 incorporates the results of the three phases of the project to replace IAS 39 concerning classification and measurement, impairment and hedge accounting.
  During 2017 the transition project for the three areas of application of the new standard was completed. Each project stream involved the following:
  - "*Classification and measurement*": the procedures for classifying financial instruments provided for in IAS 39 were assessed in comparison with those envisaged under IFRS 9 (i.e., SPPI test and business model). In consideration of the fact that the 1st Quarter of 2018 saw the endorsement of the amendments to "IFRS 9 - Prepayment features with negative compensation", issued by the IASB in October 2017 and applicable as from January 1, 2019, with the option of application as from January 1, 2018, the Group elected early and retrospective application of the amendments. During the quarter, Enel analyzed the situations impacted by the amendments, which:
    a) introduce an exception for certain financial assets that have contractual cash flows that are solely payments of principal and interest but do not pass the SPPI test only because of a prepayment option, permitting their measurement at fair value through profit or loss in certain circumstances specified by the standard;
    b) clarify that the requirements of IFRS 9 for the adjustment of the amortized cost of a financial liability in the event of a modification (or an exchange) that does not result in derecognition are consistent with the analogous provisions for the adjustment of a financial asset. Accordingly, the new cash flows shall be discounted at the original effective interest rate and the difference between the pre-modification present value of the liability and the new value shall be recognized through profit or loss as at the date of the modification. In this regard, Enel, with references to exchanges transacted in 2015 and 2016, applied the accounting treatment envisaged in international best practice, in compliance with IAS 39, and did not recognize any income or costs through profit or loss as at the date of the contractual modifications, but amortized them over the residual life of the modified financial liability at the effective interest rate recalculated as at the date of the exchange. As a result of the early application of these amendments, the exchanges have been accounted for using the new method with effect as from January 1, 2018, restating the opening balances, which involved an increase in Group shareholders' equity and a concomitant decrease in net financial debt of €129 million.
  - "*Impairment*": an analysis of impaired financial assets was conducted, with a focus on trade receivables representing the majority of the Group's credit exposure. In particular, in application of the simplified approach envisaged in the standard, those receivables were grouped into specific clusters, taking account of the applicable legislative and regulatory environment, and the impairment model based on expected losses developed by the Group for collective valuation was applied. For trade receivables that management deemed significant on an individual basis and for which more detailed information on the significant increase in credit risk was available, an analytical approach was adopted within the simplified model. The application of the new impairment model decreased Group shareholders' equity at January 1, 2018 by €169 million.

– “*Hedge accounting*”: specific activities were conducted to implement the new hedge accounting model, both in terms of effectiveness tests and rebalancing hedge relationships and of analyzing the new strategies applicable under IFRS 9. As regard hedging instruments, the most significant changes with respect to the hedge accounting model envisaged under IAS 39 regard the possibility of deferring the time value of an option, the forward component of a forward contract and currency basis spreads (so-called “hedging costs”) in other comprehensive income (OCI) until the hedged element affects profit or loss. In practice, the reserve in OCI that contains the fair value of hedging instruments (“full” fair value) has been divided into two OCI reserves that report the “basis-free” fair value and the “basis spread element”, respectively. The following table summarizes the effects of that division:

Millions of euro	
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 connected with the application of the new IFRS 9 and IFRS 15, as well as other minor impacts compared with those above concerning IFRS 15.

Consolidated balance sheet

Millions of euro

	at Dec. 31,2017	IFRS 9 effect	IFRS 15 effect	at Jan. 1, 2018
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	37	1,073	13,232
Total non-current assets	**119,204**	**37**	**1,507**	**120,748**
Current assets				
Inventories	2,722	-	-	2,722
Trade receivables	14,529	(189)	-	14,340
Cash and cash equivalents	7,021	-	-	7,021
Other current assets	10,195	(30)	13	10,178
Total current assets	**34,467**	**(219)**	**13**	**34,261**
Assets classified as held for sale	**1,970**	**-**	**-**	**1,970**
TOTAL ASSETS	**155,641**	**(182)**	**1,520**	**156,979**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Equity attributable to the shareholders of the Parent Company	34,795	(38)	(3,650)	31,107
Non-controlling interests	17,366	(15)	(556)	16,795
Total shareholders' equity	**52,161**	**(53)**	**(4,206)**	**47,902**
Non-current liabilities				
Long-term borrowings	42,439	(129)	-	42,310
Provisions and deferred tax liabilities	15,576	-	(473)	15,103
Other non-current liabilities	5,001	-	6,196	11,197
Total non-current liabilities	**63,016**	**(129)**	**5,723**	**68,610**
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 classified as held for sale	**1,729**	**-**	**-**	1,729
TOTAL LIABILITIES	**103,480**	**(129)**	**5,726**	**109,077**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**155,641**	**(182)**	**1,520**	**156,979**

