Activities Report. 2014 Annual Report
ENDESA was set up in 1944 under the name of Empresa Nacional de Electricidad, S.A. On 25 June, 1997, the Ordinary General Meeting changed its name to the current Endesa S.A.

Endesa S.A. is registered in the Commercial Register of Madrid, volume 323, book 1, folio 143, page M6405. Its head office and headquarters are located at calle Ribera del Loira no. 60, 28042 Madrid, and its Tax Code Number (NIF) is A28023430.

As of 31 December, 2014, the share capital of Endesa, S.A. amounts to 1,270,502,540.40 Euros and is represented by 1,058,752,117 shares of 1.2 Euros of nominal value fully subscribed and paid-up that are fully admitted to trading in the Spanish stock market.
At year-end 2014, the Company directly employed 10,500 people in Spain and Portugal.

Its main business activity is the generation, transmission, distribution and supply of electricity. The company is also a major operator in the natural gas market and carries out other services related to energy.

ENDESA is the leading company in the Spanish electricity sector and the second operator in the Portuguese electricity market, with total assets of 30,696 million Euros on 31 December, 2014.

In the year 2014, ENDESA obtained a net benefit of Euros 3,337 million, a gross operating profit of Euro 3,090 million, an operating income of Euro 1,472 million and total revenues of Euro 21,512 million.

At year-end 2014, the Company directly employed 10,500 people in Spain and Portugal.
Nuestra misión es crear y distribuir valor en el mercado internacional de la energía para el beneficio de nuestros clientes e inversores, de la competitividad de los países en los que operamos y cumplir con las expectativas de todos los que trabajan con nosotros. Actuamos al servicio de la comunidad, respetando el entorno y la seguridad de las personas, con el compromiso de crear un mundo mejor para las futuras generaciones.

VALORES
- respeto
- atención a las personas
- orientación a los resultados
- rigor ético
- responsabilidad social

Central de Oliana (Lérida)
Misión, visión y valores de Endesa

**VALORES**

Personas: aseguramos las oportunidades de desarrollo basadas en el mérito y en la aportación profesional.

Seguridad y salud: nos comprometemos decididamente con la seguridad y salud laboral, promoviendo una cultura preventiva.

Trabajo en equipo: fomentamos la participación de todos para lograr un objetivo común, compartiendo la información y los conocimientos.

Conducta ética: actuamos con profesionalidad, integridad moral, lealtad y respeto a las personas.

Orientación al cliente: centramos nuestro esfuerzo en la satisfacción del cliente, aportando soluciones competitivas y de calidad.

Innovación: promovemos la mejora continua y la innovación para alcanzar la máxima calidad desde criterios de rentabilidad.

Orientación a resultados: dirigimos nuestras actuaciones hacia la consecución de los objetivos del proyecto empresarial y de la rentabilidad para nuestros accionistas, tratando de superar sus expectativas.

Comunidad y medio ambiente: nos comprometemos social y culturalmente con la comunidad y adaptamos nuestras estrategias empresariales a la preservación del medio ambiente.

**VISIÓN**

Un operador del negocio energético y de servicios conexos, centrado en la electricidad.

Una compañía multinacional responsable, eficiente y competitiva, comprometida con la seguridad, la salud y el medio ambiente.

Una empresa preparada para competir globalmente.

**MISIÓN**

Maximizar el valor de la inversión de sus accionistas.

Servir a sus mercados superando las expectativas de sus clientes.

Contribuir al desarrollo de sus empleados.

respeto

atención a las personas

orientación a los resultados

rigor ético

responsabilidad social
Contents

Letter from the Chairman / 8
Letter from the CEO / 12
Governing bodies of the Company / 17
Main items / 18
The Enel Group / 21
Extraordinary operations / 27
Economic, energy and regulatory framework / 31
Results of the fiscal year / 45
Strategy / 63
Businesses / 69
Other activities / 83
Sustainability and the environment / 93
Research, technological development and innovation / 105
People / 113
Social actions / 121

Appendices:
1. ENDESA generation facilities / 130
2. Relevant facts of the disinvestment of the business of Endesa, S.A. in Latin America / 133
3. Relevant facts in the Public Tender Offer / 137
Dear shareholder,

Just like every year, ENDESA discloses in this report a detailed description of the activities fulfilled and the results achieved during the fiscal year 2014. This information is aimed at all people which are part of the various groups with which ENDESA is related, of particular interest in the Company performance.

Although all groups of interest of our Company play a unique role in our attention, it is unquestionable that, due to the nature of the information contained in this report, the main addressees are ENDESA shareholders. And now, as a result of the company restructuring process performed in the last months of 2014, with the strong commitment of our major shareholder, Enel, I have the pleasure to announce that our base of shareholders has been extended and is today much larger than in previous years.

The company restructuring that, despite its complexity, has been closed with resounding success, has transformed significantly our Company profile. This operation has included several major procedures, including the following: the sales of Latin America assets to Enel under excellent economic conditions, the payment to our shareholders of an extraordinary dividend for the full amount generated by this transaction; the payment of a second extraordinary dividend, additional to the above, for the purpose of improving the level of leverage, optimising the financial structure of the Company and increasing shareholder profitability; the approval of a new dividend policy that ensures a higher visibility of the profitability of all shareholders during the next years; the introduction of a new Industrial Plan that will consolidate the growth path in Spain and Portugal, and, finally, the opening of a stock sale process, completed successfully, that has involved the addition to our shareholder base of more than 50,000 new investors.

It is a great cause of satisfaction to have completed successfully this operation, which has been performed accurately in hardly a few months respecting all demands of the good corporate government. This goal could not
have been attained without the effort and dedication of the team of Enel and ENDESA professionals performing it, to which I would like to express my deep appreciation. However, it must be acknowledged that it also involves a great responsibility that requires the following in three different settings. First, the responsibility of returning the confidence placed in us by almost 300,000 shareholders that are today part of the company and expect that we are able to increase the value and profitability of the investment. Second, the responsibility that the results we expect to achieve in the next years are firmly and reliably supported by an excellent management of the company assets. And, third, the start-up of an industrial project that ensures the sustainability of all the above on the long term.

The first of these responsibilities has been far proven, once again, through payment of the extraordinary dividends that we have distributed in 2014; the first, linked to sales of Latin American assets, was approved by the Extraordinary General Meeting of ENDESA shareholders held in the month of October, which involved the payment of 7,795 Euros gross per share; the second, linked to the improvement of the financial leverage of the company, was approved by the Board of Directors held that month and meant the payment of six Euros gross per share, based on the results of 2014.

However, this does not end our profitability commitment. In the Extraordinary General Meeting that will review the annual reports of the Company —including those you have now in your hands—, we will propose the payment of an extraordinary dividend charged to the 2014 results of 0.76 Euros gross per share.

This proposal is accurately consistent with the new dividend policy announced last year to the markets consisting not only in the payment of the ordinary dividend I have just highlighted, but also in the commitment that the ordinary dividends of 2015 and 2016 will be at least 5% higher than those paid in the years immediately previous to each of them. Furthermore: in line with the application of this new policy the Board of Directors of the Company, at its meeting of February 2015, has announced its intention of distributing as dividend 100% of the net benefit in 2015 and 2016, in case the amount is higher than resulting of applying the minimum growth of 5% indicated above.

However, it must be reiterated that it would not be reasonable or responsible to face this attractive policy of dividends if it not were supported by a solid operative and financial reality. Of course it is supported. Both extraordinary dividends approved in 2014 were faced by selling Latin American assets, on the one hand, and through an increase in our financial leverage obtained with a loan from our major shareholder in excellent conditions, completed with our own resources.

With regard to the dividend we will propose, it is fully supported by the results of the year 2014. The net benefit of the past year was logically influenced by an exceptional event: the sale of Latin American assets. Therefore, it amounted to 3,337 million Euros, an amount that includes capital gains of 1,764 million Euros resulting of the sale of these assets and 623 million generated by these assets until the date when this operation was closed. But even without these amounts, the net benefit that would include strictly that related to the business of Spain and Portugal, is 950 million Euros, an amount more than enough to face the payment of the divi-
dend of 0.76 Euros gross per share proposed, as it involves a disbursement of 805 million Euros.

The net benefit of the year 2014 amounted to 950 millions, 19.2% below that reached in the year 2013 as a result of the provisions of diverse nature given during the tax year. However, the operating management of business allowed major advances; for instance, the company sales in the deregulated electricity market were 7,946 million Euros, with a growth of 2.4%, and the income from gas sales reached 2,862 millions, with a 4% increase.

With regard to EBITDA, it reached 3,090 million Euros, 3.9% lower than the previous year, well in line with the forecasts of the Industrial Plan introduced in October 2014 and once again demonstrating the extraordinary cash generation capability always characterising our Company.

This characteristic will be maintained in the next years, considering the objectives included in the new Industrial Plan. According to the update that was publicly disclosed in March 2015, the EBITDA planned for each of the three years of the period 2015-2017 will continue to be around or slightly above 3,000 million Euros a year. Furthermore, this Industrial Plan considers investments in Spain and Portugal of about 2,500 million Euros in the aforementioned period and about 4,400 millions considering the period 2015-2019.

Therefore, the new Industrial Plan ensures a profitability and growth pathway for the next years. This growth will be made responsibly, because a significant part of this major investment effort is aimed at promoting the new energy model, more efficient and sustainable, demanded by society to overcome the problems of the present and ensure a greater well-being in the future.

In fact, the new ENDESA arising from the restructuring of society, giving its first steps on the basis of the new Industrial Plan, logically seats on a steady improvement of the traditional business, completing this attitude with a look toward the future, clearly focusing on the needs and expectations of our clients and citizens in general.

These needs and expectations demand, on the one side, to continue ensuring energy supply in the best conditions for our clients, but also to add new value added products and services providing a greater efficiency in energy consumption, which make life more comfortable and helps achieve a greater competitiveness in business development. With regard to this, I am thinking in the wide set of initiatives we are implementing, including electric transport, telemeters, digital and individualised management of consumption, smart cities, customised advice, collaboration in the use of more efficient equipment and facilities, distributed generation, et. All in all, initiatives approaching step by step to a more sustainable city in economic, social and environmental terms.

In conclusion, these initiatives clearly focus on the needs of our clients, but are of interest for the whole society, because they allows us to progress to that new sustainable and more efficient model that ENDESA wishes to lead.

This goal, amongst many other virtues, enables a significant matching of interests among the main groups mainly related to the company; shareholders that place their savings and their trust in it; clients who want to establish with it mutu-
al benefit relationships; employees that provide it with all their talent, all their experience and all their commitment; the supplying company loyally collaborating in the development of our projects and, why not to say citizens in general that consider necessary the existence of solid, modern, and reliable companies.

We would like to reciprocate all of them with a project of value and profitability that places occupational safety and health as a major priority, assuming an ethical performance in all its activities and that, in conclusion, would like to contribute as far as possible to the social and economic development of the companies where it is present.

This is the corporate project that has been to date supported by million tens of shareholders, clients, employees, suppliers and to which 70,000 investors have recently joined. We can only be grateful and responsible when giving a satisfactory response to this confidence.

Borja Prado Eulate
Chairman of ENDESA
Letter from the CEO

Dear shareholder:

It is a great satisfaction for me and a feeling of responsibility to address you, as the new CEO of ENDESA, after more than 30 years of work with the company to make available to you, through this activities report, a detailed overview of the management of our businesses during the past year. I do it with the added satisfaction of introducing not only that, in my opinion, is a set of excellent results, but also the set-up of a new stage in our company project that, for no reason, we have called the New Endesa.

This new stage has opened in a macroeconomic context still marked by the crisis, but where some undeniable symptoms of recovery have been identified. According to the data currently available, the Spanish GDP increased by 1.4%, after several years of continued reductions; the risk premium has been 107 basic points at the year 2014 and in 103 basic points at the closure of the first trimester of 2015, very far from the levels of over 500 basic points that were common not many years ago, and the unemployment rate, even though it is at too high levels, appears to record the same actual improvement and has closed the year 2014 at 23.7% of the active population at two percent points less that at the end of the previous year.

In this setting, still unfavourable but with clear symptoms of improvement, ENDESA has completed a complex, ambitious plan of corporate reorganisation operation, developed with the full support and agreement of our major shareholder, Enel, and completed successfully. Basically, this operation consisted in the acquisition by Enel Energy Europe, S.L.U. (currently called Enel Iberoamérica, S.L.U.) of the total shares of Endesa, S.A. in Latin American companies for a total amount of 8,252.9 million Euros, and the successful placement in the market of 21.92% of the share capital of Endesa, S.A. for a total amount of 3,132,945,000 Euros, performed also by Enel Iberoamérica, S.L.U., that has increased the free float of the Company to 30%, summing to it over 50,000 new shareholders and resulting in the reincorporation of the selective Ibex index 35.

With this operation, ENDESA has added value and profitability to its shareholders and started to focus exclusively on the Iberian market, thus with a definitive commitment for this market. Therefore, with the full confidence in the recovery of national economy and the clear purpose of contributing actively to it, ENDESA increases significantly its investment effort, to place it at 4,400 million Euros in the period 2015-2019, and is concentrated virtually all in Spain.

This company restructuring process has been undertaken in parallel to obtaining, once again, solid, consistent results. The income of the period 2014 has reached 21,512 million Euros, virtually with no deviation from 2013; the EBITDA (gross operation result) has continued at very high levels, to reach 3,090 million Euros, with a reduction of 3.9%, and the EBIT has undergone a reduction of 8.9% from the previous year, amount to (million Euros).

In turn, the net benefit was 3,337 million Euros, 77.6% higher than the previous year mainly as a result of the capital gains for the Latin American business sales mentioned above,
amounting to 1,764 million Euros. Discounting the total net benefit figure both the latter figure and the 623 millions generated by that business to the date when the sale and purchase operation, the net benefit of the continued activities amounts to 950 million Euros, which means a reduction of 19.2% from that obtained in the previous year, mainly as a result of several provisions and other non-recurrent factors.

To end this overview, the main economic data of ENDESA in 2014, it must be noted that the company has performed during it a significant investment of 788 net million Euros of contributions and transfers, in Spain and Portugal, clearly in line with the forecasts included in the Industrial Plan submitted in October of the same year.

Therefore, the main economic performance of the tax year, though affected by the still unfavourable conditions of the environment —including a new reduction in electricity demand—a, were in line with the robustness and consistency that characterises ENDESA and are a firm basis for the development of the new Industrial Plan concentrated in the Iberian market that we introduced to the markets in the first days of the month of October, 2014, and that we have updated in March, 2015.

In addition, it must be considered that these figures were obtained in a tax year where important regulatory novelties continued to occur in Spain. After the measures adopted by the Government in 2013 to solve the most pressing sector problem, i.e., the tariff deficit, during the year 2014 it has continued to be developed within the legal framework of the Spanish electrical sector. Of the measures adopted, I would like to highlight those mentioned below.

First, in March 2014, the method for calculating small consumer voluntary prices (SCVP) and its legal contracting system were established, as well as the requirement for Reference resellers to make an offer to the clients with right to SCVP as a fixed price for one year.

Second, in this same month of March, the distribution percentages of the relative amounts for the Discount Rate of 2014 were fixed, 41.61% of them corresponding to ENDESA.

Third, in the month of August, the procedure of budgeting, recognition, settlement and control of extraordinary costs resulting of the production of electrical energy in the isolated electrical systems of non-mainland territories with charge to the General State Budget was regulated. Subsequently, between July 2014 and January 2015, two proposals have been received in relation to the Royal Decree that develops the regulations of generation in non-mainland territories. ENDESA has registered its income for this activity since the year 2012, based on the last Royal Decree draft available.

Finally, in December 2014, the procedure for right of transfer of collection of the electric system deficit of the year 2013 was regulated and the method for calculating the exchange rate to be paid for the rights of collection of said deficit was developed. It must be noted that, according to the estimations available when this report was drafted, in the year 2014 the tariff balance could be virtually finally reached.

In any case, the description of the sector environment where we have developed our activities in 2014 cannot ignore that, according to above, the Spanish electricity market is very far from reaching the activity levels characteristic of the years prior to the crisis, as demonstrated by the fact that the mainland electrical demand has decreased 0.2% in 2014, even after correcting for the industrial activity and temperature effects.

However, ENDESA was able to maintain this deficit around its leadership position in the mainland generation market in the ordinary system, with a share of 37.7%. ENDESA’s generation park in Spain and Portugal reached a total net production of 69.681 GWh between the ordinary system of the mainland and the non-mainland product, with an increase of 1.8% vs 2013, despite the abovementioned demand reduction.

Specifically ENDESA production in the mainland was 2.5% higher than in 2013, highlighting the good general performance of all thermal technologies, with the framework of the increase of the “thermal gap” vs 2013, while a slight reduction occurred in the production of water and nuclear technologies.

Therefore, ENDESA continued to show a “mix” of highly diversified production, with a high involvement of water and nuclear technologies, which provides it with a clear competitive advantage.
With regard to the sales of our marketer, they were about a total of 93,928 GWh through over 11 million supply sites, reaching a share of 36.9% in terms of energy and maintaining thus also its leadership position in this business aspect of its business.

A significant part of this position is due to the proactive attitude of the Company of continuing developing new products and services of added value for the clients. A significant example of this has been that ENDESA has become in 2014 the first company in the Spanish energy sector that launched onto the market, through the “Tarifa One”, an option to contract both electricity and gas, with an individualised management of the client relation with the Company fully through the Internet.

On the other hand, it must be noted that in the year 2014 we have given a strong impetus to the deployment of smart meters, installing a total of almost 1 million units along the year and reaching a total amount of 5 million apparatus installed at the end of it. The deployment of these remote meters is essential to implement the new hour charging system approved by the Spanish government.

This impetus to the development of new proposals of value for clients is performed compatibly with the maintenance high standard in the technical quality of the supply. The proof is that the TIPE indicator (time of interruption equivalent to the installed power) was around only 48 minutes on the year as a whole, virtually the same value of 2013, which means a reliability of service of 99.99% of hours of the year.

Furthermore, in the field of improvement of our supply activities, it must be remembered that the European Bank of investments has granted to ENDESA a funding for an amount of 600 million Euros to support the development of new investments for the period 2013-2015. This loan will be allocated to investments in the Company electrical network throughout the Spanish territory for the purpose of facing the expected recovery of demand regulatory requirements, improving grid quality and reliability of supply, according to the current regulations in safety and environmental matters.

In turn, the commitment of ENDESA as energy company is evidenced as a significant presence in the Iberian natural gas market, that is materialised in the commercialisation of gas and a strong activity in the field of energy management including relevant international supply contracts.

In particular, the total gas volume marketed by the company amounted to 74,343 GWh in 2014, 3.7% more than in 2013. The customer portfolio of the Company in the conventional natural gas market, excluding sales for electricity generation, was formed by 1.2 million supply points on 31 December, 2014, with a consumption of 46,586 GWh/year, which provides a relevant role in this market.

This is summed to the fact that, in addition to having excellent relations in its traditional business in benefit of clients and the entire community, ENDESA is still committed unavoidably to the development of a sustainable energy system which is efficient and competitive. A good example of this is the effort made in innovation and technological development, in close collaboration with its major shareholder, Enel, sharing effectively with its synergisms and best practices.

This permanent effort is worked out through projects such as Store, through which it has started up in the Canary Islands the first storage plants for electrical energy integrated in the Spanish electricity grid; the Smart City of Malaga, a project led by ENDESA that has achieved savings of 25% in electricity consumption in this area in the period 2009-2013 by the implantation of energy efficiency systems or the improvement of the energy consumption of the public lighting, with the replacement of the points lights by lamps of low-consumption technologies or electrical mobility, a preferred field in the innovative effort of the Company, that in 2014 has seen milestones such as being one of the companies selected by the ministry of Farming, Food and the Environment for progressive replacement of internal combustion engine vehicles by electricity vehicles in the fleets of Spanish townships, as well as for the installation of a charging point per vehicle replaced and the supply of added value mobility services (control and monitoring of the infrastructure and management of fleets and optimisation of routes). On the other hand, ENDESA is the only Spanish electricity company and one of the two representatives of the European electrical industry that is part of the consortium of the European ZeEUS (Zero Emission Urban Bus System), a pioneer initiative for the purpose of demonstrating the economic, environmental and social viability of urban electric buses.
All these embodiments are fully consistent and contribute a solid ground for the development of our Industrial Plan 2015-2019, with the main objectives of ensuring the leadership of ENDESA in the Iberian market and promoting implantation of a new energy model, which is more efficient and sustainable.

Therefore, this Industrial Plan is aimed at providing a growth and value generation pathway that, as traditional in the Company, will be translated into high profitability levels for our shareholders. This is demonstrated by the extraordinary dividends of 7,795 and 6 Euros gross per share, respectively, that were paid in 2014 with the company restructuring process and the new approved dividend policy, furthermore, within the framework of this process, consisting in the payment of an ordinary dividend of 0.76 Euros gross per share with charge to the 2014 results, that will grow at least 5% in the next two years and may even reach 100% of the consolidated net profit of both tax years in case the amount is higher than the result of applying this minimum growth of 5% just mentioned.

The solid performance of the corporate business, the consistent Industrial Plan notified to the markets in 2014 and this attractive policy of dividends are no doubt some of the main factors contributing to the fact that markets are valuing very positively the company titles, which has resulted in a marked increased share price in the stock market. Since the above-mentioned public placement of shares was ended, ENDESA share pricing increased from 13.5 to 18 Euros at the end of the first trimester of 2015, which means an appreciation right of 33%. And if we look at only at the tax year 2014, the total profitability provided to the shareholder, calculated as the sum of the stock market profitability and profitability per dividends, amounted to 37%.

Therefore, ENDESA can come before its stakeholders with the certainty that it is providing a high profitability to its shareholders, a service increasingly valuable and efficient to its clients, a collaboration relationship loyal to its supplying companies, a healthy, safe work environment to its employees, and the ambition of leading a new, more sustainable energy model to the entire community, all of this supported in the strength that for being member of the Enel Group, one of the largest multinational companies of the energy industry worldwide. However, none of this is more than the manifestation of our willingness to fulfil our duties with full responsibility, for the purpose of returning to our stakeholders, with our most sincere thanks, the trust they place in us.

