Condensed consolidated quarterly financial statements at March 31, 2018

Condensed Consolidated Income Statement

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

Statement of Consolidated Comprehensive Income

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

Condensed Consolidated Balance Sheet

Millions of euro

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

(1) Of which long-term financial receivables and other securities at March 31, 2018 equal to €2,044 million (€2,062 million at December 31, 2017) and €381 million (€382 million at December 31, 2017), respectively.

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

Statement of Changes in Consolidated Shareholders’ Equity

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

Condensed Consolidated Statement of Cash Flows

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

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

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

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

1. Accounting policies and measurement criteria

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

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

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

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

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

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

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

> "Amendments to IAS 40: Transfers of investment property", issued in December 2016. The amendments clarify that transfers of property to or from investment property shall be permitted only when there is a change in use supported by evidence of that change. A change in management's intentions does not in itself provide evidence of a change in use sufficient to support the transfer. The amendments broadened the examples of changes of use to include property under construction or development and not just the transfer of completed properties.
> "Amendments to IFRS 2: Share-based payment", issued in June 2016. The amendments:
  - clarify that the fair value of a share-based transaction settled in cash at the measurement date (i.e. at the grant date, at the close of each accounting period and at the settlement date) shall be calculated by taking account of market conditions (e.g. a target price for the shares) and non-vesting conditions;
  - clarify that share-based payments with net settlement for withholding tax obligations should be classified in their entirety as equity-settled transactions (if they would be so classified in the absence of the net settlement feature);
  - establish provisions for the accounting treatment of changes in terms and conditions that result in a change in the classification of the transaction from cash-settled to equity-settled.
> "Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", issued in September 2016. The amendments:
  - permit insurers whose activities are predominantly connected with insurance to postpone the application of IFRS 9 until 2021 ("temporary exemption"); and
  - permits insurers, until the future issue of the new accounting standard for insurance contracts, to recognize the volatility that should be caused by the application of IFRS 9 in other comprehensive income rather than through profit or loss (the "overlay approach").

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

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

Basis for Conclusions of "IFRS 9 - Another issue: Modification or exchange of a financial liability that does not result in derecognition".

The IASB concluded that the requirements under IFRS 9 for adjusting the amortized cost of a financial liability when a modification (or exchange) does not result in the derecognition of the financial liability are consistent with the requirements for adjusting a financial asset when a modification does not result in the derecognition of the financial asset. Consequently, the new cash flows must be discounted at the original effective interest rate and the difference between the pre-adjustment present value of the liability and the new value must be recognized through profit or loss as at the adjustment date.

The amendments will take effect for periods beginning on or after January 1, 2019. Early application is permitted. The Group has opted for early application of the amendments as from January 1, 2018.

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

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

Seasonality

The turnover and performance of the Group could be impacted, albeit slightly, by developments in weather conditions. More specifically, in warmer periods of the year, gas sales decline, while during periods in which factories are closed for holidays, electricity sales decline. In view of the impact these variations have on performance, which are generally negligible, and the fact that the Group operates in both the globe's northern and southern hemispheres, no additional disclosure (as required under IAS 34.21) for developments in the 12 months ended March 31, 2018 is provided.

2. Effects of the introduction of new accounting standards

With effect from January 1, 2018, the new standards IFRS 9 and IFRS 15 issued by the IASB took effect. First-time retrospective adoption led to the restatement of a number of balance sheet items at January 1, 2018, as Enel elected to exercise the option to use the simplification envisaged in the standards for first-time adopters.

The following discusses the main changes introduced by the new standards. For more details on their substance, see note 1 above.