Argentina – hyperinflationary economy: impact of the application of IAS 29

As from July 1, 2018, the Argentine economy has been considered hyperinflationary based on the criteria established by "IAS 29 - Financial reporting in hyperinflationary economies". This designation is determined following an assessment of a series of qualitative and quantitative circumstances, including the presence of a cumulative inflation rate of more than 100% over the previous three years.
For the purposes of preparing the condensed consolidated financial statements and in accordance with IAS 29, certain items of the balance sheets of the investees in Argentina have been remeasured by applying the general consumer price index to historical data in order to reflect changes in the purchasing power of the Argentine peso at the reporting date for those companies.
Bearing in mind that the Enel Group acquired control of the Argentine companies on June 25, 2009, the remeasurement of the non-monetary balance-sheet figures was conducted by applying the inflation indices starting from that date. More specifically, the accounting effects of that remeasurement at first-time application of the standard and subsequent remeasurements were recognized as follows:

- the effect of the inflation adjustment until December 31, 2017 of non-monetary assets and liabilities and equity was recognized in equity reserves, net of the associated tax effects;
- the effect of the remeasurement of the same non-monetary items, the components of equity and the components of the income statement recognized in the first nine months of 2018, which was carried out to take account of the change in the first nine months of 2018 in the benchmark price index, was recognized in a specific line of the income statement under financial income and expense. The associated tax effect was recognized in taxes for the period.

In order to also take account of the impact of hyperinflation on the exchange rate of the local currency, the income statement balances expressed in the hyperinflationary currency have been translated into the Group's presentation currency (euro) applying, in accordance with IAS 21, the closing exchange rate rather than the average rate for the period in order to adjust these amounts to current values.
Based on the provisions of IAS 21, paragraph 42.b., it was not necessary to restate for solely comparative purposes the balance-sheet and income-statement figures for the end of 2017 and for the previous period (first nine months of 2017) because the Group's presentation currency is not that of a hyperinflationary economy.

The cumulative changes in the general price indices at December 31, 2017 and September 30, 2018 are shown in the following table:

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

The initial application of IAS 29 generated a positive adjustment (net of tax effects) recognized in equity reserves in the consolidated financial statements at January 1, 2018 of €516 million, of which €188 million attributable to the shareholders of the Parent Company. In addition, during the first nine months of 2018, the application of IAS 29 led to the recognition of net financial income (gross of tax) of €100 million.

The following tables report the effects of IAS 29 on the opening balance sheet and January 1, 2018 and the cumulative hyperinflationary effects at September 30, 2018, as well as the impact of hyperinflation on the main income statement items for the first nine months of 2018, differentiating between that concerning the revaluation on the basis of the general consumer price index and that due to the application of the closing exchange rate rather than the average exchange rate for the period in accordance with the provisions of IAS 21 for hyperinflationary economies.

Millions of euro

	Cumulative hyperinflation effect at Jan. 1, 2018	Hyperinflation effect for the period		Exchange differences	**Cumulative hyperinflation effect at Sept. 30, 2018**
Total assets	**688**	194		(340)	**542**
Total liabilities	**172**	48		(85)	**135**
Shareholders' equity	**516**	146	(1)	255	**407**

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

Millions of euro	First nine months of 2018				
	IAS 29 effect		IAS 21 effect		Total effect
Revenue and other income	59		(402)		(343)
Costs	81	(1)	(324)	(2)	(243)
Operating income	**(22)**		**(78)**		**(100)**
Financial income/(expense)	2		(19)		(17)
Net income/(expense) from hyperinflation	100		-		100
Income before taxes	**80**		**(97)**		**(17)**
Income taxes	48		(26)		22
Net income for the period (shareholders of the Parent Company and non-controlling interests)	**32**		**(71)**		**(39)**
Attributable to shareholders of the Parent Company	15		(16)		(1)
Attributable to non-controlling interests	17		(55)		(38)

(1) Includes depreciation, amortization and impairment losses of €38 million.
(2) Includes depreciation, amortization and impairment losses of -€27 million.

