ENDESA, S.A.

and Subsidiaries

Consolidated Management Report for the period January-September 2018

(Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Madrid, 5 November 2018

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR

THE PERIOD JANUARY-SEPTEMBER 2018

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ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR

THE PERIOD JANUARY-SEPTEMBER 2018

1. Business Trends and Results in the first nine months of 2018.

1.1. Consolidated Results.

ENDESA reported net income of Euros 1.193 million (+10%) in the nine-month period ended 30 September 2018

ENDESA reported net income of Euros 1,193 million in the first nine months of 2018, an increase of 10% from Euros 1,085 million reported in the first nine months of 2017.

The table below presents the distribution of net income amongst ENDESA's businesses during the first nine months of 2018 and its variation compared with the same period in the previous year (see Section 1.4. Segment Information in this Consolidated Management Report):

Millions of Euros

	Net Income			
	January - September 2018	January - September 2017	% Var.	% contribution to total
Generation and Supply	394	310	27.1	33.0
Distribution	770	680	13.2	64.5
Structure and Others (1)	29	95	(69.5)	2.5
TOTAL	**1,193**	**1,085**	**10.0**	**100.0**

(1) Structure, Services and Adjustments.

1.2. Changes to Accounting Principles.

Appendix III of this Consolidated Management Report includes the effect on the Consolidated Statement of Financial Position at 1 January 2018 from the changes as a result of the application of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers”.

As a result of the implementation of IFRS 9 “Financial instruments”, ENDESA has applied an impairment model based on the expected loss method.

As a result of the first application of IFRS 15 "Revenue from Contracts with Customers", ENDESA has capitalised under non-current assets the incremental costs of obtaining these contracts with customers that, up to 1 January 2018, had been recognised in the Consolidated Statement of Financial Position.

This asset is depreciated systematically depending on the average expected useful life of the contracts with customers associated with these costs, which, on that date, varies between 1.4 years to 9 years.

With regard to the transition alternative adopted in the first-time application of both standards, ENDESA has opted for retroactive application with the accumulated impact of the initial application at 1 January 2018.

Appendix IV of this Consolidated Management Report includes a breakdown of the impact of the application of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" in the Consolidated Financial Statements for the nine-month period ended 30 September 2018.

1.3. Analysis of Results.

The table below presents the detail of the most relevant figures in ENDESA's Consolidated Income Statement in the first nine months of 2018 and its variation compared with the same period in the previous year:

Millions of Euros

	Most significant figures			
	January - September 2018	January - September 2017	Difference	% Var.
Income	15,353	14,824	529	3.6
Contribution margin	4,271	4,006	265	6.6
EBITDA (1)	2,791	2,548	243	9.5
EBIT (2)	1,644	1,476	168	11.4
Net financial gain/(loss)	(106)	(94)	(12)	12.8
Profit/(loss) before tax	1,539	1,394	145	10.4
Net gain/(loss)	1,193	1,085	108	10.0

(1) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel Expenses - Other Fixed Operating Expenses.
(2) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.

EBITDA amounted to Euros 2,791 million (+9.5%) in the first nine months of 2018. To analyse the performance during the period, the following factors must be taken into account:

- The decrease in power purchase costs (-2.1%) and fuel consumption (-1.6%) due mainly to lower thermal and nuclear output in the period, despite the increase in the cumulative arithmetic price in the wholesale electricity market (Euros 55.4/MWh; +10.1%).
- The Euros 142 million reduction in the expense recognised in January-September 2017 in relation to the Social Bonus in accordance with Order ETU/929/2017, of 28 September 2017, which implements the ruling handed down on the obligation to repay, with a charge to the electricity system, all the amounts paid by ENDESA, S.A. in relation to the Social Bonus in 2015 and 2016.
- The variation or Euros 109 million in regulated income from the distribution activity in January-September 2018, according to the methodology defined in Royal Decree 1048/2013, of 27 December 2013.

EBIT in the first nine months of 2018 increased by 11.4% year-on-year to Euros 1,644 million, mainly as a result of the 9.5% increase in EBITDA.

1.3.1. Income.

Income in the nine months of 2018 totalled Euros 15,353 million, Euros 529 million (+3.6%) higher than income posted in the first nine months of the previous year.

The table below presents the detail of income in the first nine months of 2018 and its variation compared with the same period in the previous year:

Millions of Euros

	Income			
	January - September 2018 (1)	January - September 2017 (1)	Difference	% Var.
Revenue from Sales	14,650	14,449	201	1.4
Other operating income	703	375	328	87.5
TOTAL	**15,353**	**14,824**	**529**	**3.6**

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2018 and 2017.

Market Situation.

In the first nine months of 2018, electricity demand trends were as follows:

- Total mainland electricity demand rose by 0.9% year-on-year (+1.1% adjusted for working days and temperature).

- The accumulated electricity demand in Non-mainland territories (TNP) closed out the first nine-months of 2018 with a 1.7% increase in the Balearic Islands and a 0.7% decrease in the Canary Islands compared with the same period the previous year (+1.1% and -0.7% respectively, adjusted for the effect of working days and temperature).

January-September 2018 saw higher prices, where the cumulative arithmetic price on the wholesale electricity market was Euros 55.4/MWh (+10.1%) mainly due to the increase in carbon dioxide (CO_2) emission rights and changes in commodity prices.

The cumulative contribution of renewable energies to total mainland production in the period was 39.1% (35.7% in the first nine months of 2017).

In this environment:

- ENDESA's mainland electricity production during the first nine months of 2018 was 45,912 GWh, 5.1% lower than the first nine months of the previous year, as detailed: combined cycle plants (3,907 GWh, -33.2%), coal-fired power plants (13,972 GWh, -12.0%), nuclear power plants (18,458 GWh, -7.6%), renewable and cogeneration plants (2,711 GWh, +8.0%) and hydroelectric plants (6,864 GWh, + 63.5%).

- Non-mainland Territories (TNP) generation was 9,636 GWh (-2.1%).

- Nuclear and renewable technologies, including hydroelectrical, accounted for 50.5% of ENDESA's generation mix, compared with 81.7% for the rest of the sector (45.8% and 77.0% respectively in the first nine months of 2017).

At 30 September 2018, ENDESA held the following electricity market shares:

- 24.2% in mainland generation.

- 43.7% in electricity distribution.

- 33.6% in sale of electricity.

In the first nine months of 2018 conventional gas demand was up by 6.0% year-on-year, and at 30 September 2018 ENDESA had a market share of 16.2% in gas sales to customers in the deregulated market.

Sales.

The table below presents the detail of ENDESA sales in the first nine months of 2018 and its variation compared with the same period in the previous year:

Millions of Euros

	Sales			
	January - September 2018 (1)	January - September 2017 (1)	Difference	% Var.
Electricity sales	10,684	10,830	(146)	(1.3)
Deregulated market sales - Spain	6,255	6,354	(99)	(1.6)
Deregulated market sales - European other than Spain	749	780	(31)	(4.0)
Sales at regulated prices	1,761	1,845	(84)	(4.6)
Wholesale market sales	850	835	15	1.8
Non-mainland Territories (TNP) compensations	989	933	56	6.0
Other electricity sales	80	83	(3)	(3.6)
Gas sales	1,825	1,597	228	14.3
Regulated revenue from electricity distribution	1,650	1,541	109	7.1
Other sales and services rendered	491	481	10	2.1
TOTAL	**14,650**	**14,449**	**201**	**1.4**

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2018 and 2017.

Electricity sales to customers on the deregulated market.

At 30 September 2018, ENDESA had 5,670,236 electricity customers in the deregulated market, a 1.4% increase on numbers at 31 December 2017, as per the following breakdown:

- 4,593,538 (-0.2%) in the Spanish mainland market.

- 814,051 (+3.4%) in the Non-mainland territories (TNP) market.

- 262,647 (+28.3%) in deregulated European markets outside Spain.

ENDESA sold a net total of 58,686 GWh to these customers in the first nine months of 2018, a 6.5% decrease on the same period in 2017, as per the following breakdown:

- 51,332 GWh (-6.1%) in the Spanish deregulated market.

- 7,354 GWh (-9.4%) in deregulated European markets other than Spain.

In economic terms, sales on the deregulated market in the first nine months of 2018 totalled Euros 7,004 million (-1.8%), with the following breakdown:

- Sales in the Spanish deregulated market totalled Euros 6,255 million, Euros 99 million down on the figure for the previous year (-1.6%) due mainly to the lower number of physical units sold.

- Revenue from sales to deregulated European markets other than Spain totalled Euros 749 million, down by Euros 31 million (-4.0%) year on year, due mainly to the lower volume of electricity sold in Portugal, Germany and the Netherlands due to changes in the customer mix.

Electricity sales at a regulated price.

In the nine-month period ended 30 September 2018:

- ENDESA sold 9,331 GWh to customers via its Supplier of Reference under the regulated price, which is down 3.7% on January-September 2017.

- These sales entailed an income of Euros 1,761 million, which is 4.6% lower than the figure in the first nine months of 2017, mainly as a result of the drop in physical units sold.

Gas sales.

At 30 September 2018 ENDESA had 1,594,356 gas customers in the deregulated market, a 2.2% increase on numbers at 31 December 2017:

- 235,204 (-4.5%) in the regulated market.

- 1,359,152 (+3.4%) in the deregulated market.

ENDESA sold 61,433 GWh to customers in the natural gas market in the first nine months of 2018, which represents an increase of 4.2% on the 2017 figure.

Revenue from gas sales totalled Euros 1.825 million in the first nine months of 2018, up Euros 228 million (+14.3%) on the figure for the first nine months of 2017, as follows:

- Gas sales in the Spanish deregulated market totalled Euros 1,767 million, which is Euros 225 million more than the year-ago figure (+14.6%) due mainly to the higher sales prices.

- Revenue from gas sales to customers at regulated prices totalled Euros 58 million, which is Euros 3 million more than the year-ago figure (+5.5%) due mainly to the higher number of physical units sold.

Non-mainland Territories (TNP) Generation Compensations.

Compensations in January-September 2018 for the extra-costs of non-mainland generation totalled Euros 989 million, up by Euros 56 million (+6.0) compared with the same period in the previous year, due mainly to the rise in fuel prices brought about by the evolution of commodity prices.

Electricity Distribution.

ENDESA distributed 88,620 GWh of power in the Spanish market in the first nine months of 2018, a year-on-year decrease of 0.3%.

Revenue from regulated distribution activities in the first nine months of 2018 totalled Euros 1,650 million, up Euros 109 million (+7.1%) on the first nine months of 2017, due mainly to the application of the methodology deriving from Royal Decree 1048/2013, of 27 December 2013.

Other Operating Income.

The table below presents the detail of other operating income in the first nine months of 2018 and its variation compared with the same period in the previous year:

Millions of Euros

	Other operating income			
	January - September 2018 (1)	January - September 2017 (1)	Difference	% Var.
Changes in fuel stock derivatives	455	120	335	279.2
Grants released to income	127	133	(6)	(4.5)
Trading rights	30	35	(5)	(14.3)
Other	91	87	4	4.6
TOTAL	**703**	**375**	**328**	**87.5**

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2018 and 2017.

In January-September 2018, other operating income amounted to Euros 703 million, an increase of Euros 328 million (+87.5%) over the same period of the previous year, mainly as a result of the increase of Euros 335 million (+279.2%) in income from the valuation and settlement of energy derivatives due to the performance of the valuation and settlement of gas and electricity derivatives that is partly offset by the Euros 173 million increase (+102.4%) in expenses for the same item, recognised under Other Variable Procurements and Services.

1.3.2. Operating Expenses.

Operating expenses in January-September 2018 amounted to Euros 13,854 million, which is 2.7% higher compared to the same period the previous year.

The table below presents the detail of operating expenses in the first nine months of 2018 and its variation compared with the same period in the previous year:

Millions of Euros

	Operating expenses			
	January - September 2018 (1)	January - September 2017 (1)	Difference	% Var.
Procurements and Services	11,082	10,818	264	2.4
Energy purchased	3,601	3,680	(79)	(2.1)
Fuel consumption	1,627	1,653	(26)	(1.6)
Transmission expenses	4,156	4,193	(37)	(0.9)
Other variable procurements and services	1,698	1,292	406	31.4
Personnel expenses	704	673	31	4.6
Other fixed operating expenses	921	933	(12)	(1.3)
Depreciation and amortisation, and impairment losses	1,147	1,072	75	7.0
TOTAL	**13,854**	**13,496**	**358**	**2.7**

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2018 and 2017.