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

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

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

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

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

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

Condensed consolidated balance sheet

Millions of euro

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

3. Main changes in the scope of consolidation

2017

- Acquisition, on January 10, 2017, of 100% of **Demand Energy Networks**, a company headquartered in the United States specialized in software solutions and smart electricity storage systems;
- acquisition, on February 10, 2017, of 100% of **Más Energía**, a Mexican company operating in the renewable energy sector;
- acquisition, on February 14, 2017, and May 4, 2017, of 94.84% and 5.04% respectively (for a total of 99.88%) of **Enel Distribuição Goiás (formerly CELG-D)**, an electricity distribution company operating in the Brazilian state of Goiás;
- acquisition, on May 16, 2017, of 100% of **Tynemouth Energy Storage**, a British company operating in the electricity storage sector;
- acquisition, on June 4, 2017, of 100% of **Amec Foster Wheeler Power** (**now Enel Green Power Sannio**), a company that owns two wind plants in the province of Avellino;
- acquisition, on August 10, 2017, of 100% of the **EnerNOC Group** following the acceptance of the Enel Green Power North America ("EGPNA") offer to the previous shareholders;
- acquisition, on October 25, 2017, of 100% of **eMotorWerks**, a US company operating in electric mobility management systems;
- disposal, in December 2017, by EGPNA using a cash equity agreement, of 80% of the Class A securities of the EGPNA subsidiary **Rocky Caney Wind.** The total price in the transaction was $233 million, generating a capital gain of €4 million.

2018

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

Other changes

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

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

4. Segment information

The representation of performance and the financial position by business area presented here is based on the approach used by management in monitoring Group performance for the two periods under review.

For more information on developments in performance and financial position during the period, please see the appropriate section of this Interim Financial Report.

Performance by segment

1st Quarter of 2018 (1)

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

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Does not include €14 million regarding units classified as "held for sale".
(3) Does not include €136 million regarding units classified as "held for sale".

1st Quarter of 2017 (1)

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

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

Financial position by segment

At March 31, 2018

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

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

At December 31, 2017

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

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

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

Millions of euro

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

Revenue

5.a Revenue - *€18,946 million*

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

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

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

> a reduction of €486 million in revenue from wholesale transactions, above all in Italy, Iberia and Russia largely due to the contraction in prices and volumes sold on power exchanges and under bilateral contracts;
> a decrease of €439 million in revenue from electricity trading, largely owing to a decline in volumes handled and the reduction in prices on international markets;
> a decrease of €251 million in revenue from sales of electricity on the regulated market, notably in Italy due to the decrease in consumption and in customers;
> adverse exchange rate developments in the countries of South America, which more than offset the increase in rates in Argentina following the latest rate revision in February 2017 (Resolution ENRE no. 64/2017) and different period of consolidation of Enel Distribuição Goiás.

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

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

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

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

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

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

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

Costs

5.b Costs - *€16,444 million*

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

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

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

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

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

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

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

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

Costs for **services, leases and rentals** in the 1st Quarter of 2018 amounted to €4,005 million, an increase of €47 million (+1.2%) compared with the same period of the previous year. The rise reflects:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5.f Income taxes - *€481 million*

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

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

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

Assets

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

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

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

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

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

Millions of euro

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

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

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

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

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

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

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

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

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

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

Millions of euro

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

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

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

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

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

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

Liabilities and shareholders' equity

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

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

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

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

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

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

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

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

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

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

Millions of euro

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

The increase of €475 million essentially reflects:

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

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

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

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

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

7. Net financial position

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

Millions of euro

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

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

8. Related parties

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

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

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

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

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

Millions of euro

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

Millions of euro

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

Millions of euro

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

Millions of euro

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

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

9. Contractual commitments and guarantees

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

Millions of euro

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

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

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

10. Contingent assets and liabilities

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

Brindisi Sud thermal generation plant - Criminal proceedings against Enel employees

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

BEG litigation

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

State of New York

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

Environmental incentives - Spain

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

El Quimbo - Colombia

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

Precautionary administrative proceeding of Chucas arbitration

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

11. Events after the reporting period

Merger of Enel Green Power Latin America SA in Enel Chile

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

Renewables tender won in India

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

Public tender offer for Eletropaulo

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

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

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

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

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

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

The officer responsible for the preparation of the Company's financial reports, Alberto De Paoli, hereby certifies, pursuant to Article 154-*bis*, paragraph 2, of the Consolidated Law on Financial Intermediation, that the accounting information contained in the Interim Financial Report at March 31, 2018 corresponds with that contained in the accounting documentation, books and records.

Disclaimer

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

Enel
Società per azioni
Registered office in Rome, Italy
Viale Regina Margherita, 137