José D. Bogas Gálvez
CEO of ENDESA
Emptying of the dam of Canelles (Lérida)
# Governing bodies of the Company

## BOARD OF DIRECTORS

**HONORARY CHAIRMEN**
- Mr. Rodolfo Martín Villa
- Mr. Manuel Pizarro Moreno

**CHAIRMAN**
- Mr. Borja Prado Eulate

**VICE CHAIRMAN**
- Mr. Francesco Starace

**CEO**
- Mr. José D. Bogas Gálvez

**MEMBERS**
- Mr. Alberto de Paoli
- Mr. Miquel Roca Junyent
- Mr. Alejandro Echevarría Busquet
- Mr. Livio Gallo
- Mr. Enrico Viale
- Mrs. Helena Revoredo Delvecchio

**SECRETARY**
- Mr. Salvador Montejo Velilla

## AUDIT AND COMPLIANCE COMMITTEE

**CHAIRMAN**
- Mr. Miquel Roca Junyent

**MEMBER**
- Mr. Alejandro Echevarría Busquet
- Mr. Alberto de Paoli
- Mr. Borja Prado Eulate
- Mrs. Helena Revoredo Delvecchio

**SECRETARY**
- Mr. Salvador Montejo Velilla

## EXECUTIVE MANAGEMENT COMMITTEE

**CEO**
- Mr. José D. Bogas Gálvez

**ADMINISTRATION, FINANCIAL DEPT. IBERIA CONTROL**
- Mr. Paolo Bondi

**IBERIA AUDIT**
- Mr. Enrique Durand Baquerizo

**IBERIA COMMUNICATION**
- Mr. Alberto Fernández Torres

**IBERIA MEDIA**
- Mr. José L. Puche Castillejo

**INSTITUTIONAL RELATIONS AND IBERIA REGULATION**
- Mr. José Casas Marín

**ENDESA LEGAL COUNSELLING AND CORPORATE AFFAIRS**
- Mr. Ricardo Pérez Blanco

**IBERIA PURCHASES**
- Mr. Pablo Azcoitia Lorente

**ICT IBERIA**
- Mr. Manuel F. Marín Guzmán

**HUMAN RESOURCES AND IBERIA ORGANISATION**
- Mr. Andrea Lo Faso

**IBERIA SUSTAINABILITY**
- Mr. Fernando Ferrando Vitales

**IBERIA MARKETING**
- Mr. Javier Uriarte Monereo

**IBERIA GENERATION**
- Mr. Manuel Morán Casero

**IBERIA ENERGY MANAGEMENT**
- Mr. Álvaro L. Quiralte Abello

**IBERIA INFRASTRUCTURES AND NETWORKS**
- Mr. Francesco Amadei

**IBERIA NUCLEAR**
- Mr. José M. Grávalos Lasuen

## EXECUTIVE COMMISSION

**CHAIRMAN**
- Mr. Borja Prado Eulate

**MEMBER**
- Mr. Francesco Starace
- Mr. José D. Bogas Gálvez
- Mr. Alberto de Paoli
- Mr. Miquel Roca Junyent

**SECRETARY**
- Mr. Salvador Montejo Velilla

## APPOINTMENTS AND COMPENSATION COMMITTEE

**CHAIRMAN**
- Mr. Alejandro Echevarría Busquet

**MEMBER**
- Mr. Alberto de Paoli
- Mr. Miquel Roca Junyent
- Mrs. Helena Revoredo Delvecchio

**SECRETARY**
- Mr. Salvador Montejo Velilla
## Key financial data

### Financial status parameters (million Euros)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 (1)</th>
<th>2014 (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL ASSETS</td>
<td>62,588</td>
<td>58,721</td>
<td>58,778</td>
<td>55,957</td>
<td>30,696</td>
</tr>
<tr>
<td>Business in Spain and Portugal</td>
<td>40,779</td>
<td>37,477</td>
<td>36,063</td>
<td>34,094</td>
<td>30,696</td>
</tr>
<tr>
<td>Business in Latin America</td>
<td>21,809</td>
<td>21,244</td>
<td>22,715</td>
<td>21,863</td>
<td></td>
</tr>
<tr>
<td>PROPERTY, PLANT AND EQUIPMENT</td>
<td>32,896</td>
<td>32,904</td>
<td>34,106</td>
<td>31,591</td>
<td>21,104</td>
</tr>
<tr>
<td>Business in Spain and Portugal</td>
<td>22,001</td>
<td>21,978</td>
<td>22,457</td>
<td>21,339</td>
<td>21,104</td>
</tr>
<tr>
<td>Business in Latin America</td>
<td>10,895</td>
<td>10,926</td>
<td>11,649</td>
<td>10,252</td>
<td></td>
</tr>
<tr>
<td>NET EQUITY OF THE PARENT COMPANY</td>
<td>17,776</td>
<td>19,291</td>
<td>20,653</td>
<td>20,521</td>
<td>8,576</td>
</tr>
<tr>
<td>Business in Spain and Portugal</td>
<td>12,800</td>
<td>14,416</td>
<td>15,642</td>
<td>15,669</td>
<td>8,576</td>
</tr>
<tr>
<td>Business in Latin America</td>
<td>4,976</td>
<td>4,875</td>
<td>5,011</td>
<td>4,852</td>
<td></td>
</tr>
<tr>
<td>EQUITY - MINORITY INTERESTS</td>
<td>5,388</td>
<td>5,388</td>
<td>5,716</td>
<td>6,241</td>
<td>-1</td>
</tr>
<tr>
<td>Business in Spain and Portugal</td>
<td>-2</td>
<td>15</td>
<td>-7</td>
<td>0</td>
<td>-1</td>
</tr>
<tr>
<td>Business in Latin America</td>
<td>5,390</td>
<td>5,373</td>
<td>5,723</td>
<td>6,241</td>
<td></td>
</tr>
<tr>
<td>NET FINANCIAL DEBT</td>
<td>15,336</td>
<td>11,002</td>
<td>8,778</td>
<td>4,337</td>
<td>5,420</td>
</tr>
<tr>
<td>Business in Spain and Portugal</td>
<td>10,684</td>
<td>6,841</td>
<td>5,059</td>
<td>1,435</td>
<td>5,420</td>
</tr>
<tr>
<td>Business in Latin America</td>
<td>4,652</td>
<td>4,161</td>
<td>3,719</td>
<td>2,902</td>
<td></td>
</tr>
</tbody>
</table>

### Outcome variable results (million Euros)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 (3)</th>
<th>2014 (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING INCOME</td>
<td>31,177</td>
<td>32,686</td>
<td>33,933</td>
<td>21,515</td>
<td>21,512</td>
</tr>
<tr>
<td>Business in Spain and Portugal</td>
<td>21,191</td>
<td>22,650</td>
<td>23,146</td>
<td>21,515</td>
<td>21,512</td>
</tr>
<tr>
<td>Business in Latin America</td>
<td>9,986</td>
<td>10,036</td>
<td>10,787</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPERATING INCOME (EBIT)</td>
<td>5,031</td>
<td>4,653</td>
<td>4,418</td>
<td>1,615</td>
<td>1,472</td>
</tr>
<tr>
<td>Business in Spain and Portugal</td>
<td>2,483</td>
<td>2,244</td>
<td>1,998</td>
<td>1,615</td>
<td>1,472</td>
</tr>
<tr>
<td>Business in Latin America</td>
<td>2,548</td>
<td>2,409</td>
<td>2,420</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROFIT AFTER TAX AND MINORITY INTERESTS</td>
<td>4,129</td>
<td>2,212</td>
<td>2,034</td>
<td>1,879</td>
<td>3,337</td>
</tr>
<tr>
<td>Business in Spain and Portugal</td>
<td>3,498</td>
<td>1,593</td>
<td>1,410</td>
<td>1,176</td>
<td>950</td>
</tr>
<tr>
<td>Business in Latin America</td>
<td>631</td>
<td>619</td>
<td>624</td>
<td>703</td>
<td>2,387</td>
</tr>
<tr>
<td>GROSS OPERATING RESULT OF TURNOVER (EBITDA)</td>
<td>7,474</td>
<td>7,265</td>
<td>7,005</td>
<td>3,216</td>
<td>3,090</td>
</tr>
<tr>
<td>Business in Spain and Portugal</td>
<td>4,079</td>
<td>4,024</td>
<td>3,796</td>
<td>3,216</td>
<td>3,090</td>
</tr>
<tr>
<td>Business in Latin America</td>
<td>3,395</td>
<td>3,241</td>
<td>3,209</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Main economic flows (million Euros)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 (1)</th>
<th>2014 (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET FLOWS FROM OPERATING ACTIVITIES</td>
<td>5,905</td>
<td>5,838</td>
<td>5,247</td>
<td>4,509</td>
<td>3,714</td>
</tr>
<tr>
<td>Business in Spain and Portugal</td>
<td>3,532</td>
<td>3,407</td>
<td>3,114</td>
<td>2,251</td>
<td>2,869</td>
</tr>
<tr>
<td>Business in Latin America</td>
<td>2,373</td>
<td>2,431</td>
<td>2,133</td>
<td>2,588</td>
<td>845</td>
</tr>
<tr>
<td>TOTAL INVESTMENTS</td>
<td>3,408</td>
<td>2,826</td>
<td>2,727</td>
<td>2,616</td>
<td>2,501</td>
</tr>
<tr>
<td>Business in Spain and Portugal</td>
<td>2,211</td>
<td>1,495</td>
<td>1,413</td>
<td>1,102</td>
<td>1,413</td>
</tr>
<tr>
<td>Business in Latin America</td>
<td>1,197</td>
<td>1,331</td>
<td>1,314</td>
<td>1,514</td>
<td>1,088</td>
</tr>
<tr>
<td>DIVIDENDS</td>
<td>1,077</td>
<td>642</td>
<td></td>
<td>1,588</td>
<td>15,410</td>
</tr>
</tbody>
</table>

### Data per share (Euros)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>3.9</td>
<td>2.09</td>
<td>1.92</td>
<td>1.77</td>
<td>3.15</td>
</tr>
<tr>
<td>Dividend</td>
<td>1.02</td>
<td>0.61</td>
<td></td>
<td>1.50</td>
<td>14.56</td>
</tr>
<tr>
<td>Net equity of the parent company</td>
<td>16.79</td>
<td>18.22</td>
<td>19.51</td>
<td>19.38</td>
<td>8.10</td>
</tr>
<tr>
<td>Total profitability for the shareholder (in %)</td>
<td>-15.13</td>
<td>-12.58</td>
<td>10.26</td>
<td>38.11</td>
<td>36.67</td>
</tr>
<tr>
<td>PER (Price/Result) (times)</td>
<td>4.95</td>
<td>7.59</td>
<td>8.78</td>
<td>13.13</td>
<td>5.25</td>
</tr>
</tbody>
</table>

(1) Re-expressed in compliance with NIIF 11.
(2) On 23 October, 2014, the ENDESA’s disinvestment business was materialised in Latin American.
(3) Re-expressed according to NIIF 11 and NIIF 5.
(4) According to NIIF 5, ENDESA business parameters in Latin America in 2013 and 2014 are included in the Post-Tax Profit of Discontinued Operations.
(5) ENDESA’s business parameters in Latin American in 2014 include the corresponding to the disinvestment date (23 October, 2014).
Key financial data

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Template</td>
<td>24,732</td>
<td>22,877</td>
<td>22,807</td>
<td>22,541</td>
<td>10,500</td>
</tr>
<tr>
<td>Spain and Portugal  (1)</td>
<td>12,151</td>
<td>11,670</td>
<td>11,504</td>
<td>10,933</td>
<td>10,500</td>
</tr>
<tr>
<td>Latin America</td>
<td>12,462</td>
<td>11,092</td>
<td>11,301</td>
<td>11,608</td>
<td>0</td>
</tr>
<tr>
<td>Rest</td>
<td>119</td>
<td>115</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capacity (MW)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain and Portugal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hydroelectric</td>
<td>4,731</td>
<td>4,716</td>
<td>4,716</td>
<td>4,755</td>
<td>4,759</td>
</tr>
<tr>
<td>Conventional thermal (2)</td>
<td>14,720</td>
<td>14,675</td>
<td>14,720</td>
<td>14,513</td>
<td>14,475</td>
</tr>
<tr>
<td>Thermal - nuclear (2)</td>
<td>3,665</td>
<td>3,681</td>
<td>3,686</td>
<td>3,443</td>
<td>3,443</td>
</tr>
<tr>
<td>Latin America</td>
<td>15,835</td>
<td>15,832</td>
<td>16,301</td>
<td>11,500</td>
<td>0</td>
</tr>
<tr>
<td>Rest (2)</td>
<td>1,191</td>
<td>1,191</td>
<td>123</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Output (GWh)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain and Portugal  (4)</td>
<td>67,049</td>
<td>75,132</td>
<td>77,386</td>
<td>68,439</td>
<td>69,681</td>
</tr>
<tr>
<td>Hydroelectric</td>
<td>9,208</td>
<td>6,179</td>
<td>5,350</td>
<td>9,511</td>
<td>8,778</td>
</tr>
<tr>
<td>Conventional thermal</td>
<td>29,664</td>
<td>43,776</td>
<td>45,069</td>
<td>33,036</td>
<td>36,141</td>
</tr>
<tr>
<td>Thermal - nuclear (2)</td>
<td>27,619</td>
<td>25,177</td>
<td>26,967</td>
<td>25,892</td>
<td>24,762</td>
</tr>
<tr>
<td>CHP and renewables (2)</td>
<td>558</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Latin America</td>
<td>62,416</td>
<td>62,767</td>
<td>63,118</td>
<td>61,449</td>
<td>45,107</td>
</tr>
<tr>
<td>Rest (2)</td>
<td>1,020</td>
<td>815</td>
<td>930</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sales to end customer (GWh)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain and Portugal</td>
<td>106,894</td>
<td>105,241</td>
<td>102,766</td>
<td>96,122</td>
<td>93,928</td>
</tr>
<tr>
<td>Deregulated market (6)</td>
<td>106,894</td>
<td>105,241</td>
<td>102,766</td>
<td>96,122</td>
<td>93,928</td>
</tr>
<tr>
<td>Latin America (7)</td>
<td>55,571</td>
<td>57,095</td>
<td>59,724</td>
<td>61,248</td>
<td>47,028</td>
</tr>
<tr>
<td>Rest (2)</td>
<td>11,729</td>
<td>11,537</td>
<td>11,431</td>
<td>11,376</td>
<td>11,206</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Energy distributed (GWh)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain and Portugal</td>
<td>117,670</td>
<td>115,727</td>
<td>115,390</td>
<td>112,031</td>
<td>110,945</td>
</tr>
<tr>
<td>Latin America</td>
<td>75,533</td>
<td>77,800</td>
<td>81,786</td>
<td>84,357</td>
<td>64,827</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No. of clients (thousands)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain and Portugal</td>
<td>25,001</td>
<td>25,192</td>
<td>25,446</td>
<td>25,757</td>
<td>11,206</td>
</tr>
<tr>
<td>Regulated market (9)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Deregulated market (6)</td>
<td>11,729</td>
<td>11,537</td>
<td>11,431</td>
<td>11,376</td>
<td>11,206</td>
</tr>
<tr>
<td>Latin America</td>
<td>13,272</td>
<td>13,655</td>
<td>14,015</td>
<td>14,381</td>
<td>11,107</td>
</tr>
<tr>
<td>Rest (2)</td>
<td>11,729</td>
<td>11,537</td>
<td>11,431</td>
<td>11,376</td>
<td>11,206</td>
</tr>
</tbody>
</table>

(1) In contrast to previous years, 2010 to 2013 data include figures for Asociación Nuclear Ascó-Vandellos, Carbopego, Nuclenor, Pegop Energía Eléctrica, Tejo Energía and Endesa Ingeniería due to changes to the consolidation scope.
(2) Data consolidated by ENDESA.
(3) Includes Chilean power station GasAtacama.
(4) Data measured at busbar cost.
(5) Does not include sales to end customers made by generation companies in Europe.
(6) To provide coherent economic data for this business, includes sales made by Endesa Energía and customers in European countries outside of Spain and Portugal.
(7) Does not include tolls or unbilled consumption.
(8) Measured at busbar cost.
(9) Tariff customers. Does not include toll customers.
The Enel Group
1. Enel, international leader

Talking about Enel is talking about the largest electrical company in Italy, which has most of the electricity grid in the country, and also an active operator in production, supply and sales of electricity and gas. It is a multinational company that focuses on the European and Latin American market, and with its 61 million end users all over the world, the Group the largest client base of its European competitors.

Enel is listed on the stock exchange of Milan since 1999 and its main shareholder is the Ministry of Economy and Finances of Italy, with 31.24% of the capital. It has the largest number of shareholders of an Italian company (around 1.2 million minority and institutional investors).

Its shareholders include the largest international investment funds, insurance companies, pension funds and ethical funds, together with more than one million small savers, that view positively the adopting of the best international practices with regard to transparency, corporate governance, environmentally-friendly and sustainability policies and zero tolerance to corruption and Ethical Code.

2. ENDESA in the Enel Group

ENDESA has 70.144% of its share capital acquired by Enel.

Enel Group has in Spain and Portugal, through ENDESA, a strong presence in the supply and sales of gas and electricity, managing about 11.2 million clients, with an installed power of 22 GW.

Also through ENDESA, Enel participates in the setting of gas and operates a thermal power plant in Morocco.

3. Energy without borders

After its consolidation as a multinational group, Enel is currently working on the consolidation of acquired assets and the greatest integration of its businesses. The Group fulfils operations in 32 countries from 4 continents, with particular focus on Europe and Latin America, manages the generation of energy of over 95 GW of installed net powered and supplies electricity and gas through a network covering around 1.9 million kilometres.

In Italy, Enel is the first electrical company. It operates in the area of generation with thermal power stations and in renewable sources with almost 37 GW of installed power. Of these, over 3 GW of stations of renewable sources operate through EGP. In addition, Enel manages most of the electricity distribution system of Italy and provides packages of electricity and gas products and services to its 31 million Italian customers.

In the Iberian Peninsula, after placing in Madrid Stock Market an additional 22% of the share capital of its Spanish subsidiary ENDESA, now Enel has 70.144% of the electricity company leader in Spain and second in Portugal. ENDESA has about 22 GW of installed power and a strong presence in the distribution sector and the sales of electricity and gas products to around 11.2 million customers. Furthermore, EGP operates 1.8 GW in renewable sources plants in this region.

In Europe, Enel is also present in Slovakia, where it has 66% of Slovenské Elektrárne, the largest power generator of the country and the second in Central and Eastern Europe, with a generation capacity of almost 5 GW. In Romania, the Group provides service to 2.7 million customers through its distribution network. Also in Romania, as well as in Greece, EGP has and operates renewable energy generation plants. In Russia, Enel operates in the sector of generation —where its subsidiary Enel Russia has over 9 GW thermal electrical capacity— and in the retail distribution sector, where Enel has 49.5% of RusEnergoSbyt, one of the largest independent suppliers of the country. In France, Enel develops activi-
ties in electricity and gas supply, as well as in the generation from renewable sources.

Enel is a major player in the power market in Latin America, where Enersis is one of the leading private-sector utilities both in terms of installed capacity and number of clients. In the distribution sector, the Group is present in the Brazilian state of Ceará and in five of the main cities in South America: Rio de Janeiro, Bogotá, Buenos Aires, Santiago de Chile and Lima. In the transmission sector, Enersis operates an interconnection power between Brazil and Argentina. Chile and Brazil, as well as Costa Rica, Guatemala, Panama and

Enersis’ subsidiaries operate in 5 countries, with nearly 18 GW of installed capacity from thermal, hydro and other renewable power plants and serve 14.5 million customers. In the generation sector, Enersis owns and operates 4.4 GW in electrical connection in Argentina; 1.0 GW in Brazil; 6.2 GW in Chile; 2.9 GW in Colombia and 1.8 GW in Peru. In Mexico have over 1.2 GW of wind and hydroelectric stations operated by EGP Latin America.

In the US, EGP North America has and operates almost 2 GW hydroelectrical, geothermal, wind, solar and biomass stations.
In Africa Enel is present in the upstream gas sector, developing gas fields in Algeria and Egypt. Through ENDESA, Enel also operates in electric thermal stations in Morocco. In South Africa, Enel Green Power recently constructed and connected to the net its first photovoltaic plant in the country, in Upington (0 MW); in addition it has been adjudicated energy supply contracts photovoltaic and wind for a total of 513 MW within the framework of a public renewable energy promoted by the government of South Africa.

On 31 December, 2014, the Enel Group employed 68,961 people (70,342 at the end of 2013). The changes in the manpower (1,381 employees less) are the result of the balance of the new contracts and fires (the latter reaching the amount of 1,404 people in the year studied).

4. Innovation and quality of service

The Enel group promotes technological innovation for generating electrical energy very efficiently and responsible and provides news solutions to customers (from energy efficiency to smart rid) under common denominator; electrical energy, the cleanest and most efficient.

Enel was the first energy company in the world to replace the traditional electromechanical smart meters which allow to measure consumption in real time and manage contract relations remotely. This innovative tool is key for developing smart nets, smart cities and e-mobility.

Enel assumed a strong commitment to renewable energy sources and to research and development of new ecological technologies. Enel Green Power (EGP) is the Group Company listed in the stock market that deals with the generation of electrical energy, the cleanest and most efficient.
renewable energy, operating sources of over 9 GW net capacity installed based on water, wind, geothermal, sun, biomass and cogeneration in Europe, America and Africa Enel Green Power is the renewable energy company with smart technology most diversified of its competitors all over the world.

All of this providing maximum attention to quality of service and relationship with our partners with a clear social policy of social responsibility, that ensures both today and in the future the creation of value for stakeholders.

5. Results of Enel Group 2014

In the year 2014, Enel incomes amounted to 75,791 million Euros, which means a reduction of 2,872 million Euros (−3.7%) as compared to the values recorded in 2013. This situation is mainly due to the income reduction from the sales and transport of electricity, associated to a lower volume generated and sold in an economic environment, where the demand is still falling, as well as the variation in the exchange rates of the Euro over the local currencies of several countries where the Group operates (in particular, Latin American countries, and Russia).

The EBITDA amounted to 15,757 million Euros, 5.6% below 16,691 million Euros recorded in 2013, mainly due to the changes caused by sales of equity investments. Excluding these items, the EBITDA amounted to 15,502 million Euros (15,769 million Euros in 2013), recording a reduction of 1.7%, basically attributable to the changes in the exchange rates, with an effect partially compensated by the improvement in the electricity sales margin in Italy.