3. Main changes in the scope of consolidation

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

2017

> Acquisition, on January 10, 2017, of 100% of **Demand Energy Networks**, a company headquartered in the United States specializing in software solutions and smart electricity storage systems;
> acquisition, on February 10, 2017, of 100% of **Más Energía**, a Mexican company operating in the renewable energy sector;
> acquisition, on February 14, 2017, and May 4, 2017, of 94.84% and 5.04% respectively (for a total of 99.88%) of **Celg Distribuição (CELG-D)**, an electricity distribution company operating in the Brazilian state of Goiás;
> acquisition, on May 16, 2017, of 100% of **Tynemouth Energy Storage**, a British company operating in the electricity storage sector;
> acquisition, on June 4, 2017, of 100% of **Amec Foster Wheeler Power** (**now Enel Green Power Sannio**), a company that owns two wind plants in the province of Avellino;
> closing of the acquisition, on August 7, 2017, of 100% of the **EnerNOC Group**, following the successful completion of the tender offer made by Enel Green Power North America ("EGPNA") to the previous shareholders.

2018

> Disposal, on March 12, 2018, of 86.4% of Erdwärme Oberland GmbH, a company developing geothermal plants headquartered in Germany. The total transaction price was €0.9 million, with a realized capital gain of €1 million;
> acquisition, on April 2, 2018, of 33.6% of the minority interests in Enel Generación Chile, enabling Enel Chile to increase its stake in Enel Generación Chile to 93.55%. In addition, on that date the merger of the renewables company Enel Green Power Latin America SA into Enel Chile took effect;
> acquisition, on April 3, 2018, acting through Enel Green Power España, of 100% of Parques Eólicos Gestinver SLU and Parques Eólicos Gestinver Gestión SLU for €57 million, of which €15 million of existing debt assumed, was formalized;
> acquisition, on June 7, 2018, by Enel Sudeste of control of the Brazilian distribution company Eletropaulo Metropolitana Eletricidade de São Paulo SA following initial participation of shareholders. The tender for 100% of the shares ended on July 4, 2018. At September 30, 2018, the company was consolidated on the basis of a 95.88% holding by the Group in view of the circumstances detailed further later in these notes;
> acquisition, on July 25, 2018, acting through the subsidiary Endesa Red, of 94.6% of Empresa de Alumbrado Eléctrico de Ceuta SA, a company operating in the distribution and sale of electricity in the autonomous city of Ceuta in North Africa;
> disposal, on September 28, 2018, to Caisse de dépôt et placement du Québec ("CDPQ"), a long-term institutional investor, and CKD Infraestructura México SA de CV ("CKD IM"), the investment vehicle of leading Mexican pension funds, of 80% of eight special purpose vehicles that own eight plants in operation or under construction in Mexico. Following the close of the transaction, Enel Green Power holds 20% of their share capital, meaning that the companies are now accounted for using the equity method.

Other changes

In addition to the above changes in the scope of consolidation, the following transactions, which although they do not represent transactions involving the acquisition or loss of control, gave rise to a change in the interest held by the Group in the investees:

- a corporate reorganization in Chile with the "Elqui" operation, which involved the acquisition of non-controlling interests in Enel Generación Chile to achieve a direct holding of 93.55% through Enel Chile (the previous interest was 59.98%), a reduction of the interest held in Enel Green Power Chile, which went from 100% to 61.93% at the Group level, following the merger of Enel Green Power Latin America SA into Enel Chile, and an increase in the overall stake in Enel Chile from 60.62% to 61.93%. Subsequent sections will discuss the transaction in greater detail;
- on July 3, 2018 Enel, acting through Enel X International, finalized the acquisition from a holding company controlled by Sixth Cinven Fund (a fund managed by the international private equity firm Cinven) for an investment of €150 million of about 21% of a vehicle company ("Zacapa Topco Sarl"), to which 100% of Ufinet International was transferred. Ufinet is a leading wholesale fiber optic network operator in South America. Sixth Cinven Fund in turn holds 79% of Zacapa Topco Sarl.

Acquisition of Eletropaulo

On June 4, 2018 Enel, acting through Enel Sudeste, acquired control of the Brazilian distribution company Eletropaulo Metropolitana Eletricidade de São Paulo SA ("Eletropaulo"). The acquisition of control came after a public tender offer launched on April 17 at a price of 45.22 Brazilian reais per share. At June 4, 2018, that company's shareholders had tendered 73.38% of the share capital.