Procurements and Services (variable costs).

Procurements and services (variable costs) totalled Euros 11,082 million in the first nine months of 2018, 2.4% more than in the same period last year.

The performance of these costs for the first nine months of 2018 was:

- Power purchase costs and fuel consumption fell by Euros 105 million (-2.0%) due mainly to lower thermal and nuclear output in the period, despite the increase in the cumulative arithmetic price in the wholesale electricity market (Euros 55.4/MWh; +10.1%).

- Other variable procurements and services totalled Euros 1,698 million, up Euros 406 million (+31.4%) year-on-year. This change can be attributed in large part to:

    - The increase of Euros 173 million (+102.4%) in expenses relating to energy derivatives, offset in part by a Euros 335 million increase in income in this connection (+279.2%), which is recognised under Other operating income, mainly due to changes in the valuation and settlement of gas and electricity derivatives.

    - The Euros 142 million reduction in the expense recognised in January-September 2017 in relation to the Social Bonus in accordance with Order ETU/929/2017, of 28 September 2017, which implements the ruling handed down on the obligation to repay, with a charge to the electricity system, all the amounts paid by ENDESA, S.A. in relation to the Social Bonus in 2015 and 2016.

    - The Euros 53 million increase in the cost of CO_2 emission rights, despite the drop in thermal output, as a result of the increase in market prices.

    - The Euros 50 million decrease as a result of the capitalisation of incremental costs incurred in acquiring customer contracts from 1 January 2018 onwards (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

    - The Euros 20 million increase in the cost of value added services, as a result of the rise in billing corresponding to this activity (Euros 29 million).

Personnel and other fixed operating expenses (fixed costs).

Fixed costs amounted to Euros 1,625 million in the first nine months of 2018, a year-on-year increase of Euros 19 million (+1.2%).

The table below presents the detail of fixed costs in the first nine months of 2018 and its variation compared with the same period in the previous year:

Millions of Euros

	Fixed costs			
	January - September 2018 (1)	January - September 2017 (1)	Difference	% Var.
Personnel expenses	704	673	31	4.6
Other fixed operating expenses	921	933	(12)	(1.3)
TOTAL	**1,625**	**1,606**	**19**	**1.2**

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2018 and 2017.

Personnel expenses.

Personnel expenses in January-September 2018 amounted to Euros 704 million, rising by Euros 31 million (+4.6%) compared to the same period the previous year.

In the first nine months of 2018 and 2017 personnel expenses were affected by the development of the update of the provisions for current workforce reduction plans and contract suspension agreements (Euros 3 million and Euros 16 million, both positive, respectively), and provisions allocated to redundancy plans, compensations and other tax and labour risks (Euros 28 million and Euros 2 million, respectively).

Stripping out these two effects, personnel expenses for the first nine months of 2018 would have decreased by Euros 8 million (-1.2%), due mainly to the reduction of the average workforce by 183 employees (-1.9%).

Other fixed operating expenses.

Other fixed operating expenses in January-September 2018 were Euros 921 million, a decrease of Euros 12 million (-1.3%) compared with the same period in the previous year, primarily as a result of the reduction in fines and taxes other than income tax for the amount of Euros 16 million.

Excluding these effects, other fixed operating expenses in the first nine months of 2018 would have increased by Euros 4 million (+0.5%) compared with the same period in the previous year.

Depreciation and amortisation, and impairment losses

The table below presents the detail of depreciation and amortisation, and impairment losses at ENDESA sales in the first nine months of 2018 and its variation compared with the same period in the previous year:

Millions of Euros

	Depreciation and amortisation, and impairment losses			
	January - September 2018 (1)	January - September 2017 (1)	Difference	% Var.
Provision for the depreciation of property, plant and equipment	909	873	36	4.1
Impairment of property, plant and equipment and investment property	-	(15)	15	N/A
Provision for the amortisation of intangible assets	160	113	47	41.6
Provision for impairment losses on intangible assets	(1)	-	(1)	N/A
Provisions for bad debts and Other	79	101	(22)	(21.8)
TOTAL	**1,147**	**1,072**	**75**	**7.0**

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2018 and 2017.

The following factors must be taken into account when looking at depreciation and amortisation charges for the first nine months of 2018:

- The capitalisation, from 1 January 2018, in accordance with IFRS 15 “Revenue from Contracts with Customers, of the incremental costs incurred in the acquisition of customer contracts under Non-current assets on the Consolidated Statement of Financial Position, andthe impairment of financial assets in accordance with IFRS 9 “Financial instruments”, recognises Euros 48 million increase in depreciation and amortisation costs related to this item (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

- During the period January-September 2017, there was also a reversal of losses due to the impairment of tangible fixed assets endowed in previous years on certain plots, amounting to Euros 15 million.

Excluding the effects described in the paragraphs above, depreciation and amortisation and impairment losses in the first nine months of 2018 would have increased by Euros 12 million (+1.1%) compared to the same period in the previous year.

1.3.3. Net financial Gain/(loss).

The net financial result in the first nine months of 2018 and 2017 was negative for the amount of Euros 106 million and Euros 94 million, respectively.

The table below presents the detail of net financial profit/(loss) in the first nine months of 2018 and its variation compared with the same period in the previous year:

Millions of Euros

	Net financial gain/(loss) (1)			
	January - September 2018 (2)	January - September 2017 (2)	Difference	% Var.
Financial income	29	39	(10)	(25.6)
Financial expenses	(133)	(135)	2	(1.5)
Net exchange differences	(2)	2	(4)	(200.0)
TOTAL	**(106)**	**(94)**	**(12)**	**12.8**

(1) Net financial gain/(loss) = Financial income - Financial expense + Net exchange differences.
(2) See the Consolidated Income Statements for the nine-month periods ended 30 September 2018 and 2017.

In the first nine months of 2018, net financial expense totalled Euros 104 million, up Euros 8 million (+8.3%) year on year.

In the first nine months of 2018, net exchange differences were negative for the amount of Euros 2 million (Euros 2 million, positive, in the first nine months of 2017).

The following effects should be considered when examining net financial expense:

- In both periods there was an update in the provisions associated with the obligations derived from the current workforce reduction plans and contract suspension agreements and the dismantling of facilities, as well as the impairment of financial assets in accordance with IFRS 9 “Financial instruments” (see Section 1.2. Changes in the Accounting Principles of this Consolidated Management Report) for a net amount of Euros 10 million, negative, in the first nine months of 2018 and Euros 2 million, positive, in the first nine months of 2017.

- In January-September 2018 additional financial income of Euros 7 million was recognised for financial income associated with the adjustment of interest for financing the deficit of income in regulated activities in Spain in 2013 (see Section 3. Regulatory Framework of this Consolidated Management Report) and in January-September 2017 in relation to the Supreme Court ruling on the enforcement of the judgement filed by ENDESA and with regard to the Social Bonus for the amount of Euros 6 million.

Without considering the impacts described in the previous paragraphs, net financial expense would have decreased by Euros 3 million (-2.9%) due to the combination of the following factors (see Section 4.1. Financial Management of this Consolidated Management Report):

- The lower average cost of gross financial debt, which has gone from 2.2% in January-September 2017 to 1.9% in January-September 2018, which has offset;

- The increase in average gross debt of both periods, which went from Euros 6,088 million in January-September 2017 to Euros 6,666 million in January-September 2018.

1.3.4. Net Profit/(loss) of Companies Accounted for using the Equity Method.

In the first nine months of 2018, the net result of companies accounted for using the equity method was Euros 28 million compared to Euros 18 million, both positive, in the first nine months of 2017, as follows:

Millions of Euros

	Net profit/(loss) of companies accounted for using the equity method	
	January - September 2018 (1)	January - September 2017 (1)
Associates	**6**	**2**
Tecnatom, S.A.	-	(4)
Gorona del Viento El Hierro, S.A.	-	3
Other	6	3
Joint Ventures	**22**	**16**
Tejo Energia - Produção e Distribução de Energia Eléctrica, S.A.	7	7
Elecgas, S.A.	6	6
Pegop - Energía Eléctrica, S.A.	2	2
Suministradora Eléctrica de Cádiz, S.A.	2	1
Énergie Électrique de Tahhadart, S.A.	1	5
Nuclenor, S.A.	-	(8)
Other	4	3
TOTAL	**28**	**18**

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2018 and 2017.

1.3.5. Profit/(loss) on Asset Sales.

In the first nine months of 2018, the sale of assets amounted to Euros 27 million compared to Euros 7 million, both negative, in the first nine months of 2017, the detail being as follows:

Millions of Euros

	Profit/(loss) on asset sales	
	January - September 2018 (1)	January - September 2017 (1)
Proceeds from the sale of investments in group companies and Other	-	10
Proceeds from the sale of property, plant and equipment	(2)	2
Factoring transaction fees	(25)	(19)
TOTAL	**(27)**	**(7)**

(1) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

1.3.6. Income Tax.

Income tax totalled Euros 340 million in the first nine months of 2018, a year-on-year increase of Euros 38 million (+12.6%).

The effective tax rate in January-September 2018 was 22.1% (21.7% in January-September 2017).

In the first nine months of 2018, this heading of the Consolidated Income Statement includes an amount of Euros 9 million as a result of the inspection carried out by the Tax Agency in relation to Income Tax for 2011 to 2014.

Without considering the effect described in the previous paragraph, the effective rate for the January-September 2018 period would be 21.5%.

1.3.7. Net Profit/(loss).

Net profit attributable to the parent company in the first nine months of 2018 stood at Euros 1,193 million, an increase of Euros 108 million year on year (+10.0%).

1.4. Segment Information.

The table below shows a breakdown of the key figures for ENDESA's businesses in the first nine months of 2018 and 2017:

Millions of Euros

	January - September 2018 (4)				January - September 2017 (4)			
	Generation and Supply	Distribution	Structure and others (3)	TOTAL	Generation and Supply	Distribution	Structure and others (3)	TOTAL
Income	13,442	2,069	(158)	15,353	13,049	1,923	(148)	14,824
Contribution margin	2,432	1,924	(85)	4,271	2,133	1,810	63	4,006
EBITDA (1)	1,280	1,520	(9)	2,791	1,050	1,388	110	2,548
EBIT (2)	627	1,059	(42)	1,644	452	952	72	1,476
Net financial gain/(loss)	(124)	(59)	77	(106)	(71)	(71)	48	(94)
Profit/(loss) before tax	497	1,007	35	1,539	378	892	124	1,394
Net gain/(loss)	394	770	29	1,193	310	680	95	1,085

(1) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel Expenses - Other Fixed Operating Expenses.
(2) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.
(3) Structure, Services and Adjustments.
(4) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

1.4.1. Contribution Margin.

The table below presents the distribution of the sales and other operating income among ENDESA businesses in the nine first months of 2018 and variations compared with the same period of the previous year:

Millions of Euros

	Sales				Other operating income (2)			
	January - September 2018 (2)	January - September 2017 (2)	% Var.	% contribution to total	January - September 2018 (2)	January - September 2017 (2)	% Var.	% contribution to total
Generation and Supply	12,896	12,837	0.5	88.0	546	212	157.5	77.7
Non-mainland Territories (TNP) generation	1,597	1,463	9.2	10.9	5	6	(16.7)	0.7
Other Generation and Supply	12,094	11,687	3.5	82.6	541	206	162.6	77.0
Adjustments	(795)	(313)	154.0	(5.5)	-	-	-	-
Distribution	1,874	1,737	7.9	12.8	195	186	4.8	27.7
Structure and Others (1)	(120)	(125)	(4.0)	(0.8)	(38)	(23)	65.2	(5.4)
TOTAL	**14,650**	**14,449**	**1.4**	**100.0**	**703**	**375**	**87.5**	**100.0**

(1) Structure, Services and Adjustments.
(2) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

The following table contains a breakdown of procurements and services between ENDESA's Businesses in the first nine months of 2018 and variations compared with the same period of the previous year:

Millions of Euros

	Procurements and services (2)			
	January - September 2018 (3)	January - September 2017 (3)	% Var.	% contribution to total
Generation and Supply	11,010	10,916	0.9	99.4
Non-mainland Territories (TNP) generation	1,125	931	20.8	10.2
Other Generation and Supply	10,676	10,294	3.7	96.3
Adjustments	(791)	(309)	156.0	(7.1)
Distribution	145	113	28.3	1.3
Structure and Others (1)	(73)	(211)	(65.4)	(0.7)
TOTAL	**11,082**	**10,818**	**2.4**	**100.0**

(1) Structure, Services and Adjustments.
(2) Procurements and Services = Energy Purchases + Fuel Consumption + Transmission Expenses + Other Variable Procurements and Services.
(3) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

The following table contains the breakdown of the contribution margin between ENDESA's Businesses in the first nine months of 2018 and variations compared with the same period of the previous year:

Millions of Euros

	Contribution margin (2)			
	January - September 2018 (3)	January - September 2017 (3)	% Var.	% contribution to total
Generation and Supply	2,432	2,133	14.0	56.9
Non-mainland Territories (TNP) generation	477	538	(11.3)	11.2
Other Generation and Supply	1,959	1,599	22.5	45.8
Adjustments	(4)	(4)	-	(0.1)
Distribution	1,924	1,810	6.3	45.0
Structure and Others (1)	(85)	63	N/A	(1.9)
TOTAL	**4,271**	**4,006**	**6.6**	**100.0**

(1) Structure, Services and Adjustments.
(2) Contribution margin = Revenue - Procurements and Services.
(3) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

Generation and Supply.