The EBIT 2014 was 3,087 million Euros, with a reduction of 68.3% as compared to 2013 (9,740 million Euros), a situation attributable to the increased losses for devaluations recorded in 2014 as compared to 2013. The net benefit of the Group amounted to 517 million Euros vs 3,235 million Euros in 2013 (−84.0%). The reduction is mainly due to the contraction in EBIT, the increase in the net financial costs and some losses for recognised devaluations in a number of minority shares of the Group.

The net financial debt reached at the end of 2014 amounted to 37,383 million Euros, i.e., 2,323 million Euros less than the 35,060 million Euros recorded at the end of 2013. This reduction shows the positive effects of the ordinary business activities of the fourth trimester of the year, the elimination of some non-strategic assets as well as the extraordinary operation cash flows (amongst others placing 21.92% of the share capital of ENDESA). These positive effects were partially counteracted by the financing needs for the payment of dividends and investments of the period, as well as for the negative impact (equivalent to 1,100 million Euros) of the differences in the exchange rates, mainly associated with a middle-long term debt in currencies other than the Euro. On 31 December, 2014, the debt/heritage ratio was 0.73 as compared to 0.75 at the end of 2013, while the debt/EBITDA ratio was 2.4 (with no changes since 31 December, 2013).
Extraordinary Operations
1. Disinvestment of Endesa, S.A. business in Latin America

Endesa, after joining Enersis in 1997, operated in five Latin American countries: Argentina, Brazil, Chile, Colombia and Peru.

On July 31, 2014, Endesa notified to the CNMV (National Commission of the Securities market) that the Board of Directors if the company signed an agreement taking, for the aforementioned reason, received by Enel, S.p.A., through the company Enel Energy Europe Sociedad Limitada, 100% shared by Enel, so a formal was request was issued to Endesa to study a proposal of acquisition, by Enel Energy, of 100% of the shares of Endesa Latinoamérica S.A. (company also owner of 40.32% share capital of Enersis, S.A.) and the acquisition also of 20.3% of the shares of Enersis, S.A., that were held by Endesa.

The purpose of this sales and purchase proposal was to generate value for its shareholders; reorganise the companies of the Enel group and potentiate Endesa with a focalised business plan focusing on the Iberian market.

On 31 July, 2014, Endesa reported to the CNMV that Enel sent the purchase offer for an overall price of 8,252.9 million Euros (based on an implicit price per share of Enersis of 215 Chilean pesos, equivalent to 0.28 Euros at the exchange rate of 10 September, 2014), a price that, according to the offer, was obtained by applying the international procedures and methods of evaluation generally accepted in this type of operations.

Subsequently, on 17 September, Endesa reported again to the CNMV that it accepted the offer and, therefore, the Extraordinary General Meeting was summoned for the subject to be discussed by the shareholders. After holding this meeting on 23 October, 2014, Endesa sold to Enel Energy Europe, S.L.U. its business in Latin American for a total amount of 8,252.9 million Euros and on 23 October, Endesa reported again to the CNMV that its General Extraordinary Meeting of shareholders that approved the operation.

Since the disinvestment in Latin America, Endesa activity, that to date was organised in two business lines —on the one hand, the business in Latin America and, on the other hand, Spain and Portugal—, focuses mainly on Spain and Portugal. The disinvestment in Latin America discussed above has a significant effect on the business plans of Endesa. With regard to the business, the current Endesa will focus its activity mainly on the Iberian Peninsula as it has virtually no share in companies in international markets.

(Appendix 2, page 133, contains the full information of the operation).
2. Initial public offering

In November, 2014, Enel performed a share sales operation in the institutional and retail market through which its presence in the capital share of ENDESA turned from 92.06% to 70.14%.

The operation was performed by an initial public offering in Spain, aimed at minority investors (IPO) and an offer aimed at Spanish and international institutional investors (institutional offer), an operation that was valued by the major market operators and by private investors, to the extent that share demand in the retail setting was about 1.7 times higher than the initially planned volume. At the end of the operation, 232,070,000 shares were assigned (34,810,500 for the initial public offering and 197,259,500 for the institutional offer), equivalent to 21.92% of the corresponding capital share, for a total amount of 3,132,945,000 Euros.

The primary objective of the initiative was ENDESA strengthening as a result of the Group restructuring plan. The plan, which led to the separation of the organisational dealing with activities in the Iberian Peninsula and in Latin America, allows for better focusing on businesses in two geographic settings with well differentiated characteristics: the Iberian market is a mature market, while the Latin American market is a major growth opportunity. In particular, by this operation, Enel increase the value of share in ENDESA and overcome the previous liquidity status limited of the ENDESA title. After this operation, Enel continues keeping the control over ENDESA, with a share of 70.144%.

Last 4 November, the Board of Directors of Enel decided to start the launch onto the market of a share of the social capital of ENDESA by the controlled company Enel Energy Europe. Subsequently, considering the requests received, said Board fixed the price of the offer to institutional investors in 13.50 Euros per share, a value that was also applied to the offer to the retail investors.

The initial stock volume was 17% of the social capital of ENDESA, with the possibility of reaching up to 22%, by the green shoe option which allows the issuer of shares, adjusting it to the demand of titles by investors. The placement shall have an appendix next year, as a bonus share mechanism considers the free allocation of an ENDESA share per every 40 shares purchased during the initial public offering and kept without interruptions for 12 months since the date of payment.

After the end of the public offering of securities of ENDESA the composition of the shareholders of the company was then set as follows:

<table>
<thead>
<tr>
<th>Total ENDESA’s shares</th>
<th>1,058,752,117</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENDESA’s shares owned by Enel</td>
<td>742,647,763</td>
<td>70.144%</td>
</tr>
<tr>
<td>ENDESA’s shares owned by Capital Research and Management</td>
<td>58,564,859</td>
<td>5.531%</td>
</tr>
<tr>
<td>Other minority shareholders</td>
<td>257,539,495</td>
<td>24.325%</td>
</tr>
</tbody>
</table>

(Appendix 3, page 137, contains the full information of the operation).
ENDESA headquarters (Madrid)
Economic, energy and regulatory framework
1. Macroeconomic highlights

1.1. Global economic climate

During the year 2014 the global economy followed the incipient pathway of recovery and, after very weak growth in the early year, the rising was further enhanced mainly in the most advanced economies. Despite this, the inequalities in the growth rate have persisted between different regions. These rate differences were rather the result of structural problems of each economy than of cyclic effects, with the subsequently impact in the trust in said markets, the evolution thereof and the lack of policy adjustment.

According to the World Bank, the global economic growth boosted in 2014 to 2.6%, but beyond these general figures, increasingly divergent trends were evidenced in the main markets, since, while the activity gained momentum in the United States and in the United Kingdom, with cleaning up of the labour markets and extreme flexibility of the monetary policy, the recovery has been unstable in the Euro zone and in Japan, due to the persistent financial crisis, which is closely related to structural bottlenecks. In China, the activity has slightly been moderated, in particular as a result of the weakening of the investment and an even more marked deceleration in its growth could trigger the disordered emergency of financial vulnerability, which would strongly impact the global economy. The macro growth in other developing countries during the year 2014 is an evidence of the weak external demand, but also of the contraction of the economic policy, the political uncertainties and the demand restrictions in the various regions. The geopolitical risks in Ukraine and Russia and in the Middle West are still high, though to date its impact in the global economic activity and in the energy prices have been limited. With regard to other emerging economies, in the last trimesters Brazil has recorded low rates of growth and high inflation, while in the Russia, the hardening of financial conditions and international penalties have stopped, in part, growth. On the contrary, in India, the economy has rebounded.

According to the European Central Bank the economic activity should gradually improve, but it is still expected that the economic recovery continues to be moderate. A combination of cumulative economic imbalances, structural hindrances and economic uncertainty, that, in several countries, add on to the hardening of financial conditions, affect the middle-term growth prospects. The world trade is recovering gradually from very low levels, so it is still characterised by a relative weakness. The global prospects are still subject to high geopolitical risks; in addition, the evolution of global financial markets and emerging economies could adversely affect the economic situation.

The global inflation prospects are markedly affected by the evolution of the prices of raw materials, in particular oil prices. Since the early 2014, the prices of this product following a decreasing pathway, reaching levels lower than those of 2013. This oil price reduction is a reflection of the fact that the offer levels were higher than the demand for crude oil. Despite the conflicts in Libya and Iraq, the OPEC production exceeds the official objective of the group, while oil production in other countries increased as a result of the non-conventional shale oil exploitation in the US. Furthermore, the demand for oil continued to be weak, in part due to a deceleration of the industrial sector of China. The market of futures on oil expects slightly higher prices on the short term and the future of Brent with delivery in December 2015 are currently negotiated at 76 US dollars per barrel.

This still slow global recovery faces some significant risks. Financial markets maintain signs of instability that involve the risk of impairment of the market liquidity conditions, with its derived in the increased borrowing costs in developing countries issuing bonds. The increase in geopolitical tensions, episodes of market volatility of basic products or financial difficulties in emerging markets is other of the scenarios of risks that can threaten the economic growth.

On the other hand, the world’s leading economy, the US, recorded in the four trimester 2014 an annualised growth of 2.6%, 2.4 percent points less than in the previous three months, as reported by the Trade Department, that also stated that the annual GDP (gross domestic product) of the US increased by 2.4%. With this data, it can be concluded this economy closed 2014 with a growth two tenths above 2.2% of 2013, some reasons for the deceleration of the non-residential fix investment being, the investment in private investors, consumer spending, government expenditures (local and national) and finally a lower decrease of the Federal Government expenditures. These positive aspects were also compensated by an increase of imports and a reduction in
the residential fix investment. During 2014 about 2.95 million job positions were created in the US, the largest generation of jobs in 15 years and the fifth consecutive years in which the US creates net jobs, which provided an unemployment rate at the closure of the year of 5.6%.

With regard to European economies, Germany was able to obtain a GDP growth of 1.5% as compared to the previous year, while the French economy languished with a growth rate of 0.4% and a similar inflation. The annual GDP of France was last year 2,134 billion Euros, vs the UK, that reached 2,232 billions, to exceed 98,000 millions the national French wealth. France, until now the fifth leading economy of the world, has lost this position for the benefit of the United Kingdom, according to the figures of the European Union.

The third global economy, Japan, turned into recession and added doubts to its economic recovery, as its GDP decreased 0.4% in the third trimester (which means a declining annual rate of 1.6%). This reduction joins the reduction of 1.9% (7.3% annually) recorded between the months of April and June and represents, since the start of the crisis of 2008, the fourth recession of the Japanese economy.

1.2. Economic climate in Spain

During 2014, the Spanish economy followed a recovery trend that start in the second semester of the previous year and was marked by the continued improvement of financial conditions, the increase of internal confidence and the favourable evolution of the labour market. This Spanish economic activity growth was supported by the sustained growth of private domestic demand, while the external net demand provided a legally negative contribution to the gross domestic product.

The evolution of the economic activity was enhanced also by the additional impetus from the expansive monetary policy and the culmination of the global evaluation exercise of the European bank sector on the process of normalisation of the financing conditions in our country. The improvement recorded in late 2013 and early 2014 in the national financial markets has prolonged during the last months of the year under analysis.

At year end of 2014, based on the data reported by the Spanish National Statistics Institute (INE), the consider price index recorded an annual reduction of 1%, and it was the largest fall occurring in the last five years. On the other hand, it is also the first time that CPI ends a year with negative rates, a situation that is ascertained not only with the impact of the effects of the Spanish energy market but also almost half of the goods and services that form the shopping basket monitored by the INE also show price decreases. This value at close led the index to chain six months with negative annual rates, which did not take place since the year 2009, when a sudden change also occurred in oil rates that moved back over 70% after the fallout of recession.

According to the INE, unemployment decreased by 477,900 people in 2014 vs 2013, 8% less, while employment grew by 433,900 people, 2.5%, thus recording its first increase since 2007, when 522,500 jobs were created in Spain. Therefore, 2014 ended with 17,569,100 employed people at the highest level since the first trimester of 2012, and 4,577,000 unemployed, which set the unemployment rate at 23.70%, two points lower than at the end of 2013 (25.73%). Of the 433,900 employments created last year, 415,700 belonged to the private sector (+2.9%) and to the public sector (+0.6%). Households where all its unemployed members decreased in 2014 by 159,600, which means 8.3% less than in 2013, and households with all their members working increased by 422,600 in 2014 (+4.8%), to a total of 9,110,100 households. By sectors, unemployment increased in 2014 in farming and in the sector without previous employment, but decreased in the rest, mainly in services and construction.

Expenditure in consumption in Spanish households maintained an expansion rate in the end of the year segment. This dynamism in the household expenditure rate was mainly due to the positive evolution of employment, that had a positive effect on the income available and the confidence, as well as the improvement of financial conditioning factors.

The market of merges and acquisitions of Spanish companies recorded an increase of 54% in 2014 vs the previous year, a situation that is due to the response to the improved confidence in economy growth, increased investment made by the large foreign funds in Spain and the higher interest of major Spanish companies in growing in Spain and globally.
With regard to the Spanish GDP, the evolution of the aforementioned indicator reached 1.4% during the year 2014, first rebounding after 6 years without growth, after which in the last trimester of the year it increased by 0.7%, two tenths above the previous trimester, according to the National Accountability data published by the National Statistics Institute (INE).

The interannual rate, on the other hand, placed the GDP at 2% in the fourth trimester of 2014, four tenths above the previous trimester, speeding up the recovery rate started in the second half 2013.

Spanish economy thus returned to the positive ground in 2014 after shrinking 1.2% in 2013, 2.1% in 2012, 0.6% in 2011, and 3.6% in 2009. In 2010 no changes were recorded, according to the new series of National Accountability based on 2010. With the quarterly rebound of the GDP of October-December 2014 six quarters of advances are chained, while the interannual rate (2% in the fourth quarter) accumulates five positive quarters.

1.3. The Spanish electricity market

According to the information from Red Eléctrica de España, the electrical energy demand in the mainland ended the year at 243,486 GWh, 1.2% lower than in 2013. After correcting the effects of working days and temperature, the demand mainly attributable to the economic activity reduces the decrease rate to 0.2%, which a markedly lower fall than the fall recorded the previous year, that was about 2.2%.

The installed mainland power was virtually unchanged from the previous year, and at the end of the year 2014 it was 102,259 MW, 122 MW (0.1%) less than in December 2013. The greater variation was recorded for coal that decreased its power by 159 MW. The rest of technologies had no power variations or there were poorly significant. Mainland hydraulic production was 32,655 GWh, 18% higher than the mean historic value and virtually the same as in 2013. Hydroelectric reserves of the whole of reservoirs ended 2014 with filling levels close to 63% of the total capacity vs 58% in the previous year. To meet the demand, the nuclear covered 21.9% (21.2% in 2013), wind 20.4% (21.2% in 2013), coal 16.4% (14.6% in 2013), hydraulic 15.4% (14.2% in 2013) and co-generation 10.4% (12.5% in 2013). Below a participation of 10%; the combined cycles contributed 8.5% of the demand (one point less than the previous year) and sun and thermal renewable technologies that together covered 7% of the demand, a contribution similar to that of 2013.

With regard to CO₂ emissions of the mainland electricity sector, the increased generation with coal has been compensated with the generation of renewable sources, with emission levels in 2014 of 60.4 million tons, a value similar to the 60.1 million tons in 2013.

In this global context of the mainland, ENDESA generation park reached in the year a total net production of 69,677 GWh, with an increase of 1.7% vs 2013. ENDESA output in the peninsula was 2.7% higher than the previous year.
2. Interest rate and exchange rate trends

The long-term interest rate of the Euro (Swap 10 years) decreased during the year 2014, changing from 2.15% in the early year until it reached 0.81% at the end of the year 2014.

On the other hand, the short-term interest rate (Euribor 3 months) changed from 0.29% to 0.08% at the end of the year.

The long-term interest rate of the dollar also decreased during the year 2014, as it changed from 3.09% to 2.28% at the end of the year.

On the other hand, the short-term interest rate of the dollar remained within the same levels, and at the end of the year 2014 it was 0.26%.

The European Central Bank interest rate of intervention by 20 basic points during the year 2014, 10 basic points in June and 10 basic points in September, to place the interest at a new historical low of 0.05%. At the end of the year 2014, the European central Bank anticipated that measures would be adopted for monetary stimulus for the purpose of preventing deflation scenarios, that will implemented during 2015.

The Euro depreciated by 12% against the dollar during the year 2014 as the Euro/dollar interest rate changed from 1.37 in the early year to levels of 1.21 at the end of 2014. The Euro was affected due to the future prospects of an increased monetary stimulus by the European Central Bank.

The year 2014 continued with the improvement of country risk markers of peripheral European countries, except for Greece. The differential with respect to the German bond at 10 years of Spain, Italy and Portugal decreased markedly during year until reaching 107 basic points, 135 basic points, and 215 basic points at the end of 2014, improving in 115 basic points, 85 basic points, and 206 basic points, respectively.

On the contrary, the differential of Greece amounted to 920 basic points at the end of the year 2014, experiencing an increase of 271 basic points from the previous year.
3. International fuels and freights market

3.1. Oil and oil derivatives

The prices of crude Dated Brent were listed in the stock market in 2014 from 55 to 115 US$/bbl. The maxima of the year were reached in June due to the geopolitical tensions generated in the Middle East the production fall in Libya. The minima were recorded during the month of December after the decision of the OPEC of maintaining production at high levels which, together with the boom of shale oil, has caused an excess offer in the market. The mean price of the Dated Brent was 98.95 US$/bbl (vs 108.62 US$/barrel in 2013, –8.9%).

The prices of petroleum derivatives were in line with the crude product price. Diesel FOB ARA 0.1% and fuel oil FOB NWE 1% ended the year with mean prices of 838.5 USD/t (–8.7% vs 2013) and 553.3 USD/t (–9.4% vs 2013), respectively.

3.2. Natural gas

The LNG spot price fall in the Far East, together with the reduction in the prices of crude in the second semester of 2014 has narrowed the price differential vs the spot prices in Europe.

In Spain, the demand ended the year with a reduction of 9.6% vs the previous year, mainly due to the reduction of 8.8% in the demand for electricity generation and 9.8% in the conventional demand.

17% of natural gas consumption was used for electricity generation, as in 2013.

3.3. Coal

In 2014, coal prices have fallen following oil and gas decreases. Specifically, the reference index for coal in Northern Europe (API2) ended the year at $70.95/mt, which means a reduction of over 16% in the year. The world demand for coal has reduced its growth, in particular in China, where it did not meet the growth expectations, which resulted in a coal surplus that was more marked along the year.

A total of 8.3 million tons were imported in 2014 for the thermal power plants of ENDESA in Spain, 9% more than the previous year, 50% of which corresponded to Indonesian coal.

In addition, other 2.14 million tons were moved to other group companies and to trading.

3.4. Freight market

Early in 2014, a steep increase in freight prices was expected for Cape size type ships (150 kt), mainly due a lower growth of ship offer and a relative increase in the demand for transport of iron mineral, which would be explained because the excess capacity of iron mines would down-press the international prices of this mineral, promoting its consumption in China vs the more expensive domestic iron. Contrary to the expected, freight prices decreased slightly: the route South Africa-Europe had an average of 8.97 USD/t vs 9.06 USD/t in the year 2013.

In fact, the price of iron mineral fell 50%, but the demand grew less than expected for the lower dynamics of civil and residential construction work in China. In addition, the increased iron exports to China had a very low impact in freight, as it came only from Australia (leading exporter), much closer to China than Brazil (second exporter). Another determinant factor to contain the price falling of freights was the fall of the Brent price, that in the last trimester of the year had fell in ship fuel by 25%.
4. Regulatory framework in 2014

4.1. Main regulatory changes in Spain

After the measures adopted by the Government in 2012 and 2013 for the purpose of solving the problem of the tariff deficit, late in 2013 Electricity Sector Act 24/2013 dated 26 December was published, which cancelled the previous Electricity Sector Act 54/1997 of 27 November, setting a new general framework for performance of the sector.


In October 2014, Act 18/2014, of 15 October, on urgent measures for growth, competitiveness and efficiency was published that, amongst others, includes reformation of the gas system payment system, for the purpose of designing an economically sustainable system, that minimises costs for the consumer.

Since 1 July, 2009, all clients acquire electrical energy through resellers, though some, with certain characteristics, already do it since 1 April 2014 at the Small Consumer Voluntary Price (SCVP) and are supplied by the reference resellers.

Since 1 July, 2008, clients also acquire natural gas through resellers, though, some with certain characteristics, can acquire the gas at the price set by the Government —last resort tariff (LRT)— supplied by the reference resellers.

The new general framework of operation of the sector set out in Act 24/2013, of 26 December, of the Electricity Sector has the following principles and basic aspects:

- The main principle introduced is the economic and financial sustainability of the system, so that the incomes are enough to meet all costs, considering a toll review scheme provided the dislocations exceed the pre-established limits:
  - For the years starting in 2014, temporal dislocations are limited to a maximum annual amount of 2% of the estimated incomes of the system (or 5% in cumulative terms); under the assumption that they exceed these limits the tolls or charges will be reviewed at an equivalent amount. Transient dislocations and deviations occurring are financed by all subjects of the liquidation system, proportionally to the corresponding payment. Within the mentioned limits, dislocations will be recovered within five years at market rates.
  - For 2013, a deficit for a maximum amount of 3,600 million Euros was recognised (without prejudice to temporal dislocations) was recognised, that was recovered in fifteen years at market rates, and can be object of transfer according to a procedure to be legally fixed.
  - The National Budget of each year shall finance 50% of the compensation for island and non-mainland electrical systems of the year.

- With regard to the payment of activities of transport, supply, product in non-mainland territorial and renewable production, co-generation and wastes, it considers the costs of an efficient, well-managed company. Its parameters shall be fixed considering the cyclic condition of economy, electricity demand profitability adequate for these activities, for six-year regulatory periods. The Law fixes the payment rate for the first regulatory period (ending on 31 December, 2019) as the average of the yield of the State Obligations at ten years in the secondary market of the previous three months at the effective date of Spanish Royal Decree-law 9/2013, increased in 200 basic points (300 basic points in the case of the renewable, co-generation and wastes).

- Other general issues are modified: therefore, the differentiation between generation in ordinary regimen and special regimen are modified (without prejudice to unique considerations for some technologies). On the other hand, the Last Resort Tariff (LRT) changes to be called for Small Consumers Voluntary Price (SCVP).