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

Under Brazilian stock exchange rules, Eletropaulo shareholders could also accept the offer in the following 30 days (until July 4, 2018). During that period, Enel Sudeste acquired an additional 33,359,292 shares of Eletropaulo, equal to 19.9% of the share capital. The overall interest acquired by Enel Sudeste therefore rose to 93.31% of Eletropaulo, which increases to 95.03% given that Eletropaulo holds 3,058,154 treasury shares.

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

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

Determination of goodwill

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

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

In view of the characteristics of the concession arrangements under which it operates, the distribution activity performed by the company falls within the scope of application of IFRIC 12.

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

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Acquisition of Parques Eólicos Gestinver

On April 3, 2018, Enel Green Power España ("EGPE") completed the acquisition of 100% of Parques Eólicos Gestinver SL, a company that owns five wind plants with a total capacity of about 132 MW.
The acquisition involved a cash out of €57 million.

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

Millions of euro	Amounts recognized at April 3, 2018
Property, plant and equipment	139
Intangible assets	34
Deferred tax assets	8
Trade receivables	5
Other current assets	2
Cash and cash equivalents	11
Borrowings	(116)
Deferred tax liabilities	(9)
Other non-current liabilities	(11)
Provisions for risks and charges	(2)
Trade payables	(1)
Other current liabilities	(3)
Net assets acquired	**57**

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

Acquisition of Empresa de Alumbrado Eléctrico de Ceuta

On July 25, 2018, Endesa Red finalized the acquisition of 94.6% of Empresa de Alumbrado Eléctrico de Ceuta SA, a company operating in the distribution and sale of electricity in the autonomous city of Ceuta in North Africa. The acquisition provided for a cash out of €83 million.

Millions of euro	Amounts recognized at July 25, 2018
Property, plant and equipment	59
Intangible assets	24
Trade receivables	3
Other current assets	1
Cash and cash equivalents	2
Current portion of long-term financial receivables	1
Deferred tax liabilities	(5)
Other non-current liabilities	(15)
Other employee benefits	(1)
Trade payables	(1)
Other current liabilities	(1)
Non-controlling interests	(4)
Net assets acquired	**63**
Cost of the acquisition	**83**
(of which paid in cash)	*83*
Goodwill/(Badwill)	20

Other minor acquisitions

Determination of goodwill

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

For the other minor acquisitions the Group will identify the fair value of the assets acquired and the liabilities assumed within 12 months of the acquisition date.

Corporate reorganization in Chile – Elqui operation

As part of the Group's strategic simplification plan, during the 1st Half of 2018 the reorganization of equity investments was begun with the aim of reducing the number of operating companies in South America,

To this end, on March 26, Enel successfully completed the tender offer launched by Enel Chile for all of the shares of the subsidiary Enel Generación Chile held by the non-controlling shareholders of the latter, with which Enel Chile acquired about 33.6% of the capital of Enel Generación Chile, thus increasing its stake in that company to 93.55%.

The transaction was finalized on April 2, 2018, with the payment of the price, 60% in cash and 40% in Enel Chile shares.

Furthermore, on April 2, 2018, the merger of the renewables company Enel Green Power Latin America SA into Enel Chile and a capital increase of the latter to serve the merger too effect. On the same date, the shareholders of Enel Chile who exercised their right of withdrawal as a result of that merger were paid the value of their shares.
At the level of the Enel Group, the combined effect of the two transactions led to a 1.31% increase in the Group's interest in Enel Chile, which rose from 60.62% to 61.93%.
As the operation is a transaction in non-controlling interests and does not fall within the scope of application of IFRS 3, the transaction resulted in a reduction in non-controlling interests, with a negative impact on the non-controlling interest reserve of €506 million against a total outlay of €1,406 million.

4. Segment information

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

Performance by business area

First nine months of 2018 (1)

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

(1) Segment revenue and other income includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Does not include €3 million regarding units classified as "held for sale".
(3) Does not include €375 million regarding units classified as "held for sale".

First nine months of 2017 (1)

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

(1) Segment revenue and other income includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Does not include €27 million regarding units classified as "held for sale".

Financial position by business area

At September 30, 2018

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

(1) Of which €75 million regarding units classified as "held for sale".
(2) Of which €3 million regarding units classified as "held for sale".