The contribution margin in the Generation and Supply segment in the first nine months of 2018 totalled Euros 2,432 million, up Euros 299 million year on year (+14.0%), due mainly to the following factors:

- The decrease in power purchase costs (-2.2%) and fuel consumption (-1.6%) due mainly to lower thermal and nuclear output in the period, despite the increase in the cumulative arithmetic price in the wholesale electricity market (Euros 55.4/MWh; +10.1%).

- The Euros 162 million increase in income and expenses for the valuation of fuel stocks due to changes in the valuation and settlement of gas and electricity derivatives (see Section 1.3.1. Income and 1.3.2. Operating expenses in this Consolidated Management Report).

- The Euros 53 million increase in the cost of carbon dioxide (CO_2) emissions rights, despite the drop in thermal output, as a result of the increase in market prices.

- The Euros 50 million decrease in costs as a result of the capitalisation of incremental costs under Non-Current Assets of the Consolidated Statement of Financial Position incurred in acquiring customer contracts from 1 January 2018 onwards (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

Distribution.

The contribution margin in the Distribution segment in the first nine months of 2018 totalled Euros 1,924 million, up Euros 114 million (+6.3%) year on year, due mainly to the remuneration of the distribution activity.

Structure and Others.

The contribution margin in the Structure and Others segment totalled Euros 85 million, negative, in the first nine months of 2018, down Euros 148 million year on year.

This variation was due mainly to the Euros 142 million reduction in the expense recognised in January-September 2017 in relation to the Social Bonus in accordance with Order ETU/929/2017, of 28 September 2017, which implements the ruling handed down on this subject and confers on the Spanish Markets and Competition Commission ("Comisión Nacional de los Mercados y la Competencia" or CNMC) the obligation to repay all the amounts paid by ENDESA, S.A. in relation to the Social Bonus in 2015 and 2016.

1.4.2. EBITDA.

The table below presents the distribution of the EBITDA amongst ENDESA businesses in the first nine months of 2018 and variations compared with the same period of the previous year:

Millions of Euros

	EBITDA (2)			
	January - September 2018 (3)	January - September 2017 (3)	% Var.	% contribution to total
Generation and Supply	1,280	1,050	21.9	45.9
Non-mainland Territories (TNP) generation	286	360	(20.6)	10.2
Other Generation and Supply	994	690	44.1	35.7
Adjustments	-	-	-	-
Distribution	1,520	1,388	9.5	54.4
Structure and Others (1)	(9)	110	N/A	(0.3)
TOTAL	**2,791**	**2,548**	**9.5**	**100.0**

(1) Structure, Services and Adjustments.
(2) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel Expenses - Other Fixed Operating Expenses.
(3) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

The following table contains the breakdown of personnel expenses and other fixed operating costs for ENDESA's businesses in the first nine months of 2018 and variations compared with the same period of the previous year:

Millions of Euros

	Personnel expenses				Other fixed operating expenses			
	January - September 2018 (2)	January - September 2017 (2)	% Var.	% contribution to total	January - September 2018 (2)	January - September 2017 (2)	% Var.	% contribution to total
Generation and Supply	396	353	12.2	56.3	789	755	4.5	85.7
Non-mainland Territories (TNP) generation	60	64	(6.3)	8.5	132	114	15.8	14.3
Other Generation and Supply	336	289	16.3	47.8	661	645	2.5	71.8
Adjustments	-	-	-	-	(4)	(4)	-	(0.4)
Distribution	191	200	(4.5)	27.1	315	330	(4.5)	34.2
Structure and Others (1)	117	120	(2.5)	16.6	(183)	(152)	20.4	(19.9)
TOTAL	**704**	**673**	**4.6**	**100.0**	**921**	**933**	**(1.3)**	**100.0**

(1) Structure, Services and Adjustments.
(2) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

Generation and Supply.

EBITDA for this segment amounted to Euros 1,280 million, (+21.9%) in the first nine months of 2018. The following factors must be taken into account when looking at EBITDA for the first nine months of 2018:

- The 14.0% increase in the contribution margin.

- The 12.2% increase in personnel expenses, as a result of the increased average workforce during the period (+0.9%) and the development of the update of the provisions for current workforce reduction plans and contract suspension agreements (Euros 5 million, negative, in the first nine months of 2018 and Euros 5 million, positive, in the first nine months of 2017), and the provisioning for redundancy plans, compensations and other tax and labour risks for Euros 34 million in the first nine months of 2018 (Euros 1 million in the first nine months of 2017).

Distribution.

For the first nine months of 2018, EBITDA for this segment was Euros 1,520 million (+9.5%), including:

- The positive performance of the contribution margin (+6.3%).

- The performance of fixed costs, which were reduced by Euros 24 million as a result of lower personnel expenses (-4.5%), mainly due to the decrease in the average workforce (-3.8%) and the impact of the updated provisions for workforce restructuring (Euros 5 million euros in the period January-September 2018 and Euros 1 million, both positive, in the period January-September 2017), of the application of provisions associated with indemnities and other risks of a fiscal and labour nature by amount of Euros 2 million in the period January-September 2018 (provisioning amounting to Euros 1 million in the period January-September 2017) and the reduction in other fixed operating expenses (-4.5%), mainly due to the Euros 7 million decrease in fines.

Structure and Others.

In the first nine months of 2018, EBITDA for this segment decreased by Euros 119 million and includes:

– A change in the contribution margin triggered by the lower expense recognised for the Social Bonus in January-September 2017.

– The reduction in personnel expenses due mainly to the reduction of the average workforce (-6.6%) offset in part with the effects of the update of provisions for the ongoing workforce restructuring plans and contract suspension agreements (Euros 3 million in the first nine months of 2018 and Euros 10 million in the first nine months of 2017, both positive) and the application of provisions associated with indemnities and other risks of a fiscal and labour nature by amount of Euros 4 million in the period January-September 2018.

1.4.3. EBIT.

The table below presents the distribution of the EBIT amongst ENDESA businesses in the first nine months of 2018 and variations compared with the same period of the previous year:

Millions of Euros

	EBIT (2)			
	January - September 2018 (3)	January - September 2017 (3)	% Var.	% contribution to total
Generation and Supply	627	452	38.7	38.1
Non-mainland Territories (TNP) generation	164	233	(29.6)	10.0
Other Generation and Supply	463	219	111.4	28.1
Adjustments	-	-	-	-
Distribution	1,059	952	11.2	64.4
Structure and Others (1)	(42)	72	N/A	(2.5)
TOTAL	**1,644**	**1,476**	**11.4**	**100.0**

(1) Structure, Services and Adjustments.
(2) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.
(3) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

The following table contains the distribution of depreciation and amortisation and impairment losses between ENDESA's businesses in the first nine months of 2018 and variations compared with the same period of the previous year:

Millions of Euros

	Depreciation and Amortisation, and Impairment Losses)			
	January - September 2018 (2)	January - September 2017 (2)	% Var.	% contribution to total
Generation and Supply	653	598	9.2	56.9
Non-mainland Territories (TNP) generation	122	127	(3.9)	10.6
Other Generation and Supply	531	471	12.7	46.3
Adjustments	-	-	-	-
Distribution	461	436	5.7	40.2
Structure and Others (1)	33	38	(13.2)	2.9
TOTAL	**1,147**	**1,072**	**7.0**	**100.0**

(1) Structure, Services and Adjustments.
(2) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

Generation and Supply.

In the first nine months of 2018, EBIT for the Generation and Supply segment was Euros 627 million (+38.7%), including:

- The 21.9% increase in EBITDA.
- The Euros 55 million (+9.2%) increase in the depreciation and amortisation charge in the first nine months of 2018, as a result of the Euros 45 million increase arising from the capitalisation of incremental costs incurred in the acquisition of customer contracts under Non-Current Assets on the Consolidated Statement of Financial Position, in accordance with IFRS 15 "Revenue from Contracts with Customers, and from the impairment of financial assets in accordance with IFRS 9 "Financial instruments" from 1 January 2018 (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

Distribution.

EBIT for the Distribution segment in the first nine months of 2018 grew by Euros 107 million year on year (+11.2%), mainly as a result of the 9.5% rise in EBITDA.

Structure and Others.

EBIT in the Structure and Others segment amounted to Euros 42 million, negative, in the first nine months of 2018, due mainly to the Euros 119 million decrease in EBITDA.

2. Other information.

2.1. Risk Management Policy.

In the first nine months of 2018, ENDESA applied the same general risk management policy as that described in its consolidated financial statements for the year ended 31 December 2017. For this period, the financial instruments and types of hedges are the same as those described in those consolidated financial statements.

The risks to which ENDESA's operations are exposed are also the same as those described in the Consolidated Management Report for the year ended 31 December 2017.

2.2. Scope of Consolidation.

Corporate transactions related to capacity awarded in renewable power auctions.

During the period January-September 2018, the following acquisitions of companies have been formalized, all destined to the development of the wind and photovoltaic capacity awarded to ENEL Green Power Spain, S.L.U. (EGPE) in the capacity auctions held in 2017:

	Acquisition date	Technology	% Ownership at 30 September 2018		% Ownership at 31 December 2017	
			Control	Ownership	Control	Ownership
Valdecaballero Solar, S.L.U.	9 January 2018	Photovoltaic	100.00	100.00	-	-
Navalvillar Solar, S.L.U.	9 January 2018	Photovoltaic	100.00	100.00	-	-
Castiblanco Solar, S.L.U.	9 January 2018	Photovoltaic	100.00	100.00	-	-
Parque Eólico Muniesa, S.L.U.	12 January 2018	Wind	100.00	100.00	-	-
Parque Eólico Farlán, S.L.U.	12 January 2018	Wind	100.00	100.00	-	-
Aranort Desarrollos, S.L.U.	19 January 2018	Wind	100.00	100.00	-	-
Bosa del Ebro, S.L.	21 February 2018	Wind	51.00	51.00	-	-
Tauste Energía Distribuida, S.L.	23 March 2018	Wind	51.00	51.00	-	-
Eólica del Cierzo, S.L.U.	23 March 2018	Wind	100.00	100.00	-	-
San Francisco de Borja, S.A.	23 March 2018	Wind	66.67	66.67	-	-
Energía Eólica Alto del Llano, S.L.U.	11 May 2018	Wind	100.00	100.00	-	-
Sistemas Energéticos Campoliva, S.A.U.	17 July 2018	Wind	100.00	100.00	-	-

The price agreed for all the aforementioned transactions was Euros 4 million (see Section 4.2. Cash Flows of this Consolidated Management Report).