In parallel to the publication of Act 24/2013, the Government start to manage the different regulatory developments derived from it, that affect the activities of transport, supply,
4.1.1. Regulatory activities deficit

As mentioned above, Electricity Sector Act 24/2013 set out as fundamental principal the charging balance and recognised a maximum deficit for the year 2013 of 3,600 million Euros, without prejudice of the dislocations that can occur. The Law also established that this amount can be object of transfer, according to a procedure to be defined.

Spanish Royal Decree 1054/2014, of 12 December, regulating the procedure of transfer of the rights of collection of the deficit of the electricity system of the year 2013 and develops the method for calculating the exchange rate to be paid for the rights of collection of said deficit, in compliance with the provisions of Act 24/2013.

In addition, Act 24/2013 sets out performing a complementary settlement of the year 2013 before December, for the purpose of quantifying the amount of deficit of 2013 subject to titling. This complementary settlement, published on 26 November, 2014, gives a final deficit figure for the year 2013 of 3.540 million Euros, an amount that was titled on 15 December, 2014.

With regard to the expected end of the year 2014, according to the reports of the National Markets and Competition Commission and the calculations made by the Ministry of Industry in Order IET/2444/2014, of 19 December, establishing the tolls of access of electrical energy for 2015, in year 2015 an equilibrium will reach the tariff balance.

4.1.2. Generation

Domestic energy market

On 13 May, 2014, a significant advance occurred for the formation of the Domestic Electricity market. The daily markets of the Northeast and Southwest of Europe were completely coupled, which means that the daily electricity market operates on a coordinated basis for 17 countries, from Portugal to Finland.

Renewables, co-generation and wastes

In 2014 the regulatory framework of the installations of generation of renewable energy, co-generation and wastes was completed.

Act 24/2013, of the Electrical Sector, develops specific principles of the system applicable to these installations and establishes the Government regulations to approve a new legal and economic system for these installations. Royal Decree 413/2014 and Order 1045/2014 set out in detail this new framework.

- The payment system is based on ensuring to the holders the recovery of the investment with a reasonable profitability rate based on the treasury bonds at 10 years plus a differential, which will be of 300 basic points in the first regulatory period, and will be reviewed every 6 years.
- The payment to be received for each installation, additional to the incomes obtained in the market, is a fixed payment (return on investment) which means the annuity required to recover the net value of the investment. In case the cost of the operations exceeds the excepted market price, the payment is complemented with a payment to the operation compensating this difference.
- For new facilities, the payment system will be based on a mechanism of competitive concurrence.

In addition, the Order IET/1459/2014 sets out the framework assigning the specific payment system for new wind and photovoltaic facilities in electrical systems of non-mainland territories, that must be governed by a competitive mechanism. However, in compliance with Act 24/2013, the specific payment can be provided without auction for up to 450 MW wind in the Canary Islands.
National coal

On 31 December, 2014, the effective term of the RD 134/2010, regulating the process of resolution of limitation by supply guarantee, was ended, according to which it guaranteed the production of some local coal plants for supply safety reasons, establishing a regulated price to pay this production.

This mechanism cannot be extended as set out in the decision of the European Commission where it was approved.

4.1.3. Commercialisation

Voluntary price to small consumer

On 29 March, 2014, Spanish Royal Decree 216/2014 was published, that sets out the method for calculating the small consumer voluntary prices of electrical energy (SCVP) and its legal contracting system, with the following main characteristics:

• The electric power production will be established on the basis of the hour price of the daily and intradaily markets during the billing period, the costs of system adjustment services and other costs associated with supply.

• If remote management meters are available integrated in the Systems, the time price will be applied to the real time consumption; otherwise, a profile published by the System Operator will be used.

• This new mechanisms of action will be applicable since April 1, 2014. Until 1 July, 2014 the cost of the energy to be applied in the Small Consumer Voluntary Price (SCVP) was established, transiently, for the first trimester of 2014, subsequently regularising in the billings for consumptions made since 1 April.

• In the same way, the consumptions of the first trimester of 2014 should be regularised, as set out in Royal Decree Law 17/2013, of 27 December, by the differential between the market price and the cost of energy acquisition included in the Small Consumer Voluntary Price (SCVP) in this period.

• In addition, the marketing resellers must make an offer to the clients with the right to Small Consumer Voluntary Price (SCVP) as a fix price for one year, formed by the revisable tolls and a fixed price for one year, as €/kWh, for the rest of the items. The offer shall be applicable for one month and shall be uniform throughout Spain, and each marketing reseller may have a single offer in force.

• Royal Decree considers other issues, including that the social bond shall be equivalent to a discount of 25% over the Small Consumer Voluntary Price (SCVP).

Discount rate

Act 24/2013, on the Electricity Industry, sets out the Discount Rate as a public service duty and with the costs paid by the matrices of groups of companies or otherwise firms, that develop simultaneously the activities of production, supply and marketing of electrical power, according to a distribution percentage calculated considering the number of supplies connected to the electricity distribution systems and number of clients to which the reseller companies supply.

With this regard, Order IET/350/2014, of 7 March, set the percentages of distribution of the quantities to be assumed for the discount rate of 2014, with 41.61% corresponding to Endesa, S.A.

Furthermore, Spanish Royal Decree 968/2014, of 21 November, was published, which develops the methods for fixing the distribution percentages of the quantities to be financed for the discount rate.

Interruptibility

The interruptibility service is an efficient demand management service, that can be used by consumers that can stop their activity at times of saturation in the electricity system...
and that obtain an economic compensation for the service provided. This demand management tool allows to make flexible the operation of the system and give fast, efficient responses in case of eventual emergency situations, minimising the impact in the security of the system.

Order IET/2013/2013, of 31 October, establishes that the allocation of the interruptibility service will be performed through an auction procedure managed by the system operator ensuring the effective provision of this service and that it is performed at the lowest cost for the electricity system.

Although it was planned that the new competitive mechanism of allocation of interruptibility service will become operation during the year 2014, has not started until 2015, extending the existing contracts until late 2014.

Therefore, in 2014, as set out in Order IET/107/2014, the cost of the interruptibility service did not exceed 550 M€, an amount that continued to be part of the regulatory costs of the tariff.

In addition, in November and December, 2014, two competitive auctions have been performed, managed by the System Operator where the interruptible power requirements necessary for 2015 were assigned to the consumers qualifying for the service provision.

The fix cost of interruptibility for 2015 will amount to 508 million Euros and will be funded through energy acquisitions of clients, no longer part of the regulated costs.

4.1.4. Non-mainland systems

Based on Act 17/2013, of 29 October, for ensuring supply and increasing the competition in island and non-mainland electrical systems, some measures were implemented that affect the development of this activity.

- Specifically, the Law sets out that the new facilities in these systems that are held by a company or company group that has a generation power percentage above 40% in this system, will only receive the price of the mainland market, with some exceptions.

- On the other hand, the holdership of pumpings and regassing plants will correspond only to the System Operator and System Technical Manager, respectively, and the affected facilities should be transmitted within 6 months at market price. In the case of pumping, the possibility that the facilities that are ongoing or under evaluation can continue to be developed by their current holders, subject to compliance with a number of requirements.

In 2014, the procedures continued for several proposals developing other aspects contained in Act 17/2013 mentioned above. Specifically, the proposal of the Royal Decree regulating the electrical energy production activity and the dispatching procedure in the electricity systems of non-mainland territories, currently under evaluation, sets a schedule similar to the current one, formed by a payment for fixed costs (costs of investment and operation and maintenance of fixed nature) and for variable costs (fuels and variable costs of operation and maintenance).

In addition, in compliance with Act 24/2013, of 26 December, on the Electricity Sector, the financial reward of the net investment recognised in the first regulatory period, extending until 31 December, 2019, will correspond to the mean yield of the stock exchange prices of the national bond rates at ten years of the months of April, May and June, 2012, increased in 200 basic points.

Finally, on 23 August, 2014, Royal Decree 680/2014, of 1 August, was published, regulating the procedure of budgeting, recognition, settlement and contra of extra costs of electrical power production in the isolated electrical systems of non-mainland territories with charge to the General State Budget.

This Royal Decree, in compliance with the additional provision fifteenth of Act 24/2013, of 26 December, of the Electricity Sector, regulating the intervention and procedures to be followed by the different ministry departments and the agency in charge of settlements (the National Markets and
Competition Commission), to fix the budget amount with charge for that, calculated according to the established regulations, the procedures for settling these budget compensations, as well as its control.

4.1.5. Distribution

On 30 December, 2013, Royal Decree 1048/2013, of 27 December, was published, that sets out the methods for calculating the electrical energy distribution activity reward, containing elements that will guide the future reward for this activity, with the main following aspects:

- The investment of assets in unrecovered services will be rewarded, considering the net value thereof and a financial reward rate referenced to government bonds at 10 years increasing in 200 basic points, in addition to the operation and maintenance of assets.

- The necessary costs for fulfilling the distribution activities will be rewarded, such as reading meters, contracting, billing access tolls and management of non-payments, telephone service for customers connected to its networks, rate of occupation of a public way and structure costs.

- Incentives and penalties to supply quality improvement, reduction of losses in distribution networks, as well as a new incentive to fraud reduction.

- The overrun derived from specific regional or local regulations will not be paid by the electricity tariff.

- The accrual and collection of rewarding of the facilities commissioned in year “n” will be started on 1 January of year “n+2”, recognising a financial cost.

- Investment control mechanisms are established. Therefore, the maximum authorised investment volume is limited to a total of 0.013% of the GDP for the sector. Distributing companies will submit to the Ministry its annual and multiannual investment plants for approval, also requiring the favourable report from the affected Autonomous Regions. A limitation of deviations from the established standard is also set, recognising only partially the overrun, that should be duly justified and audited. In addition, the investment volume will be reduced in case of non-compliance with the plans and the possibility of advancing contribution of a facility is established, provided this was planned and is not charged to the system.

Act 24/2013, of the Electricity Sector, has fixed the reward rate of this activity for the first regulatory period (until 31 December, 2019) at the average of the government bonds at 10 years plus a differential of 200 basic points.

During the year 2014 and until the new regulatory period starts, the reward of distribution has been calculated applying the rewarding methods set out in Annex II to Royal Decree Law 9/2013.

In addition, during this year proposals have been made for fixing the rewarding parameters enabling the start of the first regulatory period that, as set out in the aforementioned RD 1048/2013, will start once the Order establishing the Unit costs of rewarding are established.

With this regard, it must be noted that Order IET/2444/2014, of 19 December, that establishes the toll rates of electric power for 2015, introduces the possibility of starting the regulatory period during 2015.

4.1.6. Electricity tariff

2014 electricity tariff

On 19 December, 2013, the twenty-fifth CESUR auction was held to establish the cost of energy to be integrated in the calculation of the Small Consumer Voluntary Price (SCVP) that replaces the Last Resort Tariff (LRT). After the auction, the ta, la National Markets and Competition Commission (CNMC) issued on 20 December, a statement declaring that it was not applicable to validate the results of the auction for occurrence of extraordinary circumstances during its development and because it was performed in an energy context considered not extrapolable to the first quarter 2014. Consequently, as set out in the regulations, the auction was annulled to all intents and purposes.
Through Royal Decree Law 17/2013, of 27 December, the Government has set the price to be considered for measuring the cost of energy in the calculation of the voluntary price to the small consumer in the first quarter 2014.

In addition, on 1 February, Order IET/107/2014, on the review of access tolls for 2014, was published increasing them to around an average of 2%. As a result of this, the voluntary price for the small consumer (SCVP) has been reviewed, and its mean increase from the prices of 31 December, 2013, is about 2%.

As a consequence of the mechanism for determining the cost of electrical energy production established in RD 216/2014, already mentioned above, it will not be necessary to published quarterly the SCVP price (as for the LRT).

2015 electricity tariff

Spanish Royal Decree 1054/2014, of 12 December, that regulates the procedure for the transfer of the electricity system deficit collection of the year 2013, amends Royal Decree 1164/2001, of 26 October, setting out the rates for access to power transmission and distribution networks, establishing a new breakdown in access rates, and automatically including the access contracts in force.

Order IET/2444/2014, of 19 December, establishing the electrical energy access tolls for 2015, maintains the tolls set out in Order IET/107/2014 except for prices for consumers connected in voltage networks of 30 kV or higher and lower than 36 kV.

4.1.7. Gas tariff

2015 gas tariff

Order IET/2445/2014, of 19 December, reviewed the access tolls from 1 January. It sets out the tolls and fees associated with access of other parties to gas installations for 2015 and update some aspects related to payment of regulated activities of the gas sector.

This orders maintains for 2015 the tolls applicable in 2014, with some one-off exception.

4.1.8. Other regulatory changes

Act 18/2014, of 15 October, on urgent measures for the growth, competitiveness, and efficiency that, amongst others, includes reforming the payment system of the gas system, for the purpose of designing an economically sustainable system that minimises costs for the consumer and, within Energy Efficiency, creating the National Fund of Energy Efficiency to meet the energy savings objective.

In the gas area, the objective of the reform is to solve the tariff deficit of the gas sector and ensure an economically sustainable system in the future, with the following principles:

• Recognition of the deficit generated until 31 December, 2014, and payment fifteen years.

• Elimination of the structural deficit and adjustment of payments or regulated activities.

• Rules of financial sustainability in the System to prevent generation of new deficits.

• Align the payment of activities with the demand evolution.

Within the area of the energy efficiency, Royal Decree Law establishes a system of duties for gas and electricity reseller companies, for wholesaler operators of gas products and for liquefied oil gas wholesale operators, since it became into force. An annual savings objective and the share it for each obliged subject will be defined annual by Order of the Ministry of Industry, Energy and Tourism, by contribution to a National Fund of Energy Efficiency.
• Alternatively, and in the terms regulated by the Government, a mechanism of accreditation of achieving an amount of energy savings equivalence to compliance with the system duties may be established. This mechanism will be based on submitting negotiable Energy Savings Certificates (ESC).

• The term of the National System of Energy Efficiency bonds shall comprises from the effective date of Royal Decree Law, 5 July, 2014, to 31 December 2020.

On 4 October, Royal Decree Law 13/2014, of 3 October, has been published, adopting urgent measures related to the gas system and the holdership of nuclear power station, that sets some aspects affecting the gas industry and holdership of nuclear power stations.

• With regard to the gas industry, the object of the Royal Decree Law is the hibernation of the natural gas storage facilities Castor, consolidating the stoppage of operations in the storage already approved by the Ministry of Industry; Energy and Tourism.

• With regard to nuclear power stations, the holdership of nuclear power stations is adapted to the provisions of the law on nuclear power that sets out that the holder of authorisation of operation of a nuclear power station was a single legal entity dealing exclusively with the management of nuclear power stations and fixing a term for adaptation.

4.2. Regulatory changes in Europe

In Europe, during the year 2014, an intense regulatory activity continued in relation to the negotiation of commodities and “derived” financial products. The Directive of markets in financial instruments (MIFID) and the corresponding regulations (MIFIR) as well as the Market Abuse Directive (MAD) and its regulations (MAR). Regulatory developments of lower rank have been approved in relation to EMIR and REMIT regulations.

On the other hand, advances have continued in the project of integration of electricity and gas markets in Europe, achieving the coupling of the European electricity markets (from Norway to Portugal) since May 13, 2014. It is expected that the rest of the countries (East and South of Europe) are integrated along 2015.

On 1 July, 2014, the guidelines on national aids to energy and the environment came into force. Said guidelines change the regulatory framework for the aids to renewables and payments for capacity, involving the privileged use of market procedures to achieve the maximum efficacy in this field and introducing several criteria aimed at improving the current schemes and enabling the review of the design of the market with the introduction of capacity payment schedules.

Regulatory framework: extended in page 399 of the legal report.
2014 results
1. Financial data

1.1. Consolidated key figures

1.1.1. Net income

The net income of ENDESA amounted to 3,337 million Euros in the tax year 2014 (corresponding to 950 million Euros to the business in Spain and Portugal and 2,387 million Euros to the Business in Latin America), which represents an increase of 77.6% from the result obtained in the tax year 2013.

This result includes 1,764 million Euros of net capital gain generated by the sales operation of the Business in Latin America to Enel (ENDESA, in General Extraordinary Shareholders Meeting held on 21 October, 2014, accepted the offer received from Enel Energy Europe, currently Enel Iberoamérica, to acquire the business of Latin America for an amount of 8,253 million Euros; this operation was materialised on 23 October, 2014 and generated the aforementioned capital gain for an amount of 623 million Euros generated by this business until the transaction date. Includes also the net income of the business of Spain and Portugal in the tax year 2014, amounting to 950 million Euros.

The net income of the business in Spain and Portugal of ENDESA in the tax year 2014 (950 million Euros) is 19.2% lower than obtained in the tax year 2013. This reduction is mainly due to the following factors:

- The records of a provision for an amount of 349 million Euros within the framework of the various projects of personnel optimisation included in the Plan of restructuring and reorganisation developed at ENDESA.
- The records of 107 million Euros of negative results from the shares in Elcogas (51 million Euros) and Nuclenor (56 million Euros).

1.1.1.1. Net income of continued activities and revenues

The revenues of the Business of Spain and Portugal were 21,512 million Euros, essentially in line with the revenues of the tax year 2013 (3 million Euros lower than the previous year). Of this amount, 20,473 million Euros correspond to the sales figures (–0.2%) and 1,039 million Euros to other operating revenues (+3.3%).

Sales in the deregulated market in Spain and Portugal were 7,946 million Euros, 185 million Euros higher than those of the tax year 2013 (+2.4%). And the revenues for sales to clients from European deregulated markets out of Spain were 926 million Euros, 3.5% higher than those of the tax year 2013.

In addition, the revenues for gas sales were 2,862 million Euros, 111 million higher (+4%) than in the tax year 2013.

On the other hand, the compensations for overruns on generation in non-mainland territories in the year 2014 have amounted to 1,754 million Euros, estimated in compliance with the new draft Royal Decree received in the month of January 2015. This draft means a reduction of 327 million Euros in the EBITDA of the non-mainland generation of the period 2012-2014 as compared to the previous situation, of which 38 million Euros were supported by the result account of 2014 (114 negative millions corresponding to the reward of the year 2014 and 76 positive Euros for the rewarding of the years 2012 and 2013), as the remaining 289 negative million Euros were recorded in 2013. The business contribution margin has improved by 0.7% (38 million Euros), despite supporting in 2014 a cost of 102 million Euros for the discount rate vs the revenues of 102 million Euros registered in 2013 for the return of the 102 million Euros of the discount rate paid in previous years.

<table>
<thead>
<tr>
<th>Incomes 2014</th>
<th>EBITDA 2014</th>
<th>EBIT 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Million Euros</td>
<td>Million Euros</td>
<td>Million Euros</td>
</tr>
<tr>
<td>% Var. 2013</td>
<td>% Var. 2013</td>
<td>% Var. 2013</td>
</tr>
<tr>
<td>21,512</td>
<td>0%</td>
<td>3,090</td>
</tr>
</tbody>
</table>
On the other hand, the fixed costs have only increased 175 million Euros despite including a provision of 349 million Euros within the framework of the various projects of staff optimisation included in the Plan of restructuring and reorganisation developed in ENDESA.

Therefore, the raw operating result (EBITDA) amounted to 3,090 million Euros, only 3.9% lower than that obtained in the year 2013, and the operating result (EBIT) to 1,472 million Euros, with a reduction of 8.9%. In the EBITDA reduction, financing de discount rate can be mentioned as one of the most relevant factors (without this financing, the raw operating result would have shown an increase of 2.5% as compared to the previous year).

In addition, 107 million Euros of negative results have been counted, from the shares in Elcogas (51 million Euros) and Nuclenor (56 million Euros).

As a result of the above, the net income from continued operations for the year 2014 was 950 million Euros, 226 million Euros lower than that obtained in 2013 (19.2% lower).

1.1.1.2. Net income from discontinued operations (Latin America business)

The net income from discontinued operations of ENDESA in the year 2014, until the sales to Enel, was 2,387 millions (after the effect of 658 million minority shareholders) as compared to the 1,767 million Euros obtained in the year 2013. This net income includes:

- The net capital gain for an amount of 1,764 million Euros obtained in the Business Disinvestment operation in Latin America.
- The net income prior to the share of minority shareholders amounted to 1,281 million Euros of the ENDESA business in Latin America to the date of materialisation of the sales operation. Of this amount, after deducting the part corresponding to minority shareholders, the contribution of the result of the Business in Latin America the net result of ENDESA has been 623 million Euros vs the 703 million Euros obtained in the Business in Latin America in the year 2013.

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Total income %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain and Portugal</td>
<td>28</td>
</tr>
<tr>
<td>Latin America (*)</td>
<td>72</td>
</tr>
</tbody>
</table>

(*) Results in Latin America until sales of the share of ENDESA in the region.

1.1.2. Financial result

The net financial result for the tax year 2014 was negative for amount of 166 million Euros, which means an increase of 60 million Euros (+56.6%) over the same period of the previous tax year.

This change comprises an increase of 34 million Euros in the net financial costs, due to the increased financial debt occurring as a result of the payment of the divided on account made in October, 2014, for the purpose of re-levering the financial structure and reduction of 26 million Euros in the net positive change differences.

Financial revenue | 2014 | 2013 | Difference
--- | --- | --- | ---
56 | 98 | (42)

Chapter on Protecting the Environment | (249) | (224) | (25)

Results of derivative financial instruments | 23 | (10) | 33

Subtotal Net Financial Expenses | (170) | (136) | (34)

Exchange differences | 4 | 30 | (26)

Net financial result | (166) | (106) | (60)

(*) As a result of the application from 1 January 2014 of the NIIF 11 “Joint Agreements” and the application of NIIF 5 “Non-Current Assets Maintained for continued sales and Operations” as a result of the Disinvestment of business in Latin America, the Consolidated Financial States included in the Annual Consolidated Accounts of the annual year ending on 31 December, 2013 have been re-expressed.
1.1.3. Flows of cash and investments

The cash flows collect the treasury movements performed during the tax year, calculated by the indirect method.

The operative cash flow of the year 2014 amounted to 3,714 million Euros vs 4,509 million Euros generated in the year 2013, that included the full business year of Latin America.

The operative cash flow for the operation activities of Continued Activities amounted to 2,869 million Euros vs 2,251 million Euros of the previous year, mainly due the better evolution of the working capital, that compensated the lower result generated during that period.

In 2014, the raw investments of ENDESA were 2,178 million Euros (2,616 million Euros in 2013), of which 1,951 million Euros correspond to material investments, immaterial and investment properties, and the remaining 227 million Euros to financial investments. This amount includes 765 million Euros corresponding to raw investments made by the Latin America Business until 31 July, 2014.