At December 31, 2017

Millions of euro	Italy		Iberia	South America	Europe and North Africa		North and Central America		Africa, Asia and Oceania	Other, eliminations and adjustments	Total
Property, plant and equipment	25,935		23,783	17,064	3,052		5,800		749	54	76,437
Intangible assets	1,358		15,662	11,857	731		838		115	34	30,595
Trade receivables	10,073		2,340	2,432	337		193		29	(856)	14,548
Other	3,033		1,697	954	194		377		10	(308)	5,957
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 Sept. 30,2018	at Dec. 31,2017
Total assets	**169,973**	**155,641**
Equity investments accounted for using the equity method	1,880	1,598
Other non-current financial assets	6,024	4,704
Long-term tax receivables included in “Other non-current assets”	267	260
Current financial assets	12,645	6,923
Cash and cash equivalents	9,598	7,021
Deferred tax assets	8,015	6,354
Tax receivables	1,566	1,094
Financial and tax assets of “Assets held for sale”	10	150
Segment assets	**129,968**	**127,537**
Total liabilities	**121,872**	**103,480**
Long-term borrowings	50,476	42,439
Non-current financial liabilities	2,844	2,998
Short-term borrowings	6,109	1,894
Current portion of long-term borrowings	4,426	7,000
Current financial liabilities	7,820	3,214
Deferred tax liabilities	8,166	8,348
Income tax payable	1,119	284
Other tax payables	2,272	1,323
Financial and tax liabilities classified as “Liabilities held for sale”	1	1,510
Segment liabilities	**38,639**	**34,470**

Revenue and other income

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

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

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

The decrease reflects:

> an increase of €748 million in revenue from the sale of electricity to end users, largely attributable to an increase in revenue in South America connected with an increase in volumes following the acquisition of Eletropaulo and an increase in prices, only partly offset by adverse exchange rate developments, as well as an increase in revenue in Italy and Romania connected with an increase quantities sold on the free market, partially offset by a reduction in volumes on the regulated market as result of the shift in customers to the free market. These developments were partially offset by a reduction in the revenue of the Spanish companies as a result of a reduction in quantities sold;

> a decline of €462 million in revenue from sales on the wholesale market, attributable to a decrease in revenue in Italy as a result of a decline in volumes transacted using bilateral contracts, only partly offset by an increase in renewables output, which led to an increase in quantities sold on the Power Exchange, as well as a decline in Russia as a result of a reduction in prices and quantities sold;

> a decline of €819 million in revenue from electricity trading as a result of a contraction in volumes handled in Italy.

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

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

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

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

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

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

> an increase of €203 million in revenue from the sale of fuels in trading activities;

> an increase of €218 million in revenue recognized by EnerNOC for its value-added services, mainly associated with its demand-response business. EnerNOC performs this activity as an aggregator of commercial and industrial consumers, which agree to balance their consumption on the basis of grid requirements, reducing their consumption at peakload times in exchange for contractually specified remuneration;

> an increase of €215 million in revenue from sales of environmental certificates, largely the sale of CO_2 allowances in Italy and Spain;

> an increase of €146 million in revenue from the recognition of the income of E-Distribuzione connected with the reimbursement by the Energy & Environmental Services Fund of system charges paid but not levied pursuant to ARERA Resolution no. 50/2018;

> an increase in revenue from the recognition of €128 million in respect of the agreement reached by E-Distribuzione with F2i and 2i Rete Gas on the early all-inclusive settlement of the indemnity connected with the sale of the interest in Enel Rete Gas;

> an increase in income connected with a capital gain of €152 million recognized by Enel Green Power following the disposal of 80% of the share capital of eight special purpose vehicles that own eight plants in operation or under construction in Mexico (“Kino project”) and income from the remeasurement at fair value of the Group’s remaining interest (€40 million);

> a €152 million decline in grants for environmental certificates.

Costs

5.b Costs – *€48,010 million*

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

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

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

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

Costs for **materials** in the first nine months of 2018 amounted to €1,241 million, an increase of €395 million compared with the same period of the previous year. The change mainly reflects an increase in purchases of materials and equipment in Italy and Spain and an increase in costs for the purchase of environmental certificates, essentially due to an increase in the trading of CO_2 allowances in Italy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

These factors were partially offset by:

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

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

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

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

5.f Income taxes – *€1,686 million*

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

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

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

Assets

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

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

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

Equity investments accounted for using the equity method amounted to €1,880 million, an increase of €282 million on the end of 2017.
The change reflected the acquisition of Ufinet International (€150 million) and the disposal of 80% of the share capital of the Mexican companies involved in the "Kino project" (€81 million), which led to them being accounted for using the equity method.