ENDESA has recognised the acquisition of these companies as a business combination, and using the acquisition method, has definitively recognised the acquired assets and assumed liabilities (net acquired assets) of each one of these companies at fair value on its acquisition date under the following consolidated financial statement headings:

Millions of Euros

	Fair value
Non-current assets	**5**
Property, plant and equipment	5
Current assets	**1**
Trade and other accounts receivable	1
TOTAL ASSETS	**6**
Non-current liabilities	**1**
Deferred tax liabilities	1
Current liabilities	**1**
Current financial debt	1
TOTAL LIABILITIES	**2**
Fair value of net assets acquired	**4**

The companies acquired are currently applying for permits and licences to carry out their projects. Therefore, construction work of the renewable power facilities has not yet started on mostof tthem, and no revenue has been generated since the acquisition date.

Parques Eólicos Gestinver, S.L.U.

On 3 April 2018, an agreement was signed, through its subsidiary ENEL Green España, S.L.U. (EGPE), for the acquisition of 100% of the share capital of the companies Parques Eólicos Gestinver, S.L.U. and Parques Eólicos Gestinver Gestión, S.L.U., for Euros 42 million.

Parques Eólicos Gestinver, S.L.U. has an installed wind power capacity of 132 MW, distributed across 5 wind farms located in the regions of Galicia and Catalonia.

Through this acquisition, ENDESA reinforces its presence in the Iberian generation market by expanding the portfolio of renewable assets in its production mix.

The net cash outflow related to the acquisition of Parques Eólicos Gestinver, S.L.U. was as follows:

Millions of Euros

	Sections	
Cash and cash equivalents of the acquiree		(12)
Net amount paid in cash (1) (2)		57
TOTAL	**4.2**	**45**

(1) The purchase costs recognised under Other fixed operating expenses in the Consolidated Income Statement stood at Euros 1 million.
(2) Of the this amount, Euros 42 million correspond to the price of the shareholding in the company and Euros 15 million to the subordinated debt held by the company with its former shareholders.

The purchase price was provisionally allocated on the basis of the acquisition-date fair value of the assets acquired and liabilities assumed (Net Assets Acquired) from Parques Eólicos Gestinver, S.L.U. under the following items in the Consolidated Financial Statements:

Millions of Euros

	Fair value
Non-current assets	**181**
Property, plant and equipment	139
Intangible assets	34
Deferred tax assets	8
Current assets	**19**
Trade and other accounts receivable	5
Current financial assets	2
Cash and cash equivalents	12
TOTAL ASSETS	**200**
Non-current liabilities	**140**
Non-current provisions	1
Non-current financial debt (1)	130
Deferred tax liabilities	9
Current liabilities	**18**
Current financial debt	12
Trade payables and other current liabilities	6
TOTAL LIABILITIES	**158**
Fair value of net assets acquired	**42**

(1) Includes debt with credit institutions for the amount of Euros 104 million, derivatives for the amount of Euros 11 million, and debt with Group companies and associates for the amount of Euros 15 million.

When determining the fair value of the assets acquired and the liabilities assumed, the expected discounted cash flows were taken into consideration in line with the remuneration system in force at the acquisition date.

The contribution of the acquired company from the date of acquisition until 30 September 2018 was as follows:

Millions of Euros

	3 April 2018 - 30 September 2018
Ordinary Income	11
Profit/(loss) after tax	1

Likewise, if the acquisition had taken place on 1 January 2018, the contribution of the company acquired in the nine month period ended 30 September 2018 would have been as follows:

Millions of Euros

	January - September 2018
Ordinary Income	19
Profit/(loss) after tax	3

Eólica del Principado, S.A.U.

On 22 May 2018, ENEL Green Power España, S.L.U. (EGPE) acquired 60.0% of the share capital of Eólica del Principado, S.A.U., a company whose activity consists of the generation of electricity through renewable wind technology, and in which it previously held a 40.0% stake.

As a result of this transaction, ENDESA went from having significant influence to full control of Eólica del Principado, S.A.U. that it maintains to date.

The net outflow of cash originated by the acquisition of Eólica del Principado, S.A.U. has amounted to less than Euros 1 million (see Section 4.2. Cash Flows of this Consolidated Management Report).

The purchase price has been finally allocated, on the basis of the fair value of the assets acquired and the liabilities assumed (Net Assets Acquired) from Eólica del Principado, S.A.U. on the acquisition date, under the following headings in the consolidated financial statements:

Millions of Euros	Fair value
Non-current assets	**1**
Property, plant and equipment	1
TOTAL ASSETS	**1**
Fair value of net assets acquired	**1**

Ordinary income and profit/(loss) after tax generated by the company from the takeover date until 30 September 2018 were insignificant. Additionally, had the takeover taken place on 1 January 2018, ordinary income and profit/(loss) after tax generated by this transaction during the first nine months of 2018 would have amounted to less than Euros 1 million.

The net gain at the date control obtained g from the measurement at fair value of the previously held non-controlling interest of 40.0% in Eólica del Principado, S.A.U. was less than Euros 1 million.

Empresa de Alumbrado Eléctrico de Ceuta, S.A.

On 25 July 2018, ENDESA Red, S.A.U. acquired 94.6% of the share capital of Empresa de Alumbrado Eléctrico de Ceuta, S.A., which includes 100% of Empresa de Alumbrado Eléctrico de Ceuta Comercialización de Referencia, S.A.U. and 100% of Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U., for Euros 83 million.

Empresa de Alumbrado Eléctrico de Ceuta, S.A. has more than 30.000 customers and is the leading electricity distribution and supply company in Ceuta, a region where ENDESA carries out electricity generation activities. Therefore, this acquisition is a fit with its strategy to grow in the areas of distribution and supply in Spain and Portugal.

The net cash outflow for the acquisition of Empresa de Alumbrado Eléctrico de Ceuta, S.A. was as follows:

Millions of Euros	Sections	
Cash and cash equivalents of the acquiree		(2)
Net amount paid in cash (1)		83
TOTAL	**4.2**	**81**

(1) The purchase costs recognised under "Other fixed operating expenses" in the Consolidated Income Statement were less than Euros 1 million.

The purchase price has been provisionally allocated on the basis of the acquisition-date fair value of the assets acquired and liabilities assumed (Net Assets Acquired) from Empresa de Alumbrado Eléctrico de Ceuta, S.A. under the following items of the consolidated financial statements:

Millions of Euros

	Fair value
Non-current assets	**84**
Property, plant and equipment	57
Investment property	5
Intangible assets	22
Current assets	**9**
Trade and other accounts receivable	6
Current financial assets	1
Cash and cash equivalents	2
TOTAL ASSETS	**93**
NON-CONTROLLING INTERESTS	**4**
Non-current liabilities	**22**
Deferred income	15
Non-current provisions	1
Other non-current liabilities	1
Deferred tax liabilities	5
Current liabilities	**5**
Trade payables and other current liabilities	5
TOTAL LIABILITIES	**27**
Fair value of net assets acquired	**62**

The difference between the cost of the business combination and the fair value of the assets and liabilities recognised has generated provisional goodwill of Euros 21 million relating to synergies to be obtained in the transaction, based on the optimisation of ENDESA's position in the distribution market of the self-governing city of Ceuta, which will allow cost reductions to be achieved through joint management, improved grid operations and the pooling of processes.

At the date on which this consolidated management report was drawn up, ENDESA is still working on the final assignation of the purchase price.

The contribution of the acquired company from the date of acquisition until 30 September 2018 was as follows:

Millions of Euros

	25 July 2018 - 30 September 2018
Ordinary Income	7
Profit/(loss) after tax	1

Likewise, if the acquisition had taken place on 1 January 2018, the contribution of the company acquired in the nine month period ended 30 September 2018 would have been as follows:

Millions of Euros

	January - September 2018
Ordinary Income	29
Profit/(loss) after tax	2

2.3. Other Information.

On 1 June 2018, the share capital of Eólica Valle del Ebro, S.A. was reduced by Euros 2 million to partially repay the value of the contributions made by shareholders in accordance with their ownership interest. The transaction had no impact on the Consolidated Income Statement, but had an impact of Euros 1 million, negative, on equity (see Section 4.2. Cash Flows of this Consolidated Management Report).

Further, on 17 July 2018, through its subsidiary ENEL Green España, S.L.U. (EGPE), ENDESA signed agreements with Siemens Gamesa Renewable Invest, S.A.U. to purchase 100% of the shares of Sistemas Energéticos Sierra del Carazo, S.A. and Sistemas Energéticos Alcohujate, S.A. in the coming months for the amount of Euros 2 million.

3. Regulatory Framework.

From a regulatory perspective, the main highlights during the period were as follows:

2018 Electricity Tariff.

On 27 December 2017 the Official State Gazette (BOE) published Order ETU/1282/2017 of 22 December 2017, which establishes the access tariffs for 2018.

Access tariffs remained unchanged in the Order.

Natural Gas Tariff for 2018.

Under Order ETU/1283/2017 of 22 December 2017 access tariffs in force in 2017 were largely maintained, having updated the Last Resort Tariffs with an average increase of 5% resulting from higher raw material costs.

On 30 June 2018, the Resolution of 28 June 2018 was published in the Official State Gazette (BOE), publishing the Last Resort Rates (LRT) for natural gas to be applied from 1 July 2018, resulting in an average increase of approximately 3.4%, derived from the increase in the cost of the raw material.

On 29 September 2018, the Resolution of 25 September June 2018 was published in the Official State Gazette (BOE), publishing the Last Resort Rates (LRT) for natural gas to be applied from 1 October 2018, resulting in an average increase of approximately 7.4%, compared to the previous period, derived from the increase in the cost of the raw material.

Energy Efficiency.

Law 18/2014, of 15 October 2014, approving urgent measures to boost growth, competitiveness and efficiency, with regard to energy efficiency, created the Energy Efficiency National Fund with the aim of achieving energy savings.

Order ETU/257/2018 of 16 March 2018 entailed a contribution by ENDESA to the Energy Efficiency National Fund of Euros 29 million, corresponding to its 2018 obligations.

Social Bonus.

In March 2018, the Energy, Tourism and Digital Agenda (now the Ministry for the Ecological Transition) started processing a proposed Order that sets the financing distribution percentage of the 2018 Social Bonus, with the percentage proposed for ENDESA set at 37.15%, compared to the current percentage provided for under Royal Decree Law 7/2016, of 23 December 2016, standing at 37.7%.

Furthermore, on 7 April 2018, Order ETU/361/2018, of 6 April 2018, was published, amending the Social Bonus application forms established in Order ETU/943/2017, of 6 October 2017, which implements Royal Decree 897/2017, of 6 October 2017, regulating the figure of the vulnerable consumer, the Social Bonus and other protection measures for domestic consumers of electricity. Furthermore, this Order extends the existing transitional period until 8 October 2018 for consumers of electricity who, on the date of entry into force of Order ETU/943/2017, of 6 October 2017, were beneficiaries of the Social Bonus, to demonstrate their status as vulnerable consumer in accordance with the provisions of Royal Decree 897/2017, of 6 October 2017.

Public Consultation made by the Spanish Markets and Competition Commission (CNMC) on remuneration for regulated activities.

On the 27 July 2018, the CNMC opened a public consultation on the calculation methodology used for the remuneration rate in the second regulatory period, 2020-2025, for the Distribution, Transmission, Non-mainland Systems and Renewables activities.

Law 6/2018, of 3 July 2018, concerning General State Budget for 2018.

On 4 July 2018, Law 6/2018, of 3 July 2018, on the General State Budget for 2018 was published in the Official State Gazette. Among other issues, it establishes that surplus income from the system may be used exceptionally in 2018 for the payment of compensation to settle litigation proceedings referring to electricity sector regulations that must be made with a charge to the General State Budget or the Electricity System. These surpluses may equally be used, unrestrictedly, to pay off debt in the electricity system, or as income accrued over several years in electricity system settlements. Further, the law includes a provision that eliminates the need for a compatibility ruling for plants in the non-mainland electricity system that have to make investments to comply with EU or Spanish regulatory requirements in order to continue operating, provided that these plants are necessary to guarantee an efficient supply.

Royal Decree 1048/2018, of 24 August 2018, on the electricity system shortfall of 2013.

On 1 September 2018, Royal Decree 1048/2018, of 24 August 2018, was published in the Official State Gazette (BOE), amending the procedure for calculating the interest to be recognised for financing the electricity system deficit for 2013, so that this interest will be established from the moment the corresponding contributions are made by agents and not just from 1 January of the following year. The total amount payable to the agents that financed the 2013 deficit is Euros 15 million, of which Euros 7 million correspond to ENDESA. The Royal Decree establishes that this methodology will also be applied in the event of any future shortfalls (see Section 1.3.3. Net financial gain/(loss) of this Consolidated Management Report).