The business of Spain and Portugal invested 788 net million Euros in 2014, in line with the statement of the industrial plan submitted to the markets in October, 2014.

1.1.4. ENDESA net worth

The consolidated ENDESA net worth as of 31 December, 2014, amounted to 8,575 million Euros, amount 18,187 million Euros lower than in 2013.

As of 31 December, 2014, the social capital of Endesa, S.A. amounts to 1,270,502,540.40 Euros and is represented by 1,058,752,117 shares of 1.2 Euros of nominal value fully subscribed and paid-up that are fully admitted to trading in the Spanish stock market. This figure has no changed in the years 2014 and 2013.

The change in the balance for the year is based mainly on the application of balances maintained until 2013 as premium or reserves, to the distribution of dividends performed in 2014.

NET WORTH

<table>
<thead>
<tr>
<th></th>
<th>31 December, 2014</th>
<th>31 December, 2013 (*)</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>1,271</td>
<td>1,271</td>
<td>0</td>
</tr>
<tr>
<td>Share premium</td>
<td>89</td>
<td>1,376</td>
<td>–1,287</td>
</tr>
<tr>
<td>Legal reserve</td>
<td>254</td>
<td>285</td>
<td>–31</td>
</tr>
<tr>
<td>Revaluation reserve</td>
<td>404</td>
<td>1,714</td>
<td>–1,310</td>
</tr>
<tr>
<td>Other reserves</td>
<td>106</td>
<td>106</td>
<td>0</td>
</tr>
<tr>
<td>Valuation adjustments</td>
<td>–74</td>
<td>–294</td>
<td>220</td>
</tr>
<tr>
<td>Reserve for actuarial gains and losses</td>
<td>–830</td>
<td>–507</td>
<td>–323</td>
</tr>
<tr>
<td>Retained profit</td>
<td>14,111</td>
<td>18,158</td>
<td>–4,047</td>
</tr>
<tr>
<td>Interim dividend</td>
<td>–6,755</td>
<td>–1,588</td>
<td>–5,167</td>
</tr>
<tr>
<td>Total net worth of minority interests</td>
<td>–1</td>
<td>6,241</td>
<td>–6,242</td>
</tr>
<tr>
<td>Total equity</td>
<td>8,575</td>
<td>26,762</td>
<td>–18,187</td>
</tr>
</tbody>
</table>

(*) As a result of the application from 1 January 2014 of the NIIF 11 “Joint Agreements” and the application of NIIF 5 “Non-Current Assets Maintained for continued sales and Operations” as a result of the Disinvestment of business in Latin America, the Consolidated Financial States included in the Annual Consolidated Accounts of the annual year ending on 31 December, 2013 have been re-expressed.
1.2. Financial management

The year 2014 continued with the improvement of country risk markers of peripheral European countries, except for Greece. The differential with respect to the German bond at 10 years of Spain, Italy and Portugal decreased markedly during year until reaching 107 basic points, 135 basic points, and 215 basic points at the end of 2014, improving in 115 basic points, 85 basic points, and 206 basic points, respectively. On the contrary, the differential of Greece amounted to 920 basic points at the end of the year 2014, experiencing an increase of 271 basic points from the previous year.

The European Central Bank interest rate of intervention by 20 basic points during the year 2014, 10 basic points in June and 10 basic points in September, to place the interest at a new historical low of 0.05%. At the end of the year, the European Central Bank anticipated that monetary stimulus measures would be adopted for the purpose of preventing deflationary scenarios that will be yield tangible results in the year 2015.

The long-term interest rate of the Euro (Swap 10 years) decreased during the year 2014, changing from 2.15% in the early year until it reached 0.81% at the end of the year 2014. On the other hand, the short-term interest rate (Euribor 3 months) changed from 0.29% to 0.08% at the end of the year.

The long-term interest rate of the dollar also decreased during the year 2014, as it changed from 3.09% to 2.28% at the end of the year. On the other hand, the short-term interest rate of the dollar remained within the same levels, and at the end of the year 2014 it was 0.26%.

The Euro depreciated by 12% against the dollar during the year 2014 as the Euro/dollar interest rate changed from 1.37 in the early year to levels of 1.21 at the end of 2014. At the end of the year 2014, the Euro was affected by the future prospects of an increased monetary stimulus by the European Central Bank.

In this setting and, after the disinvestment operation in Latin America and the payments of dividends made during the year 2014, ENDESA still keeps a solid financial status. The mean life of the debt of ENDESA and its branches reached 8.9 years in December 2014. Liquidity stood at 4,167 million Euros, of which 3,519 millions corresponded to the amounts available in credit liens which allowed to have a coverage equivalent to 39 months in debt maturities.

Furthermore, ENDESA maintained the programme of issuance activity in the short-term international carpet markets, with an outstanding amount at the end of the year of 199 million Euros.

The total volume of raw debt at a fixed rate was 83% on 31 December, 2014, while the remaining 17% was at a variable rate.

1.2.1. Evolution of indebtedness and mean cost of the debt

The net financial debt of ENDESA was 5,420 million Euros on 31 December, 2014, with an increase of 1,083 million Euros over as compared to the end of the previous year, mainly as a result of the re-leverage of society after the Business Disinvestment Operation in Latin American, of the payment of dividends during the year 2014, and the collection of monetisation of the deficit of 2013.

The mean cost of ENDESA debt amounted to 3% in the year 2014.

The details of the raw financial debt structure of ENDESA as of 31 December, 2014 are given below:
On 31 December, 2014, ENDESA had accumulated the right to receive payment of 1,173 million Euros for several items recognised in the Spanish Electrical regulations: 466 million Euros for financing the deficit of revenues from regulated operations and 707 million Euros for the compensations for stranded costs of non-mainland generation. After discounting these amounts, the net debt of ENDESA reached 4,247 million Euros.

In December, 2014, the tariff deficit recognised in the balance for the year 2013 was monetised, an operation which involved for ENDESA collecting 1,469 million Euros.

At the end of 2014, the total cash of the ENDESA amounted to 4,167 million Euros, covering the debt maturities for the next 39 months. Of this amount, 3,519 million Euros corresponded to amounts available on a non-conditional basis in credit lines, of which 1,000 millions corresponded to a credit line with Enel Finance International, N.V.

### 1.2.2. Credit rating

As of the date of the present report, the long-term credit rating of ENDESA is “BBB” in Standard & Poor's with stable with a stable outlook, “Baa2” in Moody’s and “BBB+” in Fitch, both with a negative outlook.

#### 1.2.3. Leverage ratio

The leverage ratio of ENDESA as of 31 December, 2014, amounted to 63.20% vs 16.21% on 31 December, 2013.

#### 1.2.4. Leading financial operations

The operations performed in the year 2014 included mainly the following:

- International Endesa B.V. completed the early repayment in February 2014 of a Euro Medium Term Note (EMTN) for an amount of 245 million Euros, with maturity in February, 2039.
- Endesa, S.A. completed the early repayment in March 2014 of a bank loan for an amount of 400 million Euros formalised with the Banco Popular.
- On 6 June, 2014, the intercompany credit lines between Endesa, S.A. and Enel Finance International, N.V. were innovated, and their limit have been reduced from 3,500 million Euros to 1,000 million Euros and their new maturity is 30 November, 2016.

- Endesa, S.A. completed the early repayment in 2014 of bank loans with Banco Sabadell and Citibank for an amount of 150 million Euros and 135 million Euros, respectively.

- On 9 September, 2014, International Endesa B.V. completed the early repayment of two US Private Placement (USPP) for an amount of 158 million Euros, maturing in September 2016 and September 2019, respectively.

- Endesa, S.A. signed on 26 September, 2014, a new financing with the European Investment Bank for an amount of 600 million Euros at 15 years, with a grace period for the principal of the first 3 years.

- Endesa, S.A. signed on 23 October, 2014, an intercompany loan with Enel Finance International, N.V. on the long term, with a 10 year maturity and a fixed interest rate for an amount of 4,500 million years.

- Endesa, S.A. signed on 23 October, 2014, an intercompany credit line with Enel Finance International, N.V. on the short term, with one-year maturity and an interest rate equal to Euribor plus a differential of 0.60% for an amount of 1,000 million Euros, that was subsequently repaid early in December, 2014.

- Endesa, S.A. signed with financial institutions, in December, 2014, the renewal of its greatest credit line, for a total amount of 1,900 million Euros, with maturity in the first semester of 2018.

During the tax year 2014 until the disinvestment date of the Business in Latin America the main operations formalised by the Discontinued Activities have been as follows:

- In Brazil, Ampla Energia e Servidos, S.A. and Companhia Energetica do Ceará S.A. have renewed the committed credit lines for an amount of 150 millions of Brazilian reales (equivalent to 50 million Euros) and have contracted new committed lines for an amount of 120 million Brazilian reales (equivalent to 40 million Euros). Furthermore, the Companhia Energetica do Ceará S.A. has formalised a bank loan for an amount of 150 million reales (equivalent to 50 million Euros) at five years.

- In Chile, Empresa Nacional de Electricidad, S.A. has issued an international bond for an amount of 400 million US dollars (equivalent to 293 million Euros) for a period of ten years.

- In Colombia, Emgesa, S.A. E.S.P. has issued local bonds for an amount of 590,000 million Colombian pesos (equivalent to 221 million Euros) at six, ten and sixteen years. In addition, Codensa, S.A. issued in September a local bond for 185,000 million Colombian pesos (equivalent to 69 million Euros) for a period 7 years.

- In Peru, Empresa de Distribución Eléctrica de Lima Norte, S.A.A. it has issued the following: one in the month of April, 2014, for 100 million Peruvian soles (equivalent to 36 million Euros) for a period of 7 years, 2 in the month of June, 2014, for a total amount of 160 million Peruvian new soles (equivalent to 57 million of Euros) for periods of 5 and 9 years, and one in the month for 129 millions nuevos soles (equivalent to 46 million Euros) for periods of 3 and 10 years.

Economic results: extended in page 391 of the legal report.
2. Analysis by business line

2.1. Business in Spain and Portugal and the other

2.1.1. Net income

The net income of ENDESA amounted to 3,337 million Euros in the tax year 2014 that represents an increase of 77.6% over the result obtained in the tax year 2013, with 950 million Euros corresponding to the business in Spain and Portugal and 2,387 million Euros to the Business in Latin America.

The raw result of operation (EBITDA) amounted to 3,090 million Euros, 3.9% lower than obtained in the tax year, and the operative result (EBIT) to 1,472 million Euros, with a reduction of 8.9% from the previous year.

The margin of contribution of the business has improved 0.7% (38 million Euros) which, together with the evolution of the fixed costs, that have only increased by 175 million Euros despite including a provision of 349 million Euros to cover the cost of the Plant of staff reduction, allowed that the raw operative result (EBITDA) has decreased only 126 million Euros.

2.1.2. Highlights of the period

During the tax year 2014 the mainland electricity demand has decreased 1.2% from the previous year (–0.2% correcting the effect of working hours and temperature).

In this period, the mainland electricity product in ordinary regimen of ENDESA was 57,502 GWh, 2.5% higher than in the year 2013 due to the increased production of coal plants (+16.1%) and the combined cycles (+11.3%), that has compensated the reduction of hydroelectrical production (–7.7%) and nuclear production (–4.4%).

Nuclear and hydroelectrical technologies account for 58.3% of the mix of mainland generation of ENDESA in ordinary system (63.1% in the year 2013) vs 58.7% of the rest of the sector (55.7% in the year 2013).

ENDESA production in non-mainland territories was 12,179 GWh, with a reduction of 1.3% from the tax year 2013. ENDESA reached a market share of 37.7% in mainland generation in ordinary system, of 43.1% in distribution and 36.9% in sales to customers of the deregulated market.

2.1.3. Revenues

The revenues of the business in Spain and Portugal were 21,512 million Euros in the tax year 2014, 3 million Euros lower than those of the tax year 2013. Of this amount, 20,473 million Euros correspond to the sales figure (–0.2%) and 1,039 million Euros to other operative revenues (+3.3%).

The detail of the heading “Sales” of the Business in Spain and Portugal for the tax year 2014 is as follows:

<table>
<thead>
<tr>
<th>SALES OF THE BUSINESS IN SPAIN AND PORTUGAL</th>
<th>2014</th>
<th>2013</th>
<th>Difference</th>
<th>% Var.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity sales</td>
<td>14,841</td>
<td>15,161</td>
<td>–320</td>
<td>–2.1</td>
</tr>
<tr>
<td>Deregulated market sales</td>
<td>7,946</td>
<td>7,761</td>
<td>185</td>
<td>2.4</td>
</tr>
<tr>
<td>Marketing to Deregulated Market Customers out of Spain</td>
<td>926</td>
<td>895</td>
<td>31</td>
<td>3.5</td>
</tr>
<tr>
<td>Sales at regulated price</td>
<td>3,264</td>
<td>3,993</td>
<td>–729</td>
<td>–18.3</td>
</tr>
<tr>
<td>Wholesaler market sales</td>
<td>939</td>
<td>962</td>
<td>–23</td>
<td>–2.4</td>
</tr>
<tr>
<td>Compensations of non-mainland territories (NMT)</td>
<td>1,754</td>
<td>1,537</td>
<td>217</td>
<td>14.1</td>
</tr>
<tr>
<td>Electricity trading</td>
<td>12</td>
<td>13</td>
<td>–1</td>
<td>–7.7</td>
</tr>
<tr>
<td>Gas sale</td>
<td>2,862</td>
<td>2,751</td>
<td>111</td>
<td>4.0</td>
</tr>
<tr>
<td>Regulated revenues of electricity distribution</td>
<td>2,038</td>
<td>2,002</td>
<td>36</td>
<td>1.8</td>
</tr>
<tr>
<td>Other sales and service rendering</td>
<td>732</td>
<td>595</td>
<td>137</td>
<td>23.0</td>
</tr>
<tr>
<td>Total</td>
<td>20,473</td>
<td>20,509</td>
<td>–36</td>
<td>–0.2</td>
</tr>
</tbody>
</table>
**Electricity sales**

The number of ENDESA customers not benefiting from regulated price (SCVP) amounted to 4,542,795 at the end of the year 2014 with an increase of 16.3% from the number of customers existing on 31 December, 2013: 3,775,733 (+15.8%) in the Spanish mainland market, 607,583 (+26.2%) in the market of non-mainland territories and 159,479 (–4.0%) in European deregulated markets out of Spain.

ENDESA sales to the set of these clients amounted to a total of 77,368 GWh in the year 2014, with an increase of 2.4% as compared to the year 2013.

The sales to these clients were 7,946 million Euros, 185 million Euros higher than in the year 2013 (+2.4%). And, furthermore, the incomes for sales to clients from European deregulated markets out of Spain were 926 million Euros, 3.5% higher than those of the tax year 2013.

During the year 2014 ENDESA has sold, at a regulated price, a total of 16,560 GWh, through its marketing reseller, to the clients where the regulated price was applicable, 19.4% less than during the tax year 2013.

These sales involved a revenue of 3,264 million Euros in the year 2014, 18.3% lower than in the year 2013.

**Compensations of non-mainland territories**

The compensations for overruns of the generation from non-mainland territories in the tax year 2014 amounted to 1,754 million Euros, with an increase of 217 million Euros (14.1%) vs the year 2013, estimating them in compliance with the new draft, received in the month of January 2015, of Royal Decree regulating the electricity energy production activity and the dispatch procedure in the Electrical Systems of non-mainland territories.

The amount recorded in the tax year 2014 as Compensations of Non-Mainland Territories includes 76 millions corresponding to the re-estimation of the revenues for this item in the tax years 2012 and 2013 as set out in draft Royal Decree mentioned in the above paragraph, while the compensations of the year 2013 included a negative impact of 97 million Euros calculated based on the draft Royal Decree available at the date of the annual consolidated accounts of the year 2013.

**Electricity distribution**

ENDESA distributed 110,945 GWh in the Spanish market during the year 2014, 1.0% less than in the year 2013.

The regulated revenue of the distribution activity during the year 2014 amounted to 2,038 million Euros, 36 million Euros higher than recorded in the year 2013.

**Gas sales**

ENDESA has sold 74,343 GWh to clients in the natural gas market in the year 2014, which means an increase of 3.7% over the year 2013.

In economic terms, the revenues for gas sales were 2,862 million Euros, 111 millions higher (+4.0%) than those of the year 2013.

**2.1.4. Operating costs**

The distribution of operating costs of the business in Spain in Portugal for the year 2014 was as follows:
The costs of procurements and services (variable costs) of the tax year 2014 amounted to 15,974 million Euros, with a reduction of 0.3% vs the previous year.

The costs for purchases of energy and consumption of fuel have decreased by 547 million Euros due to the impact of the reduction of the mean purchase price as a result of the reduction in the mean price of the wholesale electricity market, of 42.0 Euros/ MWh (–4.7%), and the cost of the raw materials. Furthermore, the transmission costs have decreased by 188 million Euros mainly as a result of the lower tolls.

The reduction of costs per energy purchases, consumption of fuels and transmission costs for an amount of 735 million Euros, was compensated partially by the increase of 694 million Euros of “Other Variable Supplies and Services”, item including in the tax year 2014 the expenditure of 102 million Euros, recognised according to Order IET/350/2014, of 7 March, setting the distribution percentages of the amounts to be assumed related to the Discount Rate for 2014, 41.61% corresponding to Endesa, S.A.

The fixed costs amounted to 2,561 million Euros in the tax year 2014, with an increase of 175 million Euros (+7.3%) as compared to the tax year 2013.

The “Personnel Costs” in 2014 were 1,245 million Euros, with an increase of 215 million Euros as compared to the year 2013. Personnel costs, both in 2013 and in 2014, were highly affected by the changes in supplies and costs of restructuring of personnel recorded in both years, that are not recurrent, including mainly the records of costs for indemnities for an amount of 88 million Euros in 2013 and the provision for contract suspensions for an amount of 349 million Euros in 2014.

Considering in both years only recurrent costs and isolating the effect of capitalised expenses, the impact in the income statement, net of activations of personnel costs, would have been 5.4% lower in 2014 than in 2013 as a result of the wage restraint and the reduction of 3.1% in an average staff.

With regard to the “Other Fixed Operation Expenses” were 1,316 million Euros, which means a reduction of 40 million Euros (–2.9%) as a result of the cost reduction policy implanted.
Amortisations and Impairment Losses

The amortisation and losses amounted to 1,618 million Euros in the tax year 2014, with an increase of 17 million Euros (+1.1%) as compared to the year 2013.

In 2014 this heading includes a provision for deterioration of lands for an amount of 96 million Euros, of which 65 million Euros correspond to those that ENDESA must receive in application of the ruling of the High Court in favour of Josel, S.L., and 31 million Euros to the recognition of disabilities in value of some lands that were aimed at use as location for building new power stations, where the construction is not considered in the last industrial plan approved by the Board of Directors of ENDESA. On the other hand, in 2014 a provision was also set for deterioration for an amount of 74 million Euros related to concessions and other assets related to them of the Hydroelectric Plant of Girabolhos (43 million Euros) and Distribuidora Eléctrica del Puerto de la Cruz, S.A. (31 million Euros).

On the other hand, as a result of the technical studies performed during the year 2014 on the useful lives of assets of the nuclear power stations and the combined cycles, a prolongation of the useful lives of the assets of both technologies has been identified, applied since 1 October, 2014, that has involved a reduction in amortisations of the year 2014 for an amount of 43 million Euros.

Furthermore, in 2014, investments were made in coal power stations that prolonged their respective useful live, which also involved lower amortisations in 2014 for an amount of 30 million Euros.

Finally, in 2014 this includes also the reversion for deterioration of the portfolio of rights of carbon dioxide (CO₂) emissions for the purpose of adjusting these assets to their market value, for an amount of 49 million Euros, as compared to the provision of 87 million Euros recorded in 2013.

2.1.5. Financial result

The net financial result for the tax year 2014 was negative for amount of 166 million Euros, which means an increase of 60 million Euros (+56.6%) over the same period of the previous tax year.

This change comprises an increase of 34 million Euros in the net financial costs, due to the increased financial debt occurring as a result of the payment of the divided on account made in October, 2014, for the purpose of re-levering the financial structure and a reduction of 26 million Euros in the net positive change differences.

2.1.6. Financial status

On 31 December, 2014, the net financial debt of ENDESA was 5,420 million Euros, with an increase of 1,083 million Euros over that existing on 31 December, 2013. This increase is mainly due to the re-levering of the Company after the sales operation of the Business in Latin American to Enel, to the payment of dividends made during the year 2014 and despite the collection of monetisation of the deficit for 2013.

As of 31 December, 2014, there is a cumulative right to collect of 1,173 million Euros for several items recognised in the Spanish electricity regulation: 21 million Euros corresponding to the shortfall of income of regulated activities prior to 31 December, 2013, 445 million Euros related to the deficit generated in 2014 in the mainland business for transient deviations in compliance with the application of the new mechanisms for financing the deficit set out in Act 24/2013, of 26 December, and 707 million Euros for the compensation of production activities in non-mainland territories. Discounting the amounts stated in the above paragraph, the net financial debt of ENDESA on 31 December, 2014, is 4,247 million Euros.
3. Share price performance and investor relations

3.1. ENDESA in the stock market

The stock market year 2014 was complicated and volatile for European markets, affected by the slow recovery of the economy of the Eurozone, the political uncertainty in Greece and the sudden reduction of the oil price in the second semester to values under 60 dollars per barrel, that put forward the fear for a strong crisis in Russia.

In this context, the stock index “Ibex-35” was able to stand out in Europa, despite ending the year with a progress of only 3.66%. With this result, the main indicator of the Spanish stock market was able to end its second consecutive year in positive and above 10,000 points (10,279.5 points for the year 2014), a situation that is verified for the first time since the year 2009.

Of the rest of European markets, only the German and Italian stock markets ended positively, with slight increases of 2.65% and 0.23%, respectively, while the French stock market decreased 0.54% and the English 2.71%. The Pan-European stock index “Eurostoxx 50” was able to end the year also with a slight appreciation of 1.2%, evidencing the complex scenario of the Eurozone.

For non-European locations, Latin American stock markets had a similar evolution and ended the year with slight variations, while the Japanese and the US stock markets were the exception because they had particularly positive performances. In Japan, the stock market index “Nikkei” ended with an advance of 7.12%, while in the US the stock market indices “Nasdaq”, “S&P 500” and “Dow Jones” ended with gains of 17.94%, 11.39% and 7.52%, respectively, after reaching multiple historic highs supported by good macrodata. These rises in the indices were achieved even though the Federal Reserve ended in the year its monetary stimuli programme.