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

Millions of euro

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

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

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

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

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

Inventories amounted to €3,240 million, an increase of €518 million, mainly in Italy, due to the increase in CO_2 emissions allowances and stocks of gas and other fuels.

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

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

Millions of euro

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

The increase for the period amounted to €7,046 million, largely reflecting:
- an increase of €4,537 million in other current financial assets, connected with the increase in the fair value of derivatives;
- an increase of €1,185 million in current financial assets included in debt, associated with the increase in the financial receivable in respect of the deficit of the Spanish electrical system and the financial receivable of Enel Finance International due from the Mexican companies involved in the “Kino project”, which are accounted for using the equity method;
- an increase of €837 million in other short-term receivables, largely in respect of an increase in assets in respect of construction contracts.

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

The item, which primarily regards Enel Green Power Finale Emilia (€81 million), mainly includes assets valued at their estimated realizable value based on the current state of negotiations that, in view of the decisions taken by management, meet the requirements of IFRS 5 for classification under this item.
The change for the period mainly reflects the sale of 80% of the share capital of eight Mexican project companies (“Kino project”) classified under this item at December 31, 2017 and now accounted for using the equity method as well as the

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

Liabilities and shareholders' equity

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

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

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

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

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

> post-employment and other employee benefits totaling €3,062 million, up €655 million compared with December 31, 2017, essentially reflecting the change in the scope of consolidation with the acquisition of Eletropaulo;

> provisions for risks and charges amounting to €5,040 million (€4,821 million at December 31, 2017). The item includes, among others, the litigation provision of €1,161 million (€861 million at December 31, 2017), the nuclear decommissioning provision of €549 million (€538 million at December 31, 2017), the plant dismantling and site restoration provision of €860 million (€814 million at December 31, 2017), the provision for taxes and duties of €293 million (€300 million at December 31, 2017) and the early retirement incentive provision of €1,438 million (€1,530 million at December 31, 2017);

> deferred tax liabilities, totaling €8,166 million (€8,348 million at December 31, 2017), a decrease of €182 million. The effect of the application of the new IFRS 15 and IFRS 9, which caused a decrease of €473 million, was partially offset by the increase in the scope of consolidation with the acquisition of Eletropaulo (€163 million) and the effect of hyperinflation in Argentina (€172 million).

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

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

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

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

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

Millions of euro

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

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

> an increase of €4,606 million in current financial liabilities, largely due to the increase in the fair value of financial derivatives (€4,822 million), mainly related to derivatives measured at fair value through profit or loss hedging commodity price risk;

> an increase of €1,784 million in tax payables, attributed essentially to the estimate for income taxes for the period net of taxes paid and payables for value-added tax;

> a decrease of €722 million in payables due to institutional market operators, of which €453 million attributable to E-Distribuzione as a result of a decline in the rates of general system charges and €119 million to Endesa;

> a decrease of €596 million in other payables, essentially due the decrease in the payable for dividends paid in the first nine months of 2018, only partially offset by an increase in other payables as a result of the change in the scope of consolidation due to the acquisition of Eletropaulo.

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

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

7. Net financial position

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

Millions of euro

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

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

Other information

8. Related parties

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

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

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

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

The following tables summarize transactions with related parties, associated companies and joint arrangements carried out in the first nine months of 2018 and 2017 and outstanding at September 30, 2018 and December 31, 2017.

Millions of euro

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

Millions of euro

	Single Buyer	EMO	Cassa Depositi and Prestiti Group	ESO	Other	Key management personnel	**Total at Sept. 30, 2018**	Associates and joint arrangements	**Overall total at Sept. 30, 2018**	**Total in financial statements**	**% of total**
Balance sheet											
Trade receivables	-	155	762	24	142	-	**1,083**	183	**1,266**	**13,860**	**9.1%**
Other current assets	-	23	14	131	1	-	**169**	60	**229**	**17,241**	**1.3%**
Other non-current liabilities	-	-	-	-	6	-	**6**	64	**70**	**11,257**	**0.6%**
Long-term borrowings	-	-	849	-	-	-	**849**	-	**849**	**50,476**	**1.7%**
Trade payables	621	184	588	929	229	-	**2,551**	164	**2,715**	**11,219**	**24.2%**
Other current liabilities	-	-	12	-	19	-	**31**	76	**107**	**22,113**	**0.5%**
Current portion of long-term borrowings	-	-	89	-	-	-	**89**	-	**89**	**4,426**	**2.0%**
Other information											
Guarantees given	-	250	361	-	115	-	**726**	**-**	**726**		
Guarantees received	-	-	135	-	16	-	**151**	**-**	**151**		
Commitments	-	-	35	-	8	-	**43**	**-**	**43**		