Royal Decree Law 15/2018, of 5 October 2018, on urgent measures for the energy transition and consumer protection.

On 5 October 2018 the Council of Ministers approved Royal Decree Law 15/2018, on urgent measures for the energy transition and consumer protection, published in the Official State Gazette (BOE) on 6 October 2018. This Royal Decree contains a series of urgent measures to provide greater cover for vulnerable groups and increase consumer protection through policies that allow tariffs to be more effectively adjusted to consumption. The law also implements measures to speed up the transition to a decarbonised economy based on renewable energies, driving energy efficiency and electric mobility.

The first block of measures is designed to protect vulnerable consumer groups. The number of beneficiaries eligible for the Social Bonus has been extended to include single-parent families, and families with grade 2 or 3 dependents that fall below certain income thresholds. Further, cases where supply may not be cut off due to lack of payment for vulnerable consumers have been extended to include families approved by the social services with children under the age of 16, dependents or disabled members, where these amounts will be covered by the groups obliged to fund the Social Bonus. The maximum consumption level with a right to a discount has also been increased. With regard to beneficiaries of the previous Social Bonus, the renewal period for which ended on 8 October 2018, the Royal Decree Law establishes that those who meet the requirements for the new Social Bonus and apply between 8 October 2018 and 31 December 2018 will be eligible to receive the Bonus from 8 October 2018. Lastly, a thermal Social Bonus has been created for heating, to be funded by the General State Budget.

A second group of measures is aimed at protecting consumers and includes more flexibility in contracting power, in addition to obliging suppliers to include the amount that customers would have to pay if tariffs with time constraints were applied on their bills.

A third group of measures is designed to promote self-consumption, simplifying the types available and enabling shared self-consumption, while eliminating charges and tolls for self-consumption based on renewables, co-generation or waste. The Royal Decree Law also features measures to simplify administrative and technical processes, especially for small facilities.

The fourth block of measures seeks to increase the penetration of renewable energies and electric mobility. Therefore, to facilitate the commissioning of the renewable power awarded in the last auctions, the access and connection licences granted prior to Law 24/2013, governing the electricity system, which would have expired on 31 December 2018 have been extended until 31 March 2020. With regard to electric mobility, the load manager role has been abolished to make the roll out of these services easier.

The last block contains measures associated with fiscal aspects and the sustainability of the system. For the last quarter of 2018 and the first quarter of 2019, the tax on the value of electricity production has been suspended and the special tax on hydrocarbons for electricity generation has been abolished. To ensure the sustainability of the electricity system, income that derives from CO_2 emissions rights auctions used to cover costs in the electricity system has been increased, and the system surplus will be used to reduce imbalances in 2018 and 2019.

Royal Decree Law 15/2018, of 5 October 2018, has been validated by the Congress of Deputies on 18 October 2018, having approved on the other hand its processing as a project of law.

4. Liquidity and Capital Resources.

4.1. Financial Management.

Financial debt.

At 30 September 2018, ENDESA had net financial debt of Euros 6,640 million, an increase of Euros 1,655 million (+33.2%) compared to 31 December 2017.

The conciliation of ENDESA's gross and net financial debt at 30 September 2018 and 31 December 2017 is as follows:

Millions of Euros

	Conciliation of financial debt			
	30 September 2018	31 December 2017	Difference	% Var.
Non-current financial debt	5,514	4,414	1,100	24.9
Current financial debt	1,332	978	354	36.2
Gross financial debt (1)	**6,846**	**5,392**	**1,454**	**27.0**
Cash and cash equivalents	(199)	(399)	200	(50.1)
Derivatives recognised as financial assets	(7)	(8)	1	(12.5)
Net financial debt	**6,640**	**4,985**	**1,655**	**33.2**

(1) At 30 September 2018 this includes Euros 6 million corresponding to financial derivatives recognised under financial liabilities (Euros 12 million at 31 December 2017).

When assessing net debt for the first nine months of 2018, it should be noted that, during this period, ENDESA, S.A: paid shareholders dividends of gross Euros 1.382 per share, with a pay-out of Euros 1,463 million (see Section 4.2. Cash flows and 4.4. Dividends of this Consolidated Management Report).

The structure of ENDESA's gross financial debt at 30 September 2018 and 31 December 2017 was as follows:

Millions of Euros

	Structure of gross financial debt			
	30 September 2018	31 December 2017	Difference	% Var.
Euro	6,846	5,392	1,454	27.0
TOTAL	**6,846**	**5,392**	**1,454**	**27.0**
Fixed rate	3,548	3,611	(63)	(1.7)
Floating rate	3,298	1,781	1,517	85.2
TOTAL	**6,846**	**5,392**	**1,454**	**27.0**
Average life (years) (1)	5.2	6.1	-	-
Average cost (%) (2)	1.9	2.1	-	-

(1) Average life (years) = (Principal * Number of valid days) / (Valid principal at the end of the period * Number of days in the period).
(2) Average cost (%) = (Cost of financial debt) / Gross average financial debt.

As of 30 September 2018, 52% of gross financial debt was at fixed interest rates, while 48% was at floating rates. At this date, 100% of the Company's gross financial debt is denominated in euros.

At 30 September 2018, the breakdown of gross financial debt without derivatives by maturity was as follows:

Millions of Euros

	Carrying amount at 30 September 2018 (1)	Current	Non-current	Maturity				
				2018	2019	2020	2021	Subsequent
Bonds and other marketable securities	1,234	1,200	34	1,195	21	-	-	18
Bank borrowings	2,062	49	2,013	7	53	210	671	1,121
Other borrowings	3,544	83	3,461	38	50	34	30	3,392
TOTAL	**6,840**	**1,332**	**5,508**	**1,240**	**124**	**244**	**701**	**4,531**

(1) Excludes Euros 6 million corresponding to financial derivatives.

Main Financial Transactions.

In the first nine months of 2018, ENDESA extended the credit facilities arranged with various financial institutions maturing in March 2020 (Euros 160 million) and March 2021 (Euros 1,825 million).

In the same period, ENDESA maintained the Euro Commercial Paper (ECP) emissions programme through International ENDESA, B.V., and the outstanding balance thereof as of 30 September 2018 is Euros 1,200 million, and its renewal is backed by irrevocable bank credit facilities.

During the first nine months of 2018, ENDESA has also settled the Project Finance bank financing held by some subsidiaries of ENEL Green Power España, S.L.U. (EGPE) for a total of Euros 160 million (see Section 4.2. Cash Flows of this Consolidated Management Report).

As part of the financial transaction signed with the European Investment Bank (EIB) in 2017, Euros 500 million was drawn down during the first nine months of 2018. This draw down bears a floating interest rate, with a 12-year maturity payable from 2022 (see Section 4.2. Cash Flows of this Consolidated Management Report).

Liquidity.

As of 30 September 2018, ENDESA's liquidity stood at Euros 2,484 million (Euros 3,495 million at 31 December 2017) as detailed below:

Millions of Euros

	Liquidity			
	30 September 2018	31 December 2017	Difference	% Var.
Cash and cash equivalents	199	399	(200)	(50.1)
Unconditional availability in credit facilities (1)	2,285	3,096	(811)	(26.2)
TOTAL	**2,484**	**3,495**	**(1,011)**	**(28.9)**
Coverage of Debt Maturities (months) (2)	20	29		

(1) As of 30 September 2018 and 31 December 2017, Euros 1 billion correspond to the credit line available with ENEL Finance International, N.V.

(2) Coverage of debt maturities (number of months) = maturity period (number of months) for vegetative debt that could be covered with the liquidity available.

Treasury investments considered as “Cash and cash equivalents” are high liquidity and entail no risk of changes in value, mature within 3 months from their acquisition date and accrue interest at the market rates for such instruments.

There were no placements in sovereign debt at 30 September 2018 and 31 December 2017.

At 30 September 2018, the balance of cash and cash equivalents includes Euros 9 million corresponding to the debt service reserve account set up by certain ENDESA renewable energy subsidiaries by virtue of the project finance loans arranged (Euros 12 million at 31 December 2017).

Leverage Ratio.

Details of the consolidated leverage ratio at 30 September 2018 and 31 December 2017 are as follows:

Millions of Euros

	Leverage ratio (1)	
	30 September 2018	31 December 2017
Net financial debt:	**6,640**	**4,985**
Non-current financial debt	5,514	4,414
Current financial debt	1,332	978
Cash and cash equivalents	(199)	(399)
Derivatives recognised as financial assets	(7)	(8)
Equity:	**9,716**	**9,233**
Of the Parent	9,572	9,096
Of non-controlling interests	144	137
Leverage (%)	**68.34**	**53.99**

(1) Leverage = Net financial debt / equity.

Credit Rating.

ENDESA's credit ratings are as follows:

	Credit rating					
	30 September 2018 (1)			31 December 2017 (1)		
	Long term	Short term	Outlook	Long Term	Short Term	Outlook
Standard & Poor's	BBB+	A-2	Stable	BBB+	A-2	Stable
Moody's	Baa2	P-2	Stable	Baa2	P-2	Stable
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Stable

(1) At the respective dates of approval of the Consolidated Financial Statements.

ENDESA's credit rating is restricted to the rating of its parent company ENEL according to the methods employed by rating agencies and, as of 30 September 2018, has been classified as “investment grade” by all the rating agencies.

ENDESA works to maintain its investment grade credit rating to be able to efficiently access money markets and bank funding, and to obtain preferential terms from its main suppliers.

4.2. Cash flows.

At 30 September 2018, cash and cash equivalents stood at Euros 199 million (Euros 427 million at 30 September 2017).

ENDESA's net cash flows in the first nine months of 2018 and 2017, classified by activities (operation, investment and financing) were:

Millions of Euros

	Statements of cash flows			
	January - September 2018 (1)	January - September 2017 (1)	Difference	% Var.
Net cash flows from operating activities	1,141	1,375	(234)	(17.0)
Net cash flows used in investing activities	(1,219)	(792)	(427)	53.9
Net cash flows used in financing activities	(122)	(574)	452	(78.7)

(1) See the Consolidated Statements of Cash Flow for the nine-month period ended 30 September 2018 and 2017.

Net Cash Flows from Operating Activities.

In the first nine months of 2018, net cash flows from operating activities amounted to Euros 1,141 million (Euros 1,375 million in the first nine months of 2017), as follows:

Millions of Euros

	January - September 2018	January - September 2017
Profit before tax and non-controlling interests	1,539	1,394
Adjustments for:	1,257	1,049
Depreciation and amortisation, and impairment losses	1,147	1,072
Other adjustments (net)	110	(23)
Changes in working capital:	(1,361)	(707)
Trade and other accounts receivable	(64)	(445)
Inventories	(195)	(179)
Current financial assets	(547)	(621)
Trade payables and other current liabilities	(555)	538
Other cash flows from/(used in) operating activities:	(294)	(361)
Interest received	28	31
Dividends received	24	26
Interest paid	(85)	(78)
Income tax paid	(67)	(133)
Other receipts from and payments for operating activities	(194)	(207)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**1,141**	**1,375**

The variations in the different items determining the net cash flows from operating activities include:

- The higher profit before tax and non-controlling interests net of depreciation and amortisation and other adjustments for the period (Euros 353 million).
- Changes in working capital between the two periods amounting to Euros 654 million, mainly as a result of the increase in payments to commercial creditors for Euros 1,093 million, of the positive performance of commercial debtors and other accounts receivable for an amount of Euros 381 million and the highest collections for compensations for the extra-costs of Non-mainland Territories (TNP) generation for Euros 204 million.
- The variation in the payment of the Income Tax in both periods amounting to Euros 66 million.