In the case of Spain, against the modest result of the equities, the performance of the debt securities was outstanding in 2014, evidenced in the marked reduction of the risk premium, that ended the year at 107 basic points, the lowest value since 2010. The support of the Central European Bank by approving stimulus measures not seen to date (and the expectation that the BCE injects more liquidity in 2015) caused a significant fall of profitability of the Spanish debt, expiring at 10 years. The ten-year bond started 2014 with a profitability of 4.14% and ended in the historic low of 1.6%.

The general evolution of the European electricity sector, summarised in the sector index “Dow Jones Eurostoxx Utilities”, was positive, as this indicator ended the year with a progress of 12.27%, demonstrating that in a setting of uncertainty caused by the doubts on economic recovery of the Eurozone, the companies with regulated business and with attractive profitability per dividend were used as a safe investment. The Spanish electricity companies took the lead of this sector index also thanks to a higher regulatory visibility after the energetic reform undertaken by the Government in recent years, that set the base for the financial sustainability of the electrical system.

In this context, ENDESA was one of the greatest concerns for investors as a result of the restructuring process developed by the company in the second part of the tax year. After ending in October the disinvestment process of Latin American assets, pay the greatest dividend in cash every distributed by a Spanish company (14,605 million Euros) and submitting a new industrial plan fully focusing on the Iberian market, ENDESA performed during the month of November an Initial Public Offering.
Activities Repo Rt

2014 results

Sales of shares owned by its main shareholder, Enel, S.p.A. through its subsidiary Enel Energy Europe, S.L.U., which allowed to increase the floating capital of the company from 8% to 30%.

The stock market performance of ENDESA in 2014 was highly positive, but was conditioned by the discount on the share price of 13.795 Euros per share for the extraordinary dividends paid in the month of October after the disinvestment of its business in Latin America, which led the value to end the year with a negative stock market profitability of 29%. However, these extraordinary dividends, together with the ordinary dividend with charge to the results of 2013 paid on 2 January, 2014, provided the shareholders with a profitability per dividend of 66%. Therefore the total profitability of the value, calculated as the sum of stock exchange profitability per dividend, amounted to 37%.

ENDESA listed price reached the maximum of the year of 30 September, at 31.29 Euros per share, a level of 34.3% higher than at the beginning of the year. The minimum, 13.71 Euros per share, was recorded on 20 November, the day when at the close of the stock market the price of the IPO at 13.5 Euros per share. From this lowest level, the shares of ENDESA rebounded 20.7%, until closing the year at 16.55 Euros per share.

At the end of the year, the market capitalisation of ENDESA was 17,522 million Euros.

3.2. Dividend

After the approval by the shareholders at the Extraordinary Shareholders’ Meeting held on 21 October, 2014, on 23 October, 2014, ENDESA sold to Enel Energy Europe, S.L.U. its business in Latin American, for a total amount of 8,252.9 million Euros. After this disinvestment, ENDESA paid to its shareholders an extraordinary dividend of 7.795 Euros gross per share on 29 October, 2014, equivalent to the entire income obtained in the transaction.

Also at that same date, 29 October, 2014, ENDESA paid a second extraordinary dividend against 2014 profits, for an amount of 6 Euros gross per share. This dividend had been approved by the Board of Directors of the Company at the meeting held on October 7, 2014, within the framework of the new industrial plan approved by the Company and its object was the re-levering of the company to optimise its financial structure.

Overall, the payment of both extraordinary dividends involved for ENDESA a disbursement of 14,605 million Euros (13.795 Euros per share).

For the next three years and given the high cash generation expected by ENDESA, on 7 October, 2014 The Board of Directors approved a new policy of dividends for the period 2014-2016, that will be developed according to the following schedule:

### MAIN STATISTICAL DATA OF ENDESA ACTION IN 2014

<table>
<thead>
<tr>
<th>Continuous market</th>
<th>Maximum</th>
<th>Minimum</th>
<th>Middle</th>
<th>Closure</th>
<th>% Revaluation annual</th>
<th>% Profitability total</th>
<th>Title volume negotiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENDESA (euros/share)</td>
<td>31.285</td>
<td>13.71</td>
<td>24.82</td>
<td>16.55</td>
<td>-28.97%</td>
<td>36.67%</td>
<td>616,836,741</td>
</tr>
</tbody>
</table>

Source: BME.

### EVOLUTION OF THE MARKET CAPITALISATION OF ENDESA 2010-2014

- 2010: 20,429
- 2011: 16,781
- 2012: 17,861
- 2013: 24,669
- 2014: 17,522
The distribution of an ordinary dividend will be proposed, with charge to the results of the tax year closed on 31 December, 2014, for a gross amount per share of 0.76 Euros. This ordinary dividend of 0.76 Euros (that would involve the distribution of a total amount of about 805 million Euros) will be paid in cash, by payment in two instalments (January and July 2015) is the specific date established in each case by the Board of Directors of the Company.

The goal set is that the ordinary dividend per share agreed to be distributed with charge to the year 2015 at least 5% higher than the ordinary dividend per share with charge to the tax year 2014 and also that the dividend per share agreed to be distributed with charge to the year 2016 is at least 5% higher than the ordinary dividend per share with charge to the tax year 2015.

The ordinary dividends approved, as appropriate, with charge to the tax years 2014, 2015 and 2016, will be paid by two annual payments: one in the month of January and the other in the month of July of the next year.

The payment of these dividends will be performed only in cash.

With regard to the ordinary dividends with charge to the results of the tax year 2014, the Board of Directors of Endesa S.A., at its meeting held on 15 December, 2014, agreed the distribution to its shareholders in dividend on account for a gross amount of 0.38 Euros per share.

The payment of this dividend, that involved a disbursement of 402 million Euros, was made on 2 January, 2015.
3.3. ENDESA in the main reference indices

3.3.1. Overall profitability for shareholders

As stated, the stock market profitability of ENDESA had a negative value in 2014 for the discount in the security price of the value of the extraordinary dividends paid in the month of October (13.795 Euros per share).

However, this stock market loss was compensated by a profitability per dividend of 65.6%, placing the overall profitability of the shareholder in the year 2014 at a positive level of 36.67%.

In the last five years, the mean overall profitability for the shareholder of ENDESA has been 11.5% annually.

3.3.2. ENDESA in the IBEX 35

The Initial Public Offering (IPO) of ENDESA shares was the greatest placement in the Spanish stock market since the year 2007. As a significant data, the title demand exceed more than twice the offer, given which it was decided to increase the retail tranche, and at the end of the operation resulted in the entry of about new minority shareholders.

This strong interest of ENDESA investors was translated into a significant improvement of liquidity of the Company shares along the tax year, reinforced to the future by our largest capital share (free-float).

Considering this, the Technical Advisory Committee of the index, after the ordinary meeting held on 10 December, 2014, took the decision to readmit ENDESA in the Ibex-35 index one year after it was excluded.

The return to the index became effective on 22 December, 2014 and, since that date, ENDESA weights with a coefficient of 40% of the capital, as its free-float capital ranges from 20% to 30%.

3.3.3. Liquidity

The mean daily figures of ENDESA shares negotiated in the year 2014, considering the negotiation in the Continued Market and the special blocks and operations, amounted to 2,418,968 shares, a quantity almost 4 times higher than that of 2013, that was of 502,056 titles.

The total negotiation volume of 2014 meant a rotation of 0.58 times the Company’s capital. However, this rotation was 1.9 times considering only the number of real shares in circulation at the end of the year, 30% of the capital after IPO performed in the month of November.

3.3.4. ENDESA rating

The year 2014 was characterized by being very positive for European bonds.

The slight improvement of the economic prospects, together with the start or continuation of the structural reforms of the Eurozone countries and the expectations that the European Central Bank announced a Quantitative Easing programme were translated into a strong source of profitability of sovereign bonds. This same performance pattern was experienced by the fixed corporate income Investment Grade.

This was reflected in a generalised improvement of the credit ratings over Spain. S&P improved the sovereign rating on
the long term of "BBB-" to "BBB", maintaining the prospect stable. Fitch raised also the rating one step, from "BBB" to "BBB+", both with stable prospects, and Moody's improved the rating from "Baa3" to "Baa2" and the prospect, that turned from Stable to Positive.

As a justification to this credit rating, the agencies provided the following arguments: re-balancing of the Spanish economy to a "more sustainable" growth model, progress made in the application of structural reforms, more certain economic prospect, reduced risk that the Spanish bank mean a risk for the sovereign, improved competitiveness.

In contrast with the improvements over the sovereign rating, ENDESA kept in 2014 its credit rating without changes and its prospects were only improved by the company Fitch in the month of April when it turned from Negative to Stable.

This stability in ENDESA rating is related to the improvement recorded in the Spanish electricity industry in 2014, in particular with regard to a greater regulatory visibility.

After the reformations made in the period 2012-2014 by the regulator, a horizon of tariff adequacy was seen after several years of uncertainty. The new Electrical Sector Act approved in late 2013 established also the mechanisms for this equilibrium to be guaranteed in the future.

In the achievement of tariff adequacy the contribution made by the Spanish electrical companies, as less rewarding to regulated activities and through payment of taxes as set out in Act 15/2012.

In the particular case of ENDESA, the Company also lived in 2014 a complex process of corporate restructuring. After this restructuring —which did not involve any change in ENDESA rating by any agency—, the company was mainly exposed to the Iberian market, and, in it, to regulated businesses, which provided it with a high visibility in the generation of cash flow.

The long-term rating of ENDESA at the end of the year 2014 was "BBB/ Stable Prospect" according to the S&P agency, "Baa2/ Negative Prospect" according to Moody's and "BBB+/ Stable prospect" according to Fitch agency.

It must be noted that ENDESA kept at the end of the year 2014 a credit rating that is within the "investment grade" category, according to all credit agencies. It must be also considered that ENDESA rating is always limited to that of its parent company, Enel, according to the methods used by the rating agencies covering both companies.

3.4. Relations with investors and activities of the shareholders office

ENDESA keeps a constant relation with its shareholders, with private and institutional investors and with the main stock market analysts, providing them with permanent, detailed information through the Directorate of Relations with Investors and Shareholders Office, located in Madrid.

3.4.1. Relations with investors

The activities fulfilled by the Management of Relations with Investors in 2014 include performing public presentations to analysts and investors on the quarterly results of the Company.

ENDESA held its Ordinary General Shareholders’ Meeting on 22 April 2013 at its headquarters in Madrid, where all items of the agenda were approved, reaching an attendance quorum of 94.46% of the capital.

On 8 October, 2014, the Day of the Investor was organised in London, for the purpose of introducing the financial community the new Industrial Plan 2014-16 focused on Iberia.

ENDESA held a General Extraordinary Meeting on 21 October, 2014, where all agenda items were approved, reaching an attendance quorum of 94.87% of the capital. The Board approved the sales of 100% of Endesa Latin America capital and 20.3% of the capital of Enersis to
Enel Energy Europe for an amount of 8,253 million Euros. Furthermore, the Board approved the distribution of an extraordinary dividend equal to the amount of disinvestment made.

In November, ENDESA made a Roadshow all over Europe and the US for the IPO of ENDESA that on 6 November was launched from Enel Energy Europe.

3.4.2. Shareholders office

In 2014, 5,553 telephone calls were attended, and 71 visits were received, in addition to performing 841 of document deliveries.

One of the most relevant channels that the Company makes available to its private shareholders is the “Information for Shareholders and Investors” integrated in its corporate web (www.endesa.com).

On the occasion of the General Extraordinary Meeting of 21 October 2014 and the Initial Public Offering of November 2014 was supported by an external call centre that amounted to a total of 16,455 calls, 66% related to the Board and 34% to the IPO.

| TYPE OF INFORMATION REQUESTED TO THE ENDESA SHAREHOLDERS INFORMATION OFFICE IN 2014 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| Dividends | ENDESA Information | Shareholders’ Meeting | Economic-Financial Information | IPO |
| 28% | 27% | 19% | 11% | 6% |
As Pontes power plant. Refrigeration chimney.
Strategy
ENDESA’s Industrial Plan

On 8 October, 2014, ENDESA published its Industrial Plan, where the main action lines by businesses, based on the trends seen in the sector and in the market where ENDESA operates, are detailed below.

1. Main action lines of ENDESA’s Industrial Plan

The view of ENDESA on the main trends seen in the industry and in the markets where it fulfils its activities focus on the following:

- Improve of the macroeconomic conditions in Spain and Portugal, which could lead to a recover of electricity and gas demand.

- Increasing evolution of the mature markets to an economic model based on low CO₂ emissions, that could promote electrification of energy demand.

- Regulatory stability, focused on the efficiency of the system, that ensures the financial sustainability thereof.

- Technological innovation that will involve a more active role of network operators and might enhance the development of new services.

- A greatest interest of consumers in value added products related to energy, that allow to meet its needs more efficiently and effectively.

Considering these trends, ENDESA’s industrial plan is based on four key priorities, that will be articulated through different actions in each business.

Use of the potential of the new regulation

In the business distribution, ENDESA wants to optimise the rewarding to this activity within the new regulatory framework, through the implantation of measures aimed at obtaining additional operative efficiency and investment measures and the use of new incentives linked to the new incentives linked to the service quality, prevention of fraud and loss reduction.

With regard to the non-mainland generation business, ENDESA action plan focuses mainly on promoting regulatory improvements which provide the recognition of non-recoverable costs in the current rewarding.

Improving operating efficiency

ENDESA keeps a continued focus on efficiency in costs throughout its activities, levering in the cumulative experience in the plans implemented to date and the continued search for new savings area.
• In Distribution, the potential savings will come from sharing the best practices with the ENEL Group, with a more flexible organisation structure based on the externalisation and investments innovative technologies oriented to efficiency.

• In non-mainland generation, the efficiencies would result from the optimisation of the service contracts, of the improved coal and a more flexible organisation.

• In mainland generation, the efficiency in costs will be potentiated in all technologies, in particular:
  — In nuclear power stations, through the preparation of the power plants for long-term operation and through achieving a greater organisation flexibility.
  — In hydraulic power stations, via a continued improvement programme and a strict investment process.
  — In the coal power stations, through renegotiation of contracts, the optimisation of the mix of fuels and the logistic improvements.
  — In combined cycles, with the renegotiation of long-term contract services, virtual hibernation, reduction
of gas toll and possibility of closures in some non-profitable groups.

- In Commercialisation, efficiency measures are planned both in cost of service rendering and in cost of customer acquisition. With regard to the costs of service rendering, the actions will focus on improving efficiencies in commercial attention and backoffice activities. With regards to client acquisition costs, a greater efficiency in the operating processes will be a key factor for ENDESA.

Maximising the value of integrated management of generation-commercialisation

The model implemented by ENDESA of integrated management of deregulated business allows to obtain resistant margins with potential to acquire additional value and a limited exposure to market risk. This model is based on the adequate management of procurements (combining own generation with purchases in the market) and sales of energy (combining contracts at fixed prices and contracts indexed at pool prices).

This strategy is based on the long experience of ENDESA in the deregulated market, on its technical knowledge and skills in the management of energy, in a dynamic management of the risk and the coverages, as well as the optimisation of the fuel supply.

Another essential factor is the competitiveness of the portfolio of coal generation of ENDESA in the coverage of the thermal gap (energy that must be supplied by conventional thermal power stations) in the mainland market, that in 2013 was 1 TW higher than in 2013. With this regard, ENDESA is considering the performance of environmental investments and extension of useful life at the imported coal as these are more competitive. These investments will allow to extend the useful life of plants by 20 additional years keeping their profitability. With regard to national coal power stations, environmental investments are an open option for ENDESA, and its final decision will depend on the market and regulatory conditions.

Development of new technologies and acceleration of the development of new products and services

- In Distribution, ENDESA will focus on the following projects:
  - Improvement of the reliability of networks, thanks to net mesh reinforcement, the objective being to improve the safety and quality of the service.
  - Installation of digital meters, that increase the potential of smart networks and are a catalyst to develop new services. The digital meter allows, amongst others, to reduce the reading costs, the improvement of customer care, thanks to the real, non-error reading; improvement in efficiency and energy savings for the customer; improvements in planning and operation of the net and TIEPI (Equivalent Time Interruption of Installed Power) and the reduction of energy losses.
  - Increasing automation of the net, by increasing the number of remotely controlled units and modernisation of the communication networks, allowing improvements in quality and savings in the operation of the medium-voltage network.
  - Integration of control centres through harmonisation of systems for a greater efficiency of operations and improvement of security.

- In Commercialisation, the key factors for ENDESA are to continue extending its product and added value service portfolio, developing new business models and offering monitoring and control services. In addition, ENDESA will investigate the additional growth opportunities derived from energy efficiency and electrification of the demand.
2. Economic-financial magnitudes

The economic-financial parameters associated with implementation of ENDESA’s Industrial Plan are those listed below:

2.1. Investment Plan

The development of ENDESA’s Industrial Plan involves an objective of investment of 2,500 million Euros in the period 2014-2016, and most of this investment focuses on the electricity distribution business, with approximate investments of 1,100 million Euros (about 50% in maintenance and the rest in implantation of remote management, network automation, effort in meshing and information systems) and in mainland generation, with approximate investments of 1,000 million Euros (80% with a balanced distribution between nuclear technology and maintenance of the rest of technologies, and it is planned that the rest of the investment is allocated to selective environmental investments in imported coal power stations). The remaining investment would be distributed proportionally among non-mainland generation business and commercialisation business.

2.2. Economic results

ENDESA Board of Directors, at its meeting last 7 October, 2014, approved, in the context of reorganisation of ENDESA activities, its new business plan, that contains the business forecast detailed below for the tax years 2015 and 2016:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross operating result of turnover (EBITDA)</td>
<td>2.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Result of the tax year attribute to the parent company</td>
<td>1.0</td>
<td>1.1</td>
</tr>
</tbody>
</table>

This profit forecast gathers the estimations on the indicators of results of the activity of Endesa Group after considering the effects derived from Disinvestment in Latin America performed on 23 October, 2014, and the distribution of dividends amongst its shareholders performed on 29 October, 2014.

Furthermore, compliance with these objectives is based on the dividend policy approved by the Board of Directors of ENDESA, published on 8 October, 2014.
Businesses
1. Business in Spain and Portugal

1.1. Business in Spain

1.1.1. Electricity generation

The total ENDESA power installed in Spain at the end of 2014 amounted to 21,826 MW in ordinary regimen. Of this amount, 16,740 MW were in the mainland electrical system and 5,086 MW in the island and non-mainland systems, that is, Balearic Islands, Canary Islands, Ceuta and Melilla.

ENDESA generation park in Spain reached in the year a total net production of 69,676 GWh between the ordinary system and the non-mainland production, with an increase of 2% as compared to 2013 (the total output of the entire Iberian Peninsula reached 69,681 GWh for the supply of the 5 GWh from Portugal). During the year 2014 the demand has decreased –1.2% (–0.2% corrected laborality and temperature effect); furthermore, the special system has decreased –1.0% mainly for the fall of wind output of –6.1%.

ENDESA output in the peninsula was 2.7% higher than the previous year.

To be noted is the increase general function of all heat technologies for the increased thermal gap with regard to 2013: national coal (+49.8%), and combined cycles (+20.9%), and the lower hydraulic (−7.7%) and nuclear production (−4.4%).

The production of the non-mainland electricity system reached 12,179 GWh, a figure 1.3% lower than that of 2013.

1.1.2. New facilities and operational improvements

The main electrical infrastructure projects started, developed or ended in 2014 in Spain were as follows:

Mainland system

- Start of the project for installation of a system for removal of powder in the thermal power station of Compostilla.

- Start of manufacture and preliminary work for the installation of systems for reduction of NOx and SO2 emissions in both groups of the thermal power station of Litoral (Almería).

- Start of building of the coal loading project from the Muelle de Ribera 2 at the thermal power station of Litoral (Almería).

- Installation of a burner refrigeration system in group 4 of the thermal power plant of As Pontes and continuation of the activities for assembling a similar system in group 3.

- Installation of a system for reduction of NOx by primary measures in group 4 of the thermal power station of Puentes.
• Building and start-up of a coal feeding facility at the thermal power station of Puentes.

• Continuation of building the infrastructure for the adjustment of the Saa coal park at the thermal power station of Puentes.

• Start of the project for the installation of a treatment and recovery plant for coal sludge at the thermal power station of Puentes.

• Continuation of the dismantling work of the thermal power station of Sant Adria de Besos and Badalona.

Balearic Islands

• End of the project for adaptation to gas of two engines in the diesel power station of Ibiza.

• End of construction of the project of the deposits of non-hazardous residues at the thermal power station of Alcudia (Mallorca).

Canary Islands

• End of the installation of systems for reduction of NO\textsubscript{x} emissions at the station of Arona (Tenerife).

Ceuta and Melilla

• Set up of a new fuel system in the project of the relocation project of facilities at the fuel station of Melilla.

1.1.3. Mining

The coal mining activity of ENDESA in Spain is developed in four mining centres: As Pontes (A Coruña) and Andorra (Teruel) belonging to Endesa Generación and Puertollano ( Ciudad Real) and Peñarroya (Córdoba) through the company Encasur. Coal mining has been developed in 2014 only at the Mining Centre of Puertollano (Emma mine), the other centres have no mining activity and are in a restoration phase.

Yearly output of coal was 604 thousand tons, equivalent to 2,414 million therms of LHV, which means a small reduction in 15 thousand tons and 2.9% less in therms than in 2013. ENDESA output represents about 17% of the national coal production.

<table>
<thead>
<tr>
<th>Producing company</th>
<th>Type of coal</th>
<th>Millions therms LHV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encasur</td>
<td>Soft coal</td>
<td>2,414</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,486</td>
</tr>
<tr>
<td></td>
<td></td>
<td>–2.9</td>
</tr>
</tbody>
</table>

LHV = Lower heating value.

During the year 2014, 393 thousand tons of coal were sold, equivalent to 1,597 million therms of LHV, with a reduction in 308 thousand tons from the sales of the previous year and 42% less of therms than in 2013, in compliance with the decisions of the Secretariat of State for Energy that assigned the coal amounts to be purchased in the restriction process by guarantee of supply, set out in Spanish Royal Decree 134/2010. This significant reduction in the sales to Power Thermal Plants of the companies clients of ENCASUR have led to the generation of a surplus production that has become part of the stock existing in our facilities in Puertollano.