Millions of euro

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

Millions of euro

	Single buyer	EMO	Cassa Depositi and Prestiti Group	ESO	Other	Key management personnel	**Total at Dec. 31, 2017**	Associates and joint arrangements	**Overall total at Dec. 31, 2017**	**Total in financial statements**	**% of total**
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**	**5,001**	**0.7%**
Long-term borrowings	-	-	893	-	-	-	**893**	-	**893**	**42,439**	**2.1%**
Trade payables	682	110	543	977	11	-	**2,323**	42	**2,365**	**12,671**	**18.7%**
Other current liabilities	-	-	10	-	-	-	**10**	36	**46**	**17,170**	**0.3%**
Current portion of long-term borrowings	-	-	89	-	-	-	**89**	-	**89**	**7,000**	**1.3%**
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 (available at https://www.enel.com/investors/bylaws-rules-and-policies/transactions-with-related-parties.html) in implementation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In the first nine months of 2018, no transactions were carried out for which it was necessary to make the disclosures required in the rules on transactions with related parties adopted with CONSOB Resolution no. 17221 of March 12, 2010, as amended with Resolution no. 17389 of June 23, 2010.

9. Contractual commitments and guarantees

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

Millions of euro

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

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

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

10. Contingent assets and liabilities

Compared with the consolidated financial statements at December 31, 2017, which the reader is invited to consult for more information, the following main changes have occurred in contingent assets and liabilities, which are not recognized in the financial statements as they do not meet the requirements provided for in IAS 37.

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

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

Brindisi Sud thermal generation plant - Criminal proceedings against Enel employees

With regard to the appeal proceedings begun against the ruling of the Court of Brindisi on October 26, 2016 by the convicted employees and the civil defendant, Enel Produzione SpA, as well as by the employee for whom the expiry of period of limitations had been declared, the first hearing of the appeal was held on June 15, 2018 with the opening statement of the prosecutor, following by testimony of a number of civil parties to the proceeding. At the hearing of October 19, 2018, other civil parties testified and the hearing was adjourned until November 16, 2018.

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

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

Enel Energia and Servizio Elettrico Nazionale antitrust proceeding

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

Environmental incentives – Spain

With regard to the investigation opened by the European Commission’s Directorate-General for Competition pursuant to Article 108, paragraph 2, of the Treaty on the Functioning of the European Union (TFEU) in order to assess whether the environmental incentive for coal power plants provided for in Order ITC/3860/2007 represents State aid compatible with the internal market, on April 13, 2018, Endesa Generación SA, acting as an interested third party, submitted comments contesting this interpretation, while on July 30, 2018, it was learned that Gas Natural had appealed the decision of the Commission.

Furnas - Tractebel litigation – Brazil

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

ANEEL litigation – Brazil

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

Neoenergia arbitration – Brazil

On June 18, 2018, Neoenergia brought an arbitration action against Eletropaulo before the *Câmara de Arbitragem do Mercado* (CAM) concerning the investment agreement signed by the two companies on April 16, 2018. On September 3, 2018, Neoenergia modified its claim, abandoning its request for specific execution of the obligation contained in the contract. The current claim is a request for damages for losses caused by alleged non-performance of the investment agreement. The value of the dispute is currently undetermined.