As of 30 September 2018, 31 December 2017 and 30 September 2017, working capital comprised the following items:

Millions of Euros

	Working capital		
	30 September 2018	31 December 2017	30 September 2017
Current assets (1)	**5,994**	**5,131**	**5,246**
Inventories	1,269	1,267	1,203
Trade and other accounts receivable	3,469	3,100	3,204
Current financial assets	1,256 (2)	764 (3)	839 (4)
Current liabilities (5)	**5,538**	**6,557**	**5,503**
Current provisions	392	425	362
Trade payables and other current liabilities	5,146	6,132 (6)	5,141

(1) Excluding Cash and cash equivalents and financial derivative assets corresponding to financial debt.
(2) Includes Euros 313 million corresponding to collection rights for financing of the deficit from regulated activities, Euros 107 million concerning remuneration for the electricity distribution activity and Euros 778 million corresponding to generation extra-costs in Non-mainland territories (TNP).
(3) Includes Euros 222 million corresponding to collection rights for financing of the deficit from regulated activities, Euros 70 million concerning remuneration for the electricity distribution activity and Euros 304 million corresponding to generation extra-costs in Non-mainland territories (TNP).
(4) Includes Euros 254 million corresponding to collection rights for financing of the deficit from regulated activities, Euros 58 million concerning remuneration for the electricity distribution activity and Euros 334 million corresponding to generation extra-costs in Non-mainland territories (TNP).
(5) Excluding Current financial debt and financial derivative liabilities corresponding to financial debt.
(6) Includes the interim dividend with a charge against 2017 profits of Euros 741 million, paid on 2 January 2018 (see Section 4.4. Dividends of this Consolidated Management Report).

Net Cash Flows used in Investing Activities

In the first nine months of 2018, net cash flows applied to investment activities amounted to Euros 1,219 million (Euros 792 million in the first nine months of 2017) and include, among other aspects:

– Net cash payments applied to the acquisitions of property, plant and equipment and intangible assets:

Millions of Euros

	January - September 2018	January - September 2017
Acquisitions of property, plant and equipment and intangible assets	**(1,018)**	**(797)**
Acquisitions of property, plant and equipment	(711)	(500)
Acquisitions of intangible assets	(125)	(87)
Facilities transferred from customers	45	55
Suppliers of property, plant and equipment	(227)	(265)
Proceeds from sales of property, plant and equipment and intangible assets	**5**	**7**
Grants and other deferred income	**56**	**60**
TOTAL	**(957)**	**(730)**

– Net cash payments for investments and/or receipts from disposals of holdings in Group companies:

Millions of Euros

	Sections	January - September 2018	January - September 2017
Acquisitions of investments in group companies		**(132)**	**(1)**
Corporate transactions related to capacity awarded in renewable power auctions.	2.2	(4)	-
Parques Eólicos Gestinver, S.L.U.	2.2	(45)	-
Eólica del Principado, S.A.U.	2.2	(1)	-
Empresa de Alumbrado Eléctrico de Ceuta, S.A.	2.2	(81)	-
Eléctrica del Ebro, S.A.U.		(1)	-
Eléctrica de Jafre, S.A.		-	(1)
Proceeds from the sale of investments in group companies		**20**	**16**
Nueva Marina Real Estate, S.L. (1)		20	-
Aquilae Solar, S.L., Cefeidas Desarrollo Solar, S.L., Cephei Desarrollo Solar, S.L., Desarrollo Photosolar, S.L., Fotovoltaica Insular, S.L. and Sol de Media Noche Fotovoltaica, S.L.		-	16
TOTAL		**(112)**	**15**

(1) Sale transaction formalized on 28 December 2017.

Net Cash Flows used in Financing Activities

In the first nine months of 2018, net cash flows used in financing activities amounted to Euros 122 million (Euros 574 million in the first nine months of 2017), including mainly:

– Cash flows from equity instruments:

Millions of Euros

	Sections	January - September 2018	January - September 2017
Capital reduction at Eólica Valle del Ebro, S.A.	2.3	(1)	-
Capital contribution by Tauste Energía Distribuida, S.L.		3	-
Capital contribution by Bosa del Ebro, S.L.		3	-
Acquisition of non-controlling interests in Productor Regional de Energía Renovable, S.A.U. and Productor Regional de Energías Renovables III, S.A.U.		-	(3)
TOTAL		**5**	**(3)**

– Drawdowns of non-current financial debt:

Millions of Euros

	Sections	January - September 2018	January - September 2017
Drawdowns from the European Investment Bank (EIB)	4.1	500	300
Drawdowns from credit facilities		713	25
Other		8	17
TOTAL		**1,221**	**342**

– Reimbursements from non-current financial debt:

Millions of Euros

	Sections	January - September 2018	January - September 2017
Amortisation of Productor Regional de Energía Renovable, S.A.U.´s bank loans	4.1	(44)	-
Repayment of credit facilities		-	(11)
Amortisation of Natixis loans		-	(21)
Other		(7)	(17)
TOTAL		**(51)**	**(49)**

– Amortisations and drawdowns of current financial debt:

Millions of Euros

	Sections	January - September 2018	January - September 2017
Amortisations			
Amortisation of ECP bonds issued by International ENDESA B.V.		(5,443)	(3,990)
Repayment of ENEL Finance B.V. credit facilities		(4,800)	(1,350)
Amortisation of Parque Eólico Gestinver, S.L.U. bank loan	4.1	(116)	-
Amortisation of bonds issued by ENDESA Capital, S.A.U.		-	(36)
Other		(76)	(146)
Drawdowns			
Drawdowns of ECP bonds issued by International ENDESA B.V.		5,754	4,258
Drawdowns of ENEL Finance B.V. credit facilities		4,800	1,750
Other		54	65
TOTAL		**173**	**551**

– Dividends paid:

Millions of Euros

	Sections	January - September 2018	January - September 2017
Parent dividends paid	4.4	(1,463)	(1,411)
Dividends paid to non-controlling interests (1)		(7)	(4)
TOTAL		**(1,470)**	**(1,415)**

(1) Corresponding to companies of ENEL Green Power España, S.L.U. (EGPE).

4.3. Investments.

In the first nine months of 2018 ENDESA made gross investments of Euros 866 million. Of this amount, Euros 836 million related to property, plant and equipment and investments in intangible assets, and the remaining Euros 30 million to financial investments, as follows:

Millions of Euros

	Investments		
	January - September 2018 (1)	January - September 2017 (1)	% Var.
Generation and Supply	284	146	94.5
Distribution	423	350	20.9
Other	4	4	-
TOTAL IN PROPERTY, PLANT AND EQUIPMENT	**711**	**500**	**42.2**
Generation and Supply	77	28	175.0
Distribution	29	39	(25.6)
Other	19	20	(5.0)
TOTAL IN INTANGIBLE ASSETS	**125**	**87**	**43.7**
FINANCIAL INVESTMENTS	**30**	**45**	**(33.3)**
TOTAL GROSS INVESTMENTS	**866**	**632**	**37.0**
TOTAL NET INVESTMENTS (2)	**765**	**517**	**48.0**

(1) Does not include business combinations made during the period (see Section 2.1. Consolidation Scope of this Consolidated Management Report).

(2) Net investments = Gross investments - Capital grants and transferred facilities.

Investments in Property Plant and Equipment.

Gross investments in generation in the first nine months of 2018 relate largely to investments for the construction of the wind and photovoltaic power capacity awarded in the auctions held in 2017 for the amount of Euros 91 million.

Investments have also been made in plants that were already operational on 31 December 2017, including the investment of Euros 1 million made in the Litoral plant and the Euros 22 million investment in the As Pontes coal-fired plant, to bring it into line with the Industrial Emissions Directive (IED).

Gross distribution investments relate to grid extensions and expenditure aimed at optimising the grid to improve the efficiency and quality of service. They also include investment for the widespread installation of remote management smart meters and associated operating systems.

Investment in Intangible Assets.

Gross investments in intangible assets in the first nine months of 2018 correspond to IT applications and ongoing investments in ICT activities for the sum of Euros 70 million and the capitalisation of incremental costs incurred corresponding to the acquisition of customer contracts for the sum of Euros 50 million (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

Financial Investments.

The gross investments in the first nine months of 2018 include, primarily, guarantees and deposits for Euros 19 million.

4.4. Dividends.

Approval was given at ENDESA, S.A.'s General Shareholders' Meeting of 23 April 2018 to pay shareholders a total dividend charged against 2017 profit for a gross amount of Euros 1.382 per share (Euros 1,463 million in total). The breakdown of these dividends is as follows:

Millions of Euros

	Approval date	Euros per share, gross	Amount	Payment date
Interim dividend	21 November 2017	0.70	741	2 January 2018
Final dividend	23 April 2018	0.682	722	2 July 2018
Total dividend paid against 2017 profit		**1.382**	**1,463 (1)**	

(1) See Section. 4.2. Cash Flows of this Consolidated Management Report).

APPENDIX I

Statistical Appendix

Industrial Data.

GWh

Electricity Generation (1)	January - September 2018	January - September 2017	% Var.
Mainland	**45,912**	**48,398**	**(5.1)**
Nuclear	18,458	19,967	(7.6)
Coal	13,972	15,870	(12.0)
Hydroelectric	6,864	4,198	63.5
Combined cycles (CCGT)	3,907	5,852	(33.2)
Renewables and cogeneration	2,711	2,511	8.0
Non-mainland territories (TNP)	**9,636**	**9,843**	**(2.1)**
Coal	1,928	2,048	(5.9)
Fuel-gas	5,081	5,299	(4.1)
Combined cycles (CCGT)	2,606	2,474	5.3
Renewables and cogeneration	21	22	(4.5)
TOTAL	**55,548**	**58,241**	**(4.6)**

(1) At power plant busbars.

MW

Gross installed capacity	30 September 2018	31 December 2017	% Var.
Hydroelectric	4,764	4,752	0.3
Conventional thermal	8,077	8,130	(0.7)
Nuclear	3,443	3,443	-
Combined cycles	5,678	5,678	-
Renewables and cogeneration	1,815	1,675	8.4
TOTAL	**23,777**	**23,678**	**0.4**

MW

Net installed capacity	30 September 2018	31 December 2017	% Var.
Hydroelectric	4,712	4,709	0.1
Conventional thermal	7,544	7,585	(0.5)
Nuclear	3,318	3,318	-
Combined cycles	5,445	5,445	-
Renewables and cogeneration	1,815	1,675	8.4
TOTAL	**22,834**	**22,732**	**0.4**

GWh

Gross electricity sales (1)	January - September 2018	January - September 2017	% Var.
Regulated Price	10,880	11,489	(5.3)
Deregulated Spanish market	56,154	60,186	(6.7)
Deregulated European markets other than Spain	7,738	8,515	(9.1)
TOTAL	**74,772**	**80,190**	**(6.8)**

(1) At power plant busbars.

GWh

Net electricity sales (1)	January - September 2018	January - September 2017	% Var.
Regulated Price	9,331	9,686	(3.7)
Deregulated Spanish market	51,332	54,657	(6.1)
Deregulated European markets other than Spain	7,354	8,117	(9.4)
TOTAL	**68,017**	**72,460**	**(6.1)**

(1) Sales to end customers.

Thousands

Number of customers (electricity) (1) (2)	30 September 2018	31 December 2017	% Var.
Regulated market	5,084	5,255	(3.3)
Mainland Spain	4,286	4,416	(2.9)
Non-mainland territories (TNP)	798	839	(4.9)
Deregulated market	5,670	5,593	1.4
Mainland Spain	4,593	4,601	(0.2)
Non-mainland territories (TNP)	814	787	3.4
Outside Spain	263	205	28.3
TOTAL	**10,754**	**10,848**	**(0.9)**

(1) Supply points.
(2) Customers of the supply companies.

Percentage (%)

Trends in electricity demand (1)	January - September 2018	January - September 2017
Mainland (2)	0.9	0.5
Non-mainlandTerritories (TNP) (3)	0.1	1.9

(1) Source: Red Eléctrica de España, S.A. (REE).
(2) Adjusted for working days and temperature, the trend in mainland demand was +1.1% in January-September 2018 and +1.0% in January-September 2017.
(3) Adjusted for working days and temperature, the overall trend in non-mainland demand was +1.3% in January-September 2018 and +2.3% in January-September 2017.

GWh

Energy distributed (1)	January - September 2018	January - September 2017	% Var.
Spain and Portugal	88,620	88,864	(0.3)

(1) At power plant busbars.

km

Distribution and transmission networks	30 September 2018	31 December 2017	% Var.
Spain and Portugal	319,304	317,782	0.5

Percentage (%)

Energy losses (1)	January - September 2018	January - September 2017
Spain and Portugal	10.7	10.6

(1) Source: Endesa data.