<table>
<thead>
<tr>
<th>Producing company</th>
<th>Investors</th>
<th>Type of coal</th>
<th>Millions therms LHV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encasur</td>
<td>Elcogas</td>
<td>Soft coal</td>
<td>291</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>630</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>–53.8</td>
</tr>
<tr>
<td>Encasur</td>
<td>E.On</td>
<td>Soft coal</td>
<td>21,306</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,122</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>–38.5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>21,597</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,752</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>–42.0</td>
</tr>
</tbody>
</table>

Of the total amount of supply in therms of LHV for our clients, 18.0% were delivered to Elcogas and the remaining 82% to E.On Generación.

In the restoration of lands and implementation of end of activity plants for mining industries, to be noted were the actions of environmental recovery in Andorra and Peñarroya, and also those performed in parallel with the exploitation stage at the Puertollano Mining Centre. In 2014, in total, 50 hectares of mining ground were restored.

In the year 2014 the restoration at the Mining Centre of Andorra was ended, starting the maintenance period of
the restoration and environmental monitoring. The campaigns of seeding, required by the Administration, were also ended in "corta Ballesta Este" and the definitive stoppage of work (administrative closure) was achieved at the centre "corta Ballesta Oeste", both at the mining centre of Peñarroya.

Progressing in the procedures for the administrative closure of the As Pontes mine, during the year 2014, a number or relevant works have been performed for that purpose and mining and material equipment remaining from the mining centre were put into value by sales thereof to third parties.

1.1.4. Regulated market

ENDESA distributes electricity in 27 Spanish provinces from 10 autonomous regions — Catalonia, Andalusia, Balearic Islands, Canary Islands, Aragon, Extremadura, Castile and Leon, Navarre, Region of Valencia and Galicia—, with a total area of 192,790 km² and a population close to 22 million inhabitants.

The number of clients with contracts of access to the electricity grids of the Company reached 11.9 millions in 2014. The total contracted power was 84.1 GW.

The total energy distributed by ENDESA networks has reached 110,945 GWh in 2014, measured in central bars, which means 43% of the total demand in Spain. The latter was 258 TWh during 2014, according to the operator of the electric Spanish system.

1.1.4.1. Development of the supply infrastructures

The length of the distribution grids lines of ENDESA in Spain decreased in 2014 by 2.8% reaching 314,528 kilometres. 39% correspond to underground lines.

During the year, five new high-voltage substations were put into service. Other actuations were focused on reducing the environmental impact of networks and on the development of specific plans agreed with administrations.

<table>
<thead>
<tr>
<th>ENDESA DISTRIBUTION FACILITIES IN SPAIN AND PORTUGAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-voltage overhead lines (km)</td>
</tr>
<tr>
<td>High-voltage underground lines (km)</td>
</tr>
<tr>
<td>Medium-voltage overhead lines (km)</td>
</tr>
<tr>
<td>Medium-voltage underground lines (km)</td>
</tr>
<tr>
<td>Low-voltage overhead lines (km)*</td>
</tr>
<tr>
<td>Low-voltage underground lines (km)*</td>
</tr>
<tr>
<td>Substations number</td>
</tr>
<tr>
<td>Substations (MVA)</td>
</tr>
<tr>
<td>Transformation Centres (number)</td>
</tr>
</tbody>
</table>

The remote management project advanced according to the scheduled rate, with 5 million meters and 45,948 concentrators installed in total as of December, 2014. The mass rollout continued in 2013, with around 100,000 meters being installed a month, putting the total number of smart meters installed since the start of the project at 4.1 millions.

1.1.4.2. Continued supply

The continued supply is measured in Spain through the indicators TIEPI (Interruption Time Equivalent to the Installed Capacity) and NIEPI (Number of equivalent interruptions of the power supply), with the calculation procedure regulated by Spanish Royal Decree 1955/2000. TIEPI and NIEPI levels are audited annually by an external independent company.

During 2014, the TIEPI in the markets supplied by ENDESA in Spain was 48 minutes, 1 minute longer than 2013 value. The reliability of the service was 99.99% of the hours of the year. The NIEPI stood at 1.2 in 2014, improving 0.1 compared with the previous year.

The table below shows the indicators of supply continuity of the main autonomous regions, where ENDESA provides
its service. Catalonia and Aragon increased their TIEPI and stood at 50 and 57 minutes, respectively. The Balearic and the Canary Islands obtained excellent annual interruption indices, with 32 minutes each. Finally, Andalusia and Extremadura improved their supply quality last year, with TIEPI values of 51 and 48 minutes.

In the same way, the province capitals supplied by ENDESA enjoyed excellent quality service levels. Most were under 30 minutes of own TIEPI. To be noted are Girona (10 min), Almería (11 min), Palma de Mallorca (12 min) and Tarragona (12 min).

1.1.5. Deregulated market

In 2014 ENDESA supplied to the clients of the deregulated electricity market 84.5 TWh, to 11.2 million supply points, reaching a share of 36.9% in terms of energy and maintaining the full leadership of the sector. The mean marketing share of the Company in areas not covered by its distribution network was above 21%.

1.1.5.1. Operational commercial attention excellence

ENDESA Excellence Plan in Commercial Attention focused its activities in 2014 on improving commercial attention (telephone, on-line and in person), in handling complaints, as well as in improving knowledge methods of the customer to adapt better and fast to customer’s needs.

The most significant results of the 2014 Plan included: satisfaction perceived by the residential market with the business offices of ENDESA (rated with a mark of 8 over 10), the reduction by 46% of the re-billings performed in the residential market and the reduction of 24% in the mean period of resolution of complaints. The 15% increase in customers registered in the e-bill service is also to be noted.

1.1.6. ENDESA’s Customer Ombudsman

ENDESA’s Customer Ombudsman, unique in the Spanish electricity industry, is an independent figure of the company management that has the objectives of providing its customers with an additional dialogue path related to the services rendered in the market, listening to its external and internal interlocutors, and propose to the company new ways of knowledge of the needs and expectations of its customers, as well as formulae to improve the commercial attention services.

José Luis Oller Ariño was appointed ENDESA’s Customer Ombudsman in 2005.

1.1.6.1. Spain and Portugal Complaints managed

Complaints managed

In 2014, ENDESA’s Customer Ombudsman received 972 complaints in his area of actuation, which means a reduction of 15% from the same period of the previous year.

However, the complaints not corresponding accurately to the Area of the Ombudsman experienced a growth of 10% from the previous year. The Ombudsman received 1,675 complaints where he could not act because they were first complaints or because it was not 2 months after the first customer complaint was submitted to the Company or because they were subjects out of his area of actuation.

By types, the most common complaints are those related to the commercial contracting cycle, billing and collection.
(51%), followed by those related to supply incidents (21%). Complaints related to incidents in the measuring equipment (14%) decreased slightly and however those of contracting (18%) also rebounded slightly.

Complaints related to gas and gas services complaints remain stable and represent 11% of the total.

83% of the complaints managed were resolved partially or fully in favour of the customer.

Furthermore, the mean closing time of the complaints, that is 56 days, within the established ranges.

Mediation between the customer and ENDESA has been the most common method of closure (56%). In the rest of the cases, the Ombudsman solves by a simple conciliation decision (8%) or by a decision based on the principles of equity and justice (32%).

**Perceived quality**

The global customer satisfaction with the Client Ombudsman of ENDESA remains stable (7.4). Most customers are satisfied or highly satisfied.

The management and the information received by the Ombudsman’s Office are the best valued aspects. In addition, customers value particularly the confidence transmitted by the figure and would mainly recommend the service to other clients.

**Other activities**

In 2014 the Ombudsman issued one recommendation and 16 notices of dysfunction.

The recommendation given proposes to review the training of the sales and post-sales attention services personnel of added value to include the provisions of the regulations in matters of consumer rights, that have been recently amended.
Warnings of Dysfunction, unlike the Recommendations, moved specific cases where the Analysis of the Office of the Ombudsman identified some error or dysfunction that it is encouraged to amend in relation to the different procedures or actions of the Company.

In the year 2014 ENDESA’s Customer Ombudsman held different contacts and meetings with institutions and agencies involved in harmonisation of Directive of 21 May 2013/11/EU related to the Alternative Resolution of litigations in matters of consumption, so that figures such as ENDESA’s Customer Ombudsman can be considered as a mechanism of ADR in the ongoing bill draft.

In 2014, the Office of the Customer Ombudsman performed an adjustment of its complaint recording and management system and modified its actuation procedure to potentiate job on-line and reduce generation of printed documents.

1.1.7. ENDESA in the wholesale markets

1.1.7.1. The Spanish wholesale electricity market

The energy in Spain in 2014 for sales to end customers of the electricity market through suppliers and resellers, exports and coverage of the own consumptions of the system (losses in the network, auxiliary consumption of the plants and pumping consumptions) amounted to 243 TWh in the mainland. Pumping consumptions, export balance and Mainland-Balearic Islands link amounted together to 10 TWh in the year.

26.3% of the total energy was negotiated in the Daily Market of the Electrical Market Operator (OMEL), 25.7% corresponded to bilateral contracts, 7.6% was negotiated in the operation markets of REE and the rest, 40.5%, was acquired directly by the distributors to the special tariff system.

During the year 2014, it is estimated that in the forward electricity markets a volume of 351 TWh was negotiated, 17% less than in 2013. Of the total business negotiated, 37.5 TWh correspond to operations in Organised Market (Continuous Trading of OMIP). Of the remaining 313 TWh (volume negotiated in OTC), 81.4 TWh were registered in clearing house (49 TWh in OMIPClear and 32TWh in ME-FFPower). Therefore, the increase negotiations of this year registered in clearing house is confirmed: in the total of 2014 34% was negotiated vs 27% the previous year.

Of the 351 TWh of the year 2014, ENDESA negotiated a total of 54 TWh.

Since 2008 the volume negotiated in the electricity forward markets has generally followed an increasing trend. Except for 2012, where the volume negotiated was 8% lower than in 2011 mainly due to the uncertainty in the regulatory measures as well as in 2014, where the volume negotiated was 16% lower than in 2013.

1.1.7.2. Electricity auctions and new pricing mechanisms in the wholesale market

The twenty-fifth CESUR auction, held on 19 December, 2013, and fixing the last resort energy price for the first quarter 2014 was not validated by the CNMC as a result of the high prices resulting of it.
The auction was held after a high spot market price period as a result of several factors of the electrical system (high demand for effect of temperature, low hydraulic and wind production for lack of contributions and wind, casual unavailability in nuclear groups and difficulties in gas supply for force majeure of suppliers, together with a high conventional gas consumption), also adding to this, by the financial agents (usually selling most of the energy of the auction), insurance premiums of prices higher than the standard after 2 consecutive trimesters of losses.

After the cancellation of the auction, Spanish Royal Decree-Law 17/2013 of 27 December fixed the reference price of electric power in the contracts subject to the small consumer voluntary price (SCVP), fixing it at 48.48 €/MWh for the base product and at 56.27 €/MWh for the peak product. Furthermore, it established a coverage mechanisms for reference marketers for the amounts aimed supply to SCVP consumers during the first trimester by the differences between the base and peak product prices and the daily market price.

Royal Decree 216/2014 established a new mechanism of fixation of the so-called Small Consumer Voluntary Price (SCVP), previously known as LTR. This fixing mechanism is linked to the daily and intraday market price. Since then, CESUR electricity auctions have no longer been performed.

1.1.7.3. Price evolution in the wholesale market

In 2014, the mean arithmetic price of the daily market was 42.13 €/MWh vs 44.26 €/MWh of the previous year (4.8%). The mean weighted prices were 41.99 €/MWh in 2014 and 44.37 €/MWh in 2013.

As in 2014 the overcosts of subsequent markets added 6.13 €/MWh to the mean price and the payments per power 1.4 €/MWh, the price at the end of the year was 49.66€/MWh.

1.1.7.4. Mean daily price

The mean price of the year was slightly lower than for the year 2013, mainly due to the reduction of energy prices, in particular coal and, in the last part of the year, gas.

The thermal gap in the year (energy to be supplied by conventional thermal power plants) was in the order of 66 TWh, higher than in 2013 at 1 TWh. The main causes for this minor

<table>
<thead>
<tr>
<th>PRICE COMPOSITION (€/MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily market</td>
</tr>
<tr>
<td>Downstream markets</td>
</tr>
<tr>
<td>Power output guarantee</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Note: For calculation of the units of the graph, the revenues of the rest of the markets and guarantee of power have been calculated proportionally to the energy contracted in OMEL in the daily market.

Net unit revenues of the generation units calculated over contracted energy without including pumping purchases.
difference were an hydraulic and wind production production highly similar and that the 2014 demand reduction vs 2013, in the order of 1 TWh, was compensated by the lower production of the rest of the special system.

The prices of the first semester were lower than the mean due to the high hydraulicity of the period that caused very low prices in February, March and April. The mean price of February, 17.12 €/MWh, was the lowest mean monthly price since the start of the market in 1998. In the second trimester high prices were recorded, in particular in the months of September and October, due to a reduced wind product and for problems with coal supply in some plants subject to the Restrictions for Guarantee of Supply.

1.1.7.5. Purchases and sales in the wholesale market

In 2014, ENDESA sold 58,851 GWh, 62% of the total sales of the Company were performed by bilateral contract, 35% was sold in the organised OMEL and REE markets and the other were sales form imports.

With regard to energy purchases, ENDESA acquired in the wholesale market 99,398 GWh, of which 90% were for commercialisation and the rest for pumping consumptions and exports.

1.1.7.6. CO₂ market: Compliance of commitments ETS

In the year 2014, the CO₂ prices in the spot market ranged from 4.35 €/t to 7.36 €/t, ending the year at 7.24 €/t. Despite the current crisis scenario, the excess of rights of emissions from Phase II and the regulatory uncertainties, the market has reacted positively to the measures implanted during the year and to the proposals made during it.

The European Union, for the purpose of improving the dynamisms of the emission right market, implanted in the first trimester of 2014 a measure approved on 3 July, 2013, known as backloading. This consists of the temporal withdrawal of 900 million tons of rights from the auctions of the years
2014, 2015 and 2016, this corresponding to this first year a total of 400 Mt.

The other mechanisms considered in 2014 and that will be voted in 2015 is the Market Stability Reserve (MSR) that consists of the dynamic adjustment of the total offer of rights in the market, based on the demand thereof through a reserve of rights. The measure proposal has been positively received, directly influencing the price increase occurring in this year.

During the year 2014, ENDESA maintained its environmental policy with the framework of the community emission trade system —ETS— for meeting the objectives of Kyoto Protocol.

The emissions resulting of the activity of Endesa Group in Spain reached the figure of 22.1 million tons in the mainland and 9.2 million tons in the islands, covering almost with EUAs (European Union Allowances).

To meet the needs of the third period of application of the ETS (2013-2020), the Company has a portfolio of CO2 that includes the rights acquired in the markets and those obtained international projects of reduction of emissions by Clean Development Mechanisms (CDM) and Joint Implementation (JI), in compliance with the duties of emission reduction in other countries.

1.1.8. Fuel procurement

The year 2014 was characterised by a higher use of thermal power plants due to the reduction of the special system, in particular co-generation. With regard to the year 2013, production of all technologies was increased, except for hydraulic and nuclear.

In this setting, ENDESA participates with active contracting in the physical and financial wholesale markets.

<table>
<thead>
<tr>
<th>Fuel Supply to ENDESA, Including Own Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>National coal (kt.)</td>
</tr>
<tr>
<td>Imported coal (kt.)</td>
</tr>
<tr>
<td>Petroleum coke (kt.)</td>
</tr>
<tr>
<td>Liquid fuel (kt.)</td>
</tr>
<tr>
<td>Natural gas cycles (bcm)</td>
</tr>
<tr>
<td>Natural gas marketing (bcm)</td>
</tr>
</tbody>
</table>

Note: including non mainland.

The Company contracted 14.6 million coal tons during the year, with an increase of 21% as compared to 2013. In liquid fuels, it managed 1.9 million tons, with a reduction of 4.8% for the lower growth of electricity demand from the non-mainland systems.

The gas volume managed for own consumption was 0.7 bcm (billion cubic metres) and that managed for commercialisation was 6.4 bcm.
Within these procurements, 2.7 million Euros of coal were allocated to supply to third parties, a figure very similar to the previous year.

1.1.9. Risk management in the electricity business

The results of ENDESA deregulated business in Iberia are subject to several risk factors: price movements of commodities (electricity, gas, coal, rights of CO₂ emission) and Euro/dollar exchange rate (market risk) for potential contract breaching by the counterparts (credit risk) or for the regulation and others associated with the business operation (operative risk).

The Risk Control Policy of the Enel Group establishes, amongst others, limits to the added risk (Margin at Risk), to the value at risk in the business portfolio and exposure to counterparty credit. In addition, there are procedures for the control of risks associated with other types of operative risks. In 2014 implantation of the risk control procedures designed for the set of companies of Enel Group was continued, within the corporate policies of risk control. In particular, corporate procedures for the control of risks of commodities, of counterparty, industrial, strategic, per country and of business.

In 2014, an adequate balance was obtained between the margin and the risk of business activities. The management of the client credit risk is still relevant due to the economic crisis situation. The regulatory changes did not affect the business risk profiled, but did affect the market environment, in particular the introduction of the new regulation of rewards of renewables.

The strategy of coverages of the market applied in 2014, as in previous years, considered the commercial sales activity, where ENDESA sales electricity volumes higher than its own production. This strategy combines dynamic coverages for the thermal generation assets that minimise the risk and capture the optional value thereof, together with other energy purchase programmes in the wholesale markets to cover resulting positions of electricity commercialisation. These strategies reduce the risk by actuations in the forward markets of the different commodities.

As with electricity, the risk of the gas portfolio is managed through a mechanism of specific coverages for this business.

With regard to the markets of rights of CO₂ emission, the end of the PNA in 2012 and the reduction of the value of MDLs projects take the management of ENDESA exposure to these rights to a management similar to other commodities.

The application of the set of coverage and commercial strategies described allowed to maintain an adequate risk level within the limits established for the markets.

1.2. Activities in the Portuguese electricity industry

The presence of ENDESA in the Portuguese electricity system focuses mainly on the activities of electricity commercialisation and generation in the deregulated market.

1.2.1. Generation

In 2014, ENDESA had in Portugal 1,095 MW of power installed in ordinary system (244 MW of Tejo Energía and 851 MW of Elecgas).

ENDESA owns 38.9% in Tejo Energía, the company owner of the thermal coal power plant of Pego of 628 MW of gross power.

The coal power plant of Pego generated 2,951 GWh (1,147 GWh corresponding to 38.9% of ENDESA), that meant a share of 6.0% of the total electricity consumption of Portugal. The combined cycle plant generated 5 GWh.

ENDESA received 6.6 million Euros for dividends of the year 2013.

ENDESA also participates in 50% of Elecgas, the company owner of a combined cycle station of 851 MW (2 groups of 425 MW).

Furthermore, it has a tolling contract with Elecgas, obtaining for it 100% of the energy generated.

The maintenance of the coal and combined cycle station of Pego is in charge of PEGOP, company shared by ENDESA at 50%. It also shares 50% of Carbopego a company purchasing coal for the power plant.
After signing in September, 2013, the Concession Contract of the project of dams and hydroelectric power plants of reversible pumping Girabolhos-Bogueira (Portugal) (335 MW + 29 MW), ENDESA started in March, 2014, the first stage of the civil work, consisting of opening the accesses to the areas of work and future plants.

1.2.2. Commercialisation of the deregulated market

The deregulation process continued progressing in Portugal in the year 2014 in the segments of Major Clients (Medium Voltage) and Companies (Special Low Voltage). The energy supplied in the deregulated market reached 76% of the total consumption of the neighbouring country.

ENDESA remains as second operator of the deregulated Portuguese electricity energy with a share of almost 20%. At the end of the year, ENDESA had supplied 6.9 TWh, with an increase of 5.6% over 2013, to more than 159,000 points of supply.

Besides this significant position in electricity commercialisation, in the Portuguese gas market, ENDESA supplied to the end client 1.3 TWh, 2.6% more than in 2013. In addition, ENDESA continued to be committed to the commercialisation of products and services of added value, for complementing and enriching the electricity and/or gas offer to the clients.

1.3. Natural gas business in Spain

1.3.1. The Spanish natural gas market

The consumption of natural gas in Spain, that amounted to 301 TWh, experienced a reduction of 9.6% from 2013. Excluding the consumption of electricity generation power plants (17.2% of the total), the conventional demand of the end customers experienced a reduction of 9.7% as compared to 2013.

1.3.2. ENDESA in the Spanish natural gas market

ENDESA, in addition to being present in Spain in gas commercialisation, participates in projects of liquefied natural gas (LNG) receipt, storage, regassing and transport).

1.3.2.1. Gas commercialisation

The total gas volume marketed in 2014 by ENDESA in Spain amounted to 54.8 TWh, 1.2% less than in 2013. Without including the consumptions of electricity generation plants, the gas commercialised decreased by 5.0% from the previous year.

1.3.2.2. Conventional market

ENDESA customer portfolio in the conventional natural gas market, as of 31 December 2014, excluding the sales to electricity generation, was comprised of 1.2 million supply points, with a consumption of 46.6 TWh/year.

ENDESA is the second gas reseller in Spain, with a global share of over 16% in the conventional market.

1.3.2.3. Electrical generation market

Natural gas sales to electrical generation plants reached 8.2 TWh in 2014, which means an increase of 27.5% vs 2013.

1.3.2.4. International market

The commercialisation of natural gas in France, Portugal, Holland and Germany reached a volume of 9.5 TWh, 0.3% more than in 2013.

1.3.3. ENDESA in the regulated gas market

1.3.3.1. Receipt, storage and regassing

ENDESA had a share of 47.18% of the Compañía Transportista de Gas Canarias, S.A. (Gascan) that promotes the construction of two LNG receipt, storage and regassing plants in the Canary Islands. Each of them has a planned storage capacity of 150,000 m³ of LNG and a regassing capacity of 150,000 m³ (n)/h (1.31 bcm/year) of natural gas. Article 6 of Act 17/2013, of 29 October, establishes the requirement of transferring the holdership of the regassing facilities in the island and non-mainland gas systems to the company group of which the System Technical Manager is part of. On 3 February, 2015, the Transactional Agreement of Participation of ENDESA in Gascan was signed, in favour of Enagás.
2. Business in other countries

The main activities fulfilled by ENDESA in 2014 out of the geographic area of the Iberian and Latin American system were as follows:

2.1. Morocco

ENDESA is present in Morocco through a participation of 32% in Energie Electrique de Tahaddart, a company that owns a combined cycle plant of 384 MW located at Tahaddart. In 2014, the plant reached a production of 2,504 GWh (801 GWh corresponding to 32% of ENDESA).