Emgesa and Codensa arbitration – Colombia

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

Gabčíkovo dispute – Slovakia

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

Tax litigation - withholding tax - Ampla – Brazil

In 1998, Ampla Energia e Serviços SA financed the acquisition of Coelce with the issue of bonds totaling $350 million (Fixed Rate Notes - FRN) subscribed by a Panamanian subsidiary, which had been formed to raise funds abroad. Under the special rules then in force, the interest paid by Ampla to its subsidiary were exempt from withholding tax in Brazil with the proviso that the bond not be redeemed before 2008.
However, the 1998 financial crisis forced the Panamanian subsidiary to seek refinancing from its Brazilian parent, which for that purpose obtained a loan from local banks. The tax authorities argued that the latter financing was the equivalent of the early redemption of the original bond, with the consequent loss of tax-exempt status.
In December 2005, Ampla Energia e Serviços SA carried out a spin-off of assets to Ampla Investimentos e Serviços SA that involved the transfer of the residual FRN debt and the associated rights and obligations.
On November 6, 2012, the *Câmara Superior de Recursos Fiscais* (the highest level of administrative courts) issued a ruling against Ampla, for which the company promptly asked that body for clarification. On October 15, 2013, Ampla was notified of the denial of the request for clarification (*Embargo de Declaração*), thereby upholding the previous adverse decision. The company provided security for the debt and on June 27, 2014 continued litigation before the ordinary courts (*Tribunal de Justiça*).
In December 2017, the court appointed an expert to examine the issue in greater detail in support of the future ruling. In September 2018, the expert submitted a report on which the parties may file comments.
The amount involved in the dispute at September 30, 2018 was about €270 million.

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

The States of Río de Janeiro, Ceará and São Paulo issued a number of tax assessments against Ampla Energia e Serviços SA (for the years 1996-1999 and 2007-2017), Companhia Energética do Ceará SA (2003, 2004 and 2006-2012) and Eletropaulo (2008-2016), challenging the deduction of the ICMS tax (*Imposto sobre Circulação de Mercadorias e Serviços*) in relation to the purchase of certain non-current assets. The companies challenged the assessments, arguing that they correctly deducted the tax and asserting that the assets, the purchase of which generated the ICMS, are intended for use in their electricity distribution activities.
The companies are continuing to defend their actions at the various levels of adjudication.
The amount involved in the disputes totaled approximately €86 million at September 30, 2018.

Tax litigation - withholding tax - Endesa Brasil – Brazil

On November 4, 2014, the Brazilian tax authorities issued an assessment against Endesa Brasil SA (now Enel Brasil SA) alleging the failure to apply withholding tax to payments of allegedly higher dividends to non-resident recipients. More specifically, in 2009, Endesa Brasil, as a result of the first-time application of the IFRS-IAS, had cancelled goodwill, recognizing the effects in equity, on the basis of the correct application of the accounting standards it had adopted. The Brazilian tax authorities, however, asserted – during an audit – that the accounting treatment was incorrect and that the effects of the cancellation should have been recognized through profit or loss. As a result, the corresponding value (about €202 million) was reclassified as a payment of income to non-residents and, therefore, subject to withholding tax of 15%.
It should be noted that the accounting treatment adopted by the company was agreed with the external auditor and also confirmed by a specific legal opinion issued by a local firm specializing in corporate law.
The first two levels of the administrative courts ruled – in July 2016 and September 2018 respectively – for the tax authorities. The company will continue its defend its actions and the appropriateness of the accounting treatment at the third level of jurisdiction.
The overall amount involved in the dispute totaled about €60 million at September 30, 2018.

11. Events after the reporting period

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

On October 9, 2018, Enel Green Power España ("EGPE") began construction of three wind farms with a total capacity of 128 MW in the municipalities of Muniesa and Alacón, in the region of Aragon's Teruel province. The three projects are the 46.8 MW Muniesa, the 41.4 MW Farlán and the 39.9 MW San Pedro de Alacón wind farms. The new facilities will involve a total investment of about €130 million. The three facilities are expected to begin operation by the end of 2019. Once fully operational, the wind farms will be able to generate 412 GWh annually, avoiding the emission of over 270 thousand metric tons of CO_2 into the atmosphere.

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

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

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

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

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

Disposal of Enel Finale Emilia

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

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

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

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

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

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

Group will be investing around R$1.4 billion, equivalent to about €390 million, in the construction of the São Gonçalo photovoltaic plant. Once fully up and running, the plant will be able to generate over 1,200 GWh per year while avoiding the emission of over 600 thousand metric tons of CO_2 into the atmosphere. Of São Gonçalo's 475 MW of installed capacity, 388 MW were awarded to the Enel Group in Brazil's A-4 public tender in December 2017 and are supported by 20-year power supply contracts with a pool of distribution companies operating in the country's regulated market. The remaining 87 MW will generate power for the free market.

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

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

Disclaimer

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

Enel

Società per azioni

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