Minutes

Installed Capacity Equivalent Interruption Time (ICEIT)	January - September 2018	January - September 2017
Spain and Portugal (average) (1) (2)	47	43

(1) Corresponds to Spain.
(2) According to the calculation procedure set down by Royal Decree 1995/2000, of 1 December 2000.

Percentage (%)

Market share (electricity) (1)	30 September 2018	31 December 2017
Mainland Generation	24.2	23.6
Distribution	43.7	44.1
Supply	33.6	35.4

(1) Source: Endesa data.

GWh

Gas sales	January - September 2018	January - September 2017	% Var.
Deregulated market	34,446	33,816	1.9
Regulated market	994	878	13.2
International market	18,293	17,803	2.8
Wholesale business	7,700	6,460	19.2
TOTAL (1)	**61,433**	**58,957**	**4.2**

(1) Excluding own generation consumption.

Thousands

Number of customers (gas) (1)	30 September 2018	31 December 2017	% Var.
Regulated market	235	246	(4.5)
Mainland Spain	209	219	(4.6)
Non-mainland territories (TNP)	26	27	(3.7)
Deregulated market	1,359	1,314	3.4
Mainland Spain	1,221	1,205	1.3
Non-mainland territories (TNP)	67	63	6.3
Outside Spain	71	46	54.3
TOTAL	**1,594**	**1,560**	**2.2**

(1) Supply points.

Percentage (%)

Trend in demand for gas (1)	January - September 2018	January - September 2017
Domestic market	1.7	9.3
Domestic - conventional	6.0	4.5
Electricity sector	(15.4)	33.2

(1) Source: Enagás, S.A.

Percentage (%)

Market share (gas) (1)	30 September 2018	31 December 2017
Deregulated market	16.2	16.1

(1) Source: Endesa data.

Workforce.

Number of Employees

Final headcount	30 September 2018			31 December 2017			% Var.
	Male	Female	Total	Male	Female	Total	
Generation and Supply	4,087	1,072	5,159	4,083	1,024	5,107	1.0
Distribution	2,537	440	2,977	2,491	429	2,920	2.0
Structure and Others (1)	865	756	1,621	884	795	1,679	(3.5)
TOTAL	**7,489**	**2,268**	**9,757**	**7,458**	**2,248**	**9,706**	**0.5**

(1) Structure and services.

Number of Employees

Average headcount	January - September 2018			January - September 2017			% Var.
	Male	Female	Total	Male	Female	Total	
Generation and Supply	4,072	1,049	5,121	4,092	984	5,076	0.9
Distribution	2,491	430	2,921	2,593	442	3,035	(3.8)
Structure and Others (1)	862	763	1,625	921	818	1,739	(6.6)
TOTAL	**7,425**	**2,242**	**9,667**	**7,606**	**2,244**	**9,850**	**(1.9)**

(1) Structure and services.

Financial Data.

Millions of Euros

	Consolidated income statement		
	January - September 2018	January - September 2017	% Var.
Sales	14,650	14,449	1.4
Contribution margin (1)	4,271	4,006	6.6
EBITDA (2)	2,791	2,548	9.5
EBIT (3)	1,644	1,476	11.4
Net Income (4)	1,193	1,085	10.0

(1) Contribution margin = Revenue - Procurements and Services.
(2) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel expenses - Other fixed operating expenses.
(3) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.
(4) Net Income: Profit/(loss) of the Parent.

Euros

Valuation Key figures	January - September 2018	January - September 2017	% Var.
Net earnings per share (1)	1.13	1.02	10.0
Cash flow per share (2)	1.08	1.30	(17.0)
Book value of equity per share (3)	9.04 (4)	8.59 (5)	5.2

(1) Net earnings per share = Profit/(loss) of the Parent / Number of shares at the end of the period.
(2) Cash flow per share = Net cash flow from operating activities / Number of shares at end of the period.
(3) Parent company equity / Number of shares at the end of the period
(4) At 30 September 2018.
(5) At 31 December 2017.

Millions of Euros

	Consolidated Statement of Financial Position		
	30 September 2018	31 December 2017	% Var.
Total assets	32,068	31,037	3.3
Equity	9,716	9,233	5.2
Net financial debt (1)	6,640	4,985	33.2

(1) Net financial debt = Non-current financial liabilities + Current financial liabilities – Cash and cash equivalents – Financial derivatives recognised under financial assets.

Millions of Euros

	Leverage ratio (1)	
	30 September 2018	31 December 2017
Net financial debt:	**6,640**	**4,985**
Non-current financial debt	5,514	4,414
Current financial debt	1,332	978
Cash and cash equivalents	(199)	(399)
Derivatives recognised as financial assets	(7)	(8)
Equity:	**9,716**	**9,233**
Of the Parent	9,572	9,096
Of non-controlling interests	144	137
Leverage (%)	**68.34**	**53.99**

(1) Leverage = Net financial debt / equity.

Financial indicators	30 September 2018	31 December 2017
Liquidity ratio (1)	0.90	0.73
Solvency ratio (2)	0.97	0.92
Debt ratio (3)	40.60	35.06
Debt coverage ratio (4)	1.78	1.41

(1) Liquidity = Current assets / Current liabilities.
(2) Solvency = (Equity + Non-current liabilities) / Non-current assets.
(3) Debt (%) = Net financial debt / (Equity + Net financial debt).
(4) Debt coverage = Net financial debt / EBITDA.

Rating.

	Credit rating					
	30 September 2018 (1)			31 December 2017 (1)		
	Long term	Short term	Outlook	Long term	Short term	Outlook
Standard & Poor's	BBB+	A-2	Stable	BBB+	A-2	Stable
Moody's	Baa2	P-2	Stable	Baa2	P-2	Stable
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Stable

(1) At the respective dates of approval of the Consolidated Financial Statements.

Stock Market Information.

Percentage (%)

Share price performance (1)	January - September 2018	January - September 2017
ENDESA, S.A.	**4.2**	**(5.2)**
Ibex-35	(6.5)	11.0
Eurostoxx 50	(3.0)	9.2
Eurostoxx Utilities	(2.5)	16.8

(1) Source: Madrid Stock Exchange and Infobolsa.

Euros

ENDESA share price (1)	January - September 2018	January-December 2017	% Var.
High	20.100	22.760	(11.7)
Low	16.600	17.855	(7.0)
Period average	18.758	20.234	(7.3)
Closing Price	18.610	17.855	4.2

(1) Source: Madrid Stock Exchange.

Stock market information		30 September 2018	31 December 2017	% Var.
Market Cap.	Millions of Euros (1)	19,703	18,904	4.2
Number of shares outstanding		1,058,752,117	1,058,752,117	-
Nominal share value	Euros	1.2	1.2	-
Cash	Millions of Euros (2)	8,225	10,866	(24.3)
Continuous market	Shares			
Trading volume	(3)	438,452,170	536,793,866	(18.3)
Average daily trading volume	(4)	2,295,561	2,105,074	9.0
P.E.R.	(5)	12.39	12.92	-
Price / Carrying amount	(6)	2.06	2.08	-

(1) Market Cap = Nº of shares at the end of the period * Share price at the end of the period.
(2) Cash = Sum of all the operations made over the value in the reference period (Source: Madrid Stock Exchange).
(3) Trading volume = Total volume of stock in ENDESA, S.A. traded in the period (Source: Madrid Stock Exchange).
(4) Average daily trading volume = Arithmetic mean of stock in ENDESA, S.A. traded per session during the period (Source: Madrid Stock Exchange).
(5) Price to Earnings Ratio (P.E.R.) = Share price at the end of the period / Net earnings per share.
(6) Price / Carrying amount = Market capitalisation / Equity of the Parent.

Dividends.

		2017	2016	% Var.
Share capital	Millions of Euros	1,271	1,271	-
Number of shares		1,058,752,117	1,058,752,117	-
Consolidated net profit	Millions of Euros	1,463	1,411	3.7
Individual net profit	Millions of Euros	1,491	1,419	5.1
Earnings per share	Euros (1)	1.382	1.333	3.7
Gross dividend per share	Euros	1.382 (2)	1.333 (3)	3.7
Consolidated pay-out	% (4)	100.0	100.0	-
Individual pay-out	% (5)	98.1	99.4	-

(1) Earnings per share = Profit/(loss) of the Parent / Number of shares at the end of the period.
(2) Gross interim dividend of Euros 0.7 per share, paid out on 2 January 2018 plus the gross supplementary dividend of Euros 0.682 per share paid out on 2 July 2018.
(3) Gross interim dividend of Euros 0.7 per share, paid out on 2 January 2017 plus the gross supplementary dividend of Euros 0.633 per share paid out on 3 July 2017.
(4) Consolidated Pay-out = (Gross dividend per share * Number of shares at the end of the period) / Profit/loss) of the Parent.
(5) Individual Pay-out = (Gross dividend per share * Nº of shares at the end of the period) / Period Result of ENDESA, S.A.

APPENDIX II

Alternative Performance Measures (APMs)