In 2014, Energie Electrique de Tahaddart paid a dividend against 2013 earnings, of which 5.9 million Euros were payable to ENDESA.

2.2. Management of energy and participation in the European wholesaler markets

ENDESA acts in several wholesaler European electricity markets to optimise its positions out of the Iberian market. Among its objectives, this actuation allows it to have the supply necessary to cover the contracts with European clients and optimise the management of the generation portfolio through the interconnection France-Spain. Furthermore, exporting of green certificates and other renewable energy products to different European countries continues, optimising the management of renewable assets.

The daily management of this interconnection was started by Market Coupling on 14 May, 2014, in line with the rest of the Western Europe countries, for the purpose of optimising the use of interconnection capacity.

ENDESA is still present in the negotiation of the Spain-Portugal interconnection and takes its place in the forward market with delivery to Portugal through the auctions organised in the OMIP platform.

In 2014, the spot prices of electricity in Europe fell significantly due to the reduced demand and the increased generation of renewables. In Germany, for instance, in 2014 the generation by renewables accounted for 25.8% of the total, exceeding for the first time the national lignite (25.6%) as main source of generation in the country.

France recorded a mean price of 34.62 €/MWh (43.24 €/MWh in 2013) and Germany of 32.76 €/MWh (37.78 €/MWh in 2013).
Drone for the distribution lines control
Other activities
1. Purchases

In 2014, the Directorate General of Purchases of ENDESA managed the contract of materials, equipment, works and services for an amount of 3,268 million Euros. The savings obtained in the management of supply was in the order of 10%.

1.1. Corporate actions

Corporate actions are transversal actions, among the businesses searching to use scale economies and process optimisation. In 2014 work was performed in the following areas:

- Improvement of purchase planning process adapted to the new regional/global reality, which allows optimising the purchase function, making easier the search and rating of suppliers.

- As a result of the Best Practice Sharing project, during 2014 work was performed on 9 purchase categories, including “Works and Maintenance of medium- and low-voltage lines”, “Call Center” services, and “Agreements of long-term services for electricity generation centres”, identifying and implementing the best practices in Enol Group to the different organisations.

- Use of the Sourcing Process methods, through which several strategic studies were performed prior to various tenders for the purpose of achieving better results in different purchasing processes for materials of the generation and distribution areas.

- Implantation of the Policies affecting Global Procurement. Amongst others, the procedures for “Global Sourcing” have been defined (optimising and standardising, globally, any activity related to the selection of suppliers) and “Design to Cost”. Furthermore, Operating Instruction no. 12 was implemented, complementing Policy 74 “Tender”.

- Training workshop with all Purchasing agents and some business units in Spain, Italy, Easter Europe countries and Latin America, where different issues related to the in-house rules of Global Procurement were reported, as well as the application of the new General Global Contracting Conditions of the Enel Group.

- Implantation of a single, global portal for registration and rating of Enel suppliers, that is set up in the entry of the supplier to all companies of Enel Group in the world and also the start of any type of company collaboration, in particular those considered e-commerce. On a group basis, it also allows to have a single basis, with a larger universe for the selection of suppliers that have followed the defined registration and rating process.

- Definition and start of implantation of a unique, global purchasing system of the Enel Group. This system has been designed collecting the best group practices, structuring it through standardised purchasing processes, which allow to work more efficiently, capturing group synergism and in line with the current standards and regulations.

- In work safety and health matters, performing on site audits of the prevention of risks at work to AT vendors in Spain.

- With regard to the supplier rating system, the implantation of the supplier rating system was continued.

<table>
<thead>
<tr>
<th>TOTAL VALUE OF WORK CONTRACTED (EURO MILLION)</th>
<th>% SAVINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>America</td>
</tr>
<tr>
<td>2,000</td>
<td>1,500</td>
</tr>
</tbody>
</table>
• Implantation of the rating system Evaluation of Vendor performance (Vendor Rating) was continued, and the evaluations increased 68% (18% in Spain, 100% in Latam), exceeding the number of 1,000 evaluations.

1.2. Actions in Spain and Portugal

The total volume of ENDESA contracted in Spain amounted to 1,161 million Euros in 2014. The main contracts include:

• Framework agreement for Island stations (Unelco) for the integral maintenance of combined cycles with General Electric Internacional, Inc. and for a total of 117 million Euros.

• Contract with the Sociedad Estatal de Correos y Telégrafos for post mail distribution in 2014, for a value of 33 million Euros.

• Framework agreement for the Island Stations (GESA) for the integral maintenance of combined cycles with General Electric Internacional, Inc. and for a total of 19 million Euros.

• Agreement for the development of commercialisation of sales forces with Combray for an amount of 16 million Euros.

• Contracting maintenance services and execution of new work in Distribution Networks MT/BT, to be performed for Endesa Distribución Eléctrica, S.L.U. in the territories of Spain during the period 2014-2016, with the supplier Cobra Instalaciones y Servicios for an amount of 15 million Euros.

1.3. Actions in Latin America

The trading volume of ENDESA in the Latin American business was 2,062 million Euros in 2014 (for the period in which ENDESA participate in the business of the region, i.e., until October, 2014). These include:

• Civil work construction at the Power Station Los Cóndores with Ferrovial Agroman Chile S.A. for an amount of 170.7 millions in Chile

• Service of Work and Network Maintenance MT/BT with the vendor CAM Chile S.A. for an amount of 60.5 millions in Chile.

• Service of Technical Operations SOT with the vendor Compel-Const. Mont. Proj. Elet. Ltda. for an amount of 44.3 millions in Brazil.

• Service of Maintenance and Works of street lighting with the supplier CAM Colombia Multiservicios S.A.S. in Colombia for an amount of 42.2 millions.

1.4. Purchases of systems and communications

The annual trading volume for the purchase of systems and telecommunications in ENDESA amounted to 236 million Euros in 2014. These include:

• Global infrastructure operation services in Italy with the vendor IBM Global Services España, S.A. for a total amount of 38 million Euros and maximum period of one year.

• Services of contract activation UTE-Market Iberia-2014 with the vendors Accenture, S.L. and Sadiel S.A for a value of 19 millions.

• Contract for the Corporate Systems and Energy Management Systems of ENDESA for a term of 5 years to the vendor Indra Sistemas S.A for an amount of 11 millions.

• Contract for the Call Center service with Vodafone, for a period of 4 years and an amount of 10.1 million Euros.
2. Risk management

The risk management of ENDESA is the set of actions (strategic, organisational and operative) which allow to maximise the company profitability, preserve or increase heritage, preventing that possible future events can affect adversely the achievement of the profitability goals set by the company. Risk governance is part of the Corporate Governance and is promoted by the High Management of the Company and considered as another element of Operative Plans.

The general principles of actuation for Risk Governance of ENDESA consists of establishing global risk strategies, developed on a tactic and operative basis; implanting a Risk Committee in charge of monitoring and controlling the criteria and basic principles on which the actuations related to the risk must be inspired; performing a follow-up of the strategy and the policies of risks, in which activity must be fulfilled by the Business and Corporate Areas and assigning the responsibility for notifying and managing actions involving overcoming the pre-established risk levels.

In addition to the above, Risk Governance is organised operatively through the existence of the functions of Risk Control and Risk Management, both functions being independent.

2.1. Risk control

ENDESA Risk Control System allows to consolidate exposure to risk of the business units and areas of the Company and their evaluation, and the subsequent preparation of the management information for decision making in terms of risk and adequate use of capital.

The risk control objective is to ensure the suitability of the risks assumed by ENDESA. This objective is met through the following tasks:

- Quantitative references (limits) are defined which show ENDESA strategy and the susceptibility to risk established by the high Management.

- Follow-up of the established limits is performed.

- Possible non-compliances with the established limits are identified and considered.

- The actions, processes and flows of information necessary to provide the possibility of reviewing the limit of structures temporally are established for the purpose of taking advantages of the specific opportunities arising in each activity.

2.2. Risk management

The Risk Management Process follows a model based, on the one hand, on the permanent study of the risk profile, on the best current practices in the energy or reference sector in the management of risks and, on the other and, on ensure the connection between the risk assumed and resources necessary to operate businesses optimising the risk-environment ratio of businesses.

The Risk Management cycle is the set of activities related to the identification, measurement, control and management of the different risks incurred by the Businesses and Corporation and is aimed at an adequate control and management of the risks.

The objective of the risk management is to perform actions aimed at adjusting the risk levels assumed at each company level, at the susceptibility and tolerance to the risk fixed.

2.3. Types of risks

The risks faced by ENDESA in the development of its activity are grouped into:

- Business risk: that includes:
  - Legal risk, derived from the uncertainties of legal or Administration actions on the application and interpretation of contracts, laws or regulations.
  - Strategic and regulatory risk that linked to possible losses of value or results derived from strategic uncertainties, changes in the environment and the market/competition and changes in the regulatory framework (including the risk country, the risk of limitation of dividends, of total expropriation or by expropriating regulation).
• Market risk, including:

  — Risk of commodity, of price variation of raw materials, fuels or energy, as well as CO₂.

  — Interest rate risk: risk kin case of variations in the interest rates and credit or inflation margins.

  — Exchange rate risk: risk linked to the changes in the parity of currencies.

  — Risk of settlement and financing: in relation to the assets, the risk is linked to infeasibility of performing transactions or non-compliance with commitments from operative or financial activities for lack of funds or access to financial markets. In relation to the assets it is the risk of not being able to obtain at a given time acquiring assets for sales at market price or lack of market price.

  — Risk of equity or risk in case of variations in the price of shares or other equity indices.

  — Risk of credit or risk of counterparty: it is the risk of insolvency, arrangement with credits or bankruptcy or possible payment default of financial obligations that can be quantified by the counterparts to which the company has actually given a net credit, for any reason, and are pending of settlement or collection.

  — Operational risk: it is the risk of incurring in losses as a consequence of the non-existence or inadequate existence of proceedings, human resources and systems or for external events.

2.4. Mitigation activities

After identifying the limits defined to ensure a risk level consistent with the objectives assigned to businesses (for which analysis models are implemented, measurement and monitoring) there are specific procedures to manage the risks in the different business lines by which all relevant information is analysed to evaluate adequately the risk factors and changes in the business conditions.

The risk limit system is based on the definition of limits and thresholds. In case of transfer of limits, the Risk Unit analyses the situation and can authorise the transfer. In case of transfer above a given threshold, the Committee involved will be summoned. The final decision will be taken by the committee authorising an exemption or review of the limit or ordering the settlement of the positions necessary for compliance with the established limits.

The activities of measuring risk, monitoring and reporting are focused on the exposures of risk in the group and in the business units from the fixed limits and thresholds.

With this regard, different activities are performed:

• Local risks are evaluated to ensure that the risk factors derived from new business contracts or initiatives are monitored.

• The market and the evolution of the portfolio are analysed to ensure consistency and value of the risk indicators.

• The information about exposure and coverages is analysed, performing a first estimation of the risk indicators.

• All information related to local exposure to the risk is reviewed and reported.

• A continuous monitoring job is performed on historic data for calibration of models and understanding of local markets.

• Approximate measurements and monitoring of exposures to risks are ensured.

During the year 2014, the risks were within normal ranges and in agreement with the activity developed and the functioning of the controls systems was the adequate.
3. ICT systems and telecommunications

The ICT-System and Telecommunication activities in 2014 were aligned with the strategic lines of the Enel Group. The most relevant actions and the new initiatives proposed in 2014 are given below.

3.1. ICT Governance

In matters of “Strategy, transformation and service model design” the following actions are highlighted:

- The Strategic Guidelines 2015-2024 and Global Strategic Plan ICT 2015-2024 were developed.

- Improvements were implemented in the follow-up tools on the main indicators of Global ICT activities.

- Different communication activities basically linked to the organisation structure and the new services (Lync, new videoconferences, services WiFi, App MDM for Smartphone).

- Software Asset Management (SAM): programme of reduction of expenditure in software licenses.

3.2. Infrastructure and technological services

During 2014 the projects started in 2013 were continued, namely the standardisation of provision of global services for all companies of the Enel Group. This standardisation is aimed at achieving maximum quality in the provision of services and cost savings in rendering them. The following are to be noted:

Operations Distributed, main projects

- E-mail cloud services: in 2014 these services were adjudicated and that of its linked tools, to the company Hewlett-Packard. In July 2014, the transition stage was started, that will end in 2015.

- Integration of Distributed services: convergence and integration of the services rendered by Distributed operations. This actions consider, amongst others, the Global Management of Printing Services, Global Management of mobile device management, migration to the platform eGlobal7 (Windows 7; the Migration of two file servers to NAS cabins (platform for storage of sensitive and strategic information).

Telecommunications, main projects

- Abraham I and II: Global adjudication of implantation of a homogeneous model of telephone and fixed data service through the geographic of the Enel Group.

- Unified communications: integration of infrastructures dealing with videoconference, telepresence and collaboration tools, given their more redundancy and capacity.

- Enel Green Power. Interconnection in redundancy with the EGP Control Centres between Madrid and Porto reached by the signals of the winds farms of EGP

- Adaptation of the communications necessary for the adequate performance of the attention platforms with the new CRM Everest.


Data Centre Operations

- Rationalisation of the Data Centres: deployment of a single management model of data Centres. Addition of new infrastructures which allow implementing new Big Data or Business Intelligence systems.

- Migration and evolution of the platforms of monitoring availability and performance of the systems of higher capacity of analysis on the business functionalities supported.
3.3. Holding and Global functions

• Global HR: Global Initiative to implement a homogeneous business model for the operation of human resources processes, reaching companies of the ENEL Group.

• Health & Safety: implantation of the SAP Health & Safety module throughout the Enel Group. The development of the system performed for ENDESA was the basis of each deployment performed.

• Portal One: pool of the Vendor Portals of the different companies of the group creating a single access point for all of them.

3.3.1. Infrastructures and Networks

The plant of deployment of solutions for convergence of technical systems was continued. The relevant milestones of the project include:

• ACSPEC SUR: migration of the SCADA systems of the Control Centres was completed with the implementation of Spectrum 3.9 of the Control Centre of Andalusia and Extremadura in Seville.

• RENTECSC: with the Canary Islands, technological migration of the servers of the database of the SAC system in the five control centres of EDE was completed.

• CUATRO: a system was implemented that supports the business processes of Endesa Red, with solutions for clients and management of complaints.

• GERO: implantation of the Resources of Operation management system for dynamic reassignment of resources in case of incidents in the network.

3.4. Generation, Trading, Renewable and upstream gas

3.4.1. Generation Systems

The actions were aimed at increasing safety, reliability and availability of the systems. These objectives were achieved with different actions, for instance implantation of new systems, renewal of servers, updates of software and existing software, with convergence of local tools in global sports.

3.4.2. Energy Management Systems

• Information on measurements: the developments were implanted to communicate the gas meters of the Thermal Production Units to obtain pooled information about daily consumptions automatically.

• Physical settlement: the developments were implanted for the regulatory change eSole Baleares.

• Mercado Spot: the developments were implanted to comply with the regulatory changes.

Furthermore, work has continued on the non-completed multiannual projects and on the improvement of analysis processes, previsions and planning of electricity and gas models.
4. Management of real estates

The asset management of Endesa group develops the asset management of its own and rented properties and promotes the monetisation of its real estates by commercialisation of assets that are not necessary for the operation of the main business, urban changes of the land and implantation of sustainable development models in lands with a high environmental value.

Most actions are canalised through Bolonia Real Estate S.L., a company 100% shared by ENDESA that has a team specialised in the technical and urban management to give property service to the Endesa Group companies. This company has a portfolio of 11 properties detached from industrial use and a recent office building, rented to companies of the Group. The market value of these real estates amounts to about 20 million Euros. Furthermore, as tenant, it canalises the rental of 3 administrative offices and 9 commercial offices occupied by employees of the Group in Spain.

On the other hand, ENDESA has a financial share in the real estate company Nueva Marina Real Estate S.L., a company that owns the lands of the old thermal power plant of the city of Malaga, located at the Playa de la Misericordia, with a total surface of 156,000 m² with a suitability for building of 81,777 m² and where Malaga city council has 40% of the urban rights. ENDESA shares 60% of the capital of this company together with the two reference partners: Banca Mare Nostrum and Compañía Europea de Finanzas.

With regard to the urban transformation activities to be noted are the actions performed in the old thermal power plants of Sant Adria in Barcelona and the Térmica in Málaga. In the former case, it is a land located in the sea front of Barcelona, with a surface of 119,080 m² of land a potential suitability for building of 190.528 m² of roof. In 2014 worked continued the work to dismantle the industrial facilities and cleaning of soil washing for value enhancement.

In the case of the actuations of the Térmica de Málaga, through the subsidiary Nueva Marina Real Estate, to be noted are the works in the urban area performed together with the City Council to define the Plan for Internal Reform (PERI) of lands and enable subsequent reparcelling and commercialisation.

During the year 2014, the sales of unused properties of Endesa Group reached an amount of 5.6 million Euros in Spain, despite the recession hitting the real estate market in Europe.

ENDESA has 181 offices for the development of its activity, 41 of which are rented, with an annual cost amount to 30.3 million Euros in 2014. With regard to rented offices, 34 are in Spain and the other distributed all over the world, four in Portugal and one in China, Germany and Holland.

The most relevant rental contracts, that involve 78% of the total cost, concentrate in 5 real estates, including the headquarters of ENDESA in Madrid (Ribera del Loira), Barcelona (Vilanova), Seville (Borbolla), Seville (Pabellón de Méjico) and Zaragoza (San Miguel). The average period to rental contract expiry of the entire portfolio of real properties is 2.8 years. With regard to the seven international offices, the annual cost amounts to 383 thousand Euros a year and the mean rental contract expiry period is 1.4 years.

Furthermore, in 2014 the rationalisation processes of the Group offices continued in Spain. The rental contracts of seven office builds have been renegotiated, with a recurrent annual savings of 0.7 million Euros, that, together with the actuations performed in the previous two years, involved a recurrent reduction in the cost of rentals of the Group of over 14 million Euros a year.

In the chapter of construction, to be noted is the start of the project of adaptation of offices of the airport road in Córdoba, to concentrate in them the current office personnel of aid city and, on the other hand, the approval of the rationalisation project of headquarters in Zaragoza, that will be developed during 2015.
Dam of Respumoso (Huesca)
Sustainability and the environment
ENDESA strategy in Sustainable Development is set out in ENDESA sustainability plan of 2014, which includes the full integration of the economic, social and environmental dimensions and value generation on the long term globally in each company structure, aligned with the Enel group guidelines.

The global goal of the ENDESA sustainability plan 2014 was to continue transforming the commitment to sustainability into a tool generating unique capacities, a tool creating confidence among concurrent groups of interest, associated with the business development and supporting the achievement of company objectives.

The Plan continue the structure of previous years, so it is articulated on the basis of the important of the issues for ENDESA and its potential for improvement, according to 7 basic lines and 2 challenges, that demonstrate the real commitment of the company to sustainability, through a set of programmes and initiatives with indicators of follow-up and specific objectives. The supervision of the follow-up falls to ENDESA Sustainability Commitment formed by the general managers of the areas of greater responsibility in the integration of the commitment to sustainability in business management.

The Sustainability Plan reflects ENDESA’s firm commitment to investing in assets that generate public confidence, maximising the most efficient intangible assets therein, which are crucial to fulfilling the mission of and carrying out the Business Plan over the long term.

1. Commitment to our customers

Ensuring access to electricity to the largest number of people with high quality, safety and efficiency standards is one of the mottos of ENDESA.

For the purpose of progressing in these areas and increasing the positive perception of the service offered, the Company working in 2014 on ensuring the continuity and extension of supply, developing the necessary structures. The total energy amount distributed was 110,945 GWh, measured in central bars, which represents 43% of the total demand in the country.

A high number of actuations aimed at improving quality of supply were also performed, such as intensification of maintenance work, renewal of facilities or increase in the degree of automation of the high and medium voltage network. With regard to the latter activity, in 2014 development of the Automation Plan of the Medium Voltage Network of the Company continued, with a total of 30,429 remotely controlled elements.

To offer its customers the best possible service, ENDESA has had a Customer Service Excellence Plan in place since 2003, the main objective of which is to improve the main customer satisfaction indicators year after year. ENDESA has in Spain and Portugal 11.2 million electricity clients and 1.2 million gas clients.

ENDESA Customer Service Excellence Plan focused its activities in 2014 on improving the quality of phone and personal attention through business offices and service points. In the Plan the complaint management model was also renewed and a project was developed to deepen into the understanding of the client and better and faster adapting to his/her needs.

The office on-line www.endesaonline.com continued experiencing very significant growth rates in 2014, with over 280,000 new clients registered, which means a growth of 29% over 2013. It is a relevant channel that potentiates both the sales and contracting of products and services such as excellence in customer attention.

Furthermore, the e-bill was also strongly promoted, with almost 1,150,000 contracts in force with e-bill at the end of the year, 15% more than in the previous year.

ENDESA continuously runs communication campaigns to raise awareness about the efficient use of energy. This includes the Twenergy portal, that has become the most important community on-line of the world around sustainability and energy efficiency. Launched in 2009, it has about 3 million visits in 2014 (about 22% more than the past year),
over 46,260 users recorded in the web and more than 88,000 followers in the social networks (mainly Facebook and Twitter). No doubt, this type of initiatives contributes to ENDESA positioning in the market as a benchmark in the development of commercial solutions promoting energy efficiency and sustainability.

During 2014, ENDESA has continued strengthening its added value product and service portfolio, some contributing directly to fighting against climate change by promoting energy efficiency and reduction of emissions in clients. These specific products and services have allowed the company to general additional incomes for a value of 19.6 million Euros.

In the year 2014, ENDESA maintained access to electricity for disadvantaged persons or those with low incomes in the different countries where the Company develop its activity. In Spain this has been performed through maintaining the discount rate that, amongst other groups with special needs, includes those of low incomes. At the end of 2014, the number of clients with discount rate was about 983,000.

2. Commitment to our people

Equality, conciliation and respect for human rights are object of permanent attention by ENDESA. In 2014, the Company continued direct its efforts to achieving an optimum work environment in occupational health and safety terms, contributing to the well-being of its employees, for which it had the essential tool which is the Plan Safety.

The primary goal of the 2011-2015 Safety Plan is the progressive reduction of accident rate to achieve “