Alternative Performance Measures (APMs)	Unit	Definition	Conciliation of Alternative Performance Measures (APMs)		Relevance of use
			30 September 2018	30 September 2017	
EBITDA (1)	Millions of Euros	Income - Procurements and Services + Self-constructed assets - Personnel expenses - Other fixed operating expenses.	2,791 M€ = 15,353 M€ - 11,082 M€ + 145 M€ - 704 M€ - 921 M€	2,548 M€ = 14,824 M€ - 10,818 M€ + 148 M€ - 673 M€ - 933 M€	Measure of operating return excluding interest, taxes, provisions and amortisation.
EBIT (1)	Millions of Euros	EBITDA - Depreciation and amortisation, and impairment losses.	1,644 M€ = 2,791 M€ - 1,147 M€	1,476 M€ = 2,548 M€ - 1,072 M€	Measure of operating return excluding interest and taxes.
Contribution margin (1)	Millions of Euros	Income - Procurements and services	4,271 M€ = 15,353 M€ - 11,082 M€	4,006 M€ = 14,824 M€ - 10,818 M€	Measure of operating return including direct variable production costs.
Procurements and Services (1)	Millions of Euros	Energy purchases + Fuel consumption + Transmission expenses + Other variable Procurements and Services	11,082 M€ = 3,601 M€ + 1,627 M€ + 4,156 M€ + 1,698 M€	10,818 M€ = 3,680 M€ + 1,653 M€ + 4,193 M€ + 1,292 M€	Goods and services for production.
Net financial gain/(loss) (1)	Millions of Euros	Financial income - Financial expense + Net exchange differences.	(106) M€ = 29 M€ - 133 M€ - 2 M€	(94) M€ = 39 M€ - 135 M€ + 2 M€	Measure of financial cost
Net investment	Millions of Euros	Gross investments - Capital grants and transferred facilities	765 M€ = 866 M€ - 101 M€	517 M€ = 632 M€ - 115 M€	Measure of investment activity
Net financial debt (2)	Millions of Euros	Non-current financial liabilities + Current financial liabilities – Cash and cash equivalents – Financial derivatives recognised under assets	6,640 M€ = 5,514 M€ + 1,332 M€ - 199 M€ - 7 M€	5,753 M€ = 4,481 M€ + 1,707 M€ - 427 M€ - 8 M€	Short and long-term financial debt, less cash and financial investment cash equivalents.
Leverage ratio (2)	%	Net financial debt / Equity	68.34% = 6,640 M€ / 9,716 M€	60.82% = 5,753 M€ / 9,459 M€	Measure of the weighting of external funds in the financing of business activities.
Debt (2)	%	Net financial debt / (Equity + Net financial debt)	40.60% = 6,640 M€ / (9,716 M€ + 6,640 M€)	37.82% = 5,753 M€ / (9,459 M€ + 5,753 M€)	Measure of the weighting of external funds in the financing of business activities.
Average life of gross financial debt	Number of years	(Principal * Number of valid days) / (Valid principal at the end of the period * Number of days in the period)	5.2 years = 35,437 M€ a year / 6,840 M€	5.7 years = 35,351 M€ a year / 6,169 M€	Measure of the duration of financial debt to maturity
Average cost of gross financial debt	%	(Cost of gross financial debt) / Gross average financial debt	1.9% = ((92 M€ * 12 months / 9 months) + 3 M€) / 6,666 M€)	2.2% = (99 M€ * 12 months / 9 months) / 6,088 M€	Measure of the effective rate of financial debt.
Debt coverage ratio	Number of months	Maturity period (months) for vegetative debt that could be covered with the liquidity available	20 months	29 months	Measure of the capacity to meet debt maturities
Return on equity	%	Profit/(loss) of the Parent / Equity of the Parent (n) + Equity of the Parent (n-1) / 2)	17.04% = (1,193 M€ * 12 months / 9 months) / ((9,572 + 9,096) / 2) M€	15.83% = (1,085 M€ * 12 months / 9 months) / ((9,327 + 8,952) / 2) M€	Measure of the capacity to generate profits on shareholder investments
Return on assets	%	Profit/(loss) of the Parent / Total assets (n) + Total assets (n-1) / 2)	5.04% = (1,193 M€ * 12 months / 9 months) / ((32,068 + 31,037) / 2) M€	4.67% = (1,085 M€ * 12 months / 9 months) / ((31,040 + 30,960) / 2) M€	Measure of business profitability
Economic profitability	%	EBIT / (PP&E (n) + PP&E (n-1) / 2)	10.07% = (1,644 M€ * 12 months / 9 months) / ((21,791 + 21,727) / 2) M€	9.06% = (1,476 M€ * 12 months / 9 months) / ((21,569 + 21,891) / 2) M€	Measure of the capacity to generate income from invested assets and capital
Return on capital employed (ROCE)	%	Operating profit after tax / ((Non-current assets (n) + Non-current assets (n-1) / 2) + (Current assets (n) + Current assets (n-1) / 2))	5.41% = (1,281 M€ * 12 months / 9 months) / ((25,875 + 25,507) / 2 + (6,193 + 5,530) / 2) M€	4.97% = (1,156 M€ * 12 months / 9 months) / ((25,367 + 25,525) / 2 + (5,673 + 5,435) / 2) M€	Measure of the return on invested capital
Liquidity (2)	N/A	Current assets / Current liabilities.	0.90 = 6,193 M€ / 6,870 M€	0.79 = 5,673 M€ / 7,210 M€	Measure of the capacity to meet short term commitments.
Solvency (2)	N/A	(Equity + Non-current liabilities) / Non-current assets	0.97 = (9,716 M€ + 15,482 M€) / 25,875 M€	0.94 = (9,459 M€ + 14,371 M€) / 25,367 M€	Measure of the capacity to meet obligations.
Debt coverage (1) (2)	N/A	Net financial debt / EBITDA	1.78 = 6,640 M€ / (2,791 M€ * 12 months / 9 months)	1.69 = 5,753 M€ / (2,548 M€ * 12 months / 9 months)	Measure of the amount of available cash flow to meet payments of principal on financial debt.
Net earnings per share (1)	Euros	Profit/(loss) of the Parent / Number of shares	1.13 € = 1,193 M€ / 1,058,752,117 shares	1.02 € = 1,085 M€ / 1,058,752,117 shares	Measure of the portion of net profit corresponding to each share outstanding.
Cash flow per share (3)	Euros	Net cash flow from operating activities / Number of shares	1.08 € = 1,141 M€ / 1,058,752,117 shares	1.30 € = 1,375 M€ / 1,058,752,117 shares	Measure of the portion of funds corresponding to each share outstanding.
BVPS (2)	Euros	Equity of the Parent / Number of shares	9.04 € = 9,572 M€ / 1,058,752,117 shares	8.59 € = 9,096 M€ / 1,058,752,117 shares (4)	Measure of the portion of equity corresponding to each share outstanding.
Market capitalisation	Millions of Euros	Number of shares at the end of the period * Share price at the end of the period	19,703 M€ = 1,058,752,117 shares * 18.610 €	18,904 M€ = 1,058,752,117 shares * 17.855 € (4)	Measure of the total enterprise value according to the share price.
Price to Earnings Ratio (P.E.R.)	N/A	Share price at the end of the period / Net earnings per share	12,39 = 18,610 € / (1,13 € * 12 months / 9 months)	12,92 = 17,855 € / 1,38 € (4)	Measure indicating the number of times earnings per share can be divided into the market price of the shares.
Price / Carrying amount	N/A	Market capitalisation / Equity of the Parent	2.06 = 19,703 M€ / 9,572 M€	2.08 = 18,904 M€ / 9,096 M€ (4)	Measure comparing the total enterprise value according to the share price with the carrying amount.
Consolidated pay-out	%	(Gross dividend per share * Number of shares at the end of the period) / Profit/(loss) of the Parent	100.0% = (1.382 € * 1,058,752,117 shares) / 1,463 M€	100.0% = (1.333 € * 1,058,752,117 shares) / 1,411 M€	Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (consolidated Group).
Individual pay-out	%	(Gross dividend per share * Number of shares at the end of the period / Profit for the year of the ENDESA, S.A.	98.1% = (1.382 € * 1,058,752,117 shares) / 1,491 M€	99.4% = (1.333 € * 1,058,752,117 shares) / 1,419 M€	Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (individual company).

M€ = Millions of Euros; € = Euros.
n = 30 September of the year being calculated.
n-1 = 31 December of the year before the year being calculated.
(1) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.
(2) See the Consolidated Statements of Financial Position at 30 September 2018 and 2017.
(3) See the Consolidated Statements of Cash Flow for the nine-month period ended 30 September 2018 and 2017.
(4) At 31 December 2017

APPENDIX III

Effect on the Consolidated Statement of Financial Position at 1 January 2018 from the Changes to the Accounting Principles

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 1 JANUARY 2018

Millions of Euros

	1 January 2018	IFRS 15 "Revenue from Contracts with Customers"	IFRS 9 "Financial Instruments"	1 January 2018 (Adjusted) (1)
ASSETS				
NON-CURRENT ASSETS	**25,507**	**95**	**12**	**25,614**
Property, plant and equipment	21,727	-	-	21,727
Investment property	9	-	-	9
Intangible assets	1,196	95	-	1,291
Goodwill	459	-	-	459
Investments accounted for using the equity method	205	-	-	205
Non-current financial assets	769	-	(10)	759
Deferred tax assets	1,142	-	22	1,164
CURRENT ASSETS	**5,530**	**-**	**(43)**	**5,487**
Inventories	1,267	-	-	1,267
Trade and other accounts receivable	3,100	-	(33)	3,067
Trade receivables	2,877	-	(33)	2,844
Current income tax assets	223	-	-	223
Current financial assets	764	-	(10)	754
Cash and cash equivalents	399	-	-	399
Non-current assets held for sale and discontinued operations	-	-	-	-
TOTAL ASSETS	**31,037**	**95**	**(31)**	**31,101**
EQUITY AND LIABILITIES				
EQUITY	**9,233**	**71**	**(40)**	**9,264**
Of the Parent	9,096	71	(40)	9,127
Share capital	1,271	-	-	1,271
Share premium and reserves	7,155	71	(40)	7,186
Profit/(loss) for the period attributable to the Parent	1,463	-	-	1,463
Interim dividend	(741)	-	-	(741)
Valuation adjustments	(52)	-	-	(52)
Of non-controlling interests	137	-	-	137
NON-CURRENT LIABILITIES	**14,269**	**24**	**9**	**14,302**
Deferred income	4,730	-	-	4,730
Non-current provisions	3,382	-	-	3,382
Provisions for pensions and similar obligations	951	-	-	951
Other non-current provisions	2,431	-	-	2,431
Non-current financial debt	4,414	-	-	4,414
Other non-current liabilities	646	-	-	646
Deferred tax liabilities	1,097	24	9	1,130
CURRENT LIABILITIES	**7,535**	**-**	**-**	**7,535**
Current financial debt	978	-	-	978
Current provisions	425	-	-	425
Provisions for pensions and similar obligations	-	-	-	-
Other current provisions	425	-	-	425
Trade payables and other current liabilities	6,132	-	-	6,132
Suppliers and other payables	5,962	-	-	5,962
Current income tax liabilities	170	-	-	170
Liabilities associated with non-current assets classified as held for sale and discontinued operations	-	-	-	-
TOTAL EQUITY AND LIABILITIES	**31,037**	**95**	**(31)**	**31,101**

(1) Adjusted at 1 January 2018 as explained in Section 1.2. Changes in Accounting Principles of this Consolidated Management Report.

APPENDIX IV

Impact on the Consolidated Financial Statements for the nine-month period ended on 30 September 2018 from the Changes in the Accounting Principles

Millions of Euros

Consolidated Statement of Financial Position	30 September 2018	IFRS 15 "Revenue from Contracts with Customers"	IFRS 9 "Financial Instruments"	30 September 2018 Unaffected by the application of IFRS 9 and IFRS 15
Non-current assets	**25,875**	**(106)**	**(22)**	**25,747**
Current assets	**6,193**	**-**	**50**	**6,243**
TOTAL ASSETS	**32,068**	**(106)**	**28**	**31,990**
Equity	**9,716**	**(79)**	**44**	**9,681**
Of the Parent	9,572	(79)	44	9,537
Of non-controlling interests	144	-	-	144
Non-current liabilities	**15,482**	**(27)**	**(16)**	**15,439**
Current liabilities	**6,870**	**-**	**-**	**6,870**
TOTAL EQUITY AND LIABILITIES	**32,068**	**(106)**	**28**	**31,990**

Millions of Euros

Consolidated Income Statement	January - September 2018	IFRS 15 "Revenue from Contracts with Customers"	IFRS 9 "Financial Instruments"	January - September 2018 Unaffected by the application of IFRS 9 and IFRS 15
INCOME	**15,353**	**-**	**-**	**15,353**
PROCUREMENTS AND SERVICES	**(11,082)**	**(50)**	**-**	**(11,132)**
Other variable procurements and services	(1,698)	(50)	-	(1,748)
CONTRIBUTION MARGIN	**4,271**	**(50)**	**-**	**4,221**
EBITDA	**2,791**	**(50)**	**-**	**2,741**
Depreciation and amortisation, and impairment losses	(1,147)	39	9	(1,099)
EBIT	**1,644**	**(11)**	**9**	**1,642**
NET FINANCIAL PROFIT/(LOSS)	**(106)**	**-**	**(3)**	**(109)**
PROFIT/(LOSS) BEFORE TAX	**1,539**	**(11)**	**6**	**1,534**
Income tax	(340)	3	(2)	(339)
PROFIT FOR THE PERIOD	**1,199**	**(8)**	**4**	**1,195**
Parent company	1,193	(8)	4	1,189
Non-controlling interests	6	-	-	6

Disclaimer.

This document contains certain "forward-looking" statements regarding anticipated financial and operating results and statistics and other future events. These statements constitute no guarantee on any future performance and are subject to material risks, uncertainties, changes and other factors that may be beyond ENDESA's control or difficult to predict.

Forward-looking statements include yet are not limited to information regarding: estimated future earnings; electricity production variations of the different technologies; market share; expected variations in the gas demand and supply; management strategy and objectives; estimated cost reductions; tariffs and pricing structure; expected investments; estimated asset disposals; expected variations in generation capacity and changes in capacity mix; repowering of capacity and macroeconomic conditions. The outlooks and objectives included in this document are based on assumptions drawn from an examination of the regulatory environment, exchange rates, commodities, divestments, increases in production and installed capacity in markets where ENDESA operates, increased demand in these markets, assignment of production across different technologies, increased costs associated with higher activity yet not exceeding certain limits, electricity prices no less than certain levels, costs of combined cycle plants, availability and cost of raw materials and emission rights necessary to run our business at the desired levels.

In these statements, ENDESA is availed of the protection provided by the Private Securities Litigation Reform Act of 1995 of the United States of America with respect to forward-looking statements.

The following factors, in addition to those discussed elsewhere herein, could cause actual financial and operating results and statistics to differ materially from those expressed in our forward-looking statements: economic and industry conditions; liquidity and finance-related factors; operational factors; strategic, regulatory, legal, taxation, environmental, governmental and political factors; reputational factors; commercial or transactional factors.

Further details on the factors that may cause actual results and other developments to differ significantly from the expectations implied or explicitly contained herein are given in the Risk Factors chapter of ENDESA's regulated information filed with the Spanish Securities Exchange Commission (CNMV).

ENDESA cannot guarantee that the forward-looking statements herein will be fulfilled. Except as may be required by applicable law, neither ENDESA nor any of its subsidiaries intends to update these forward-looking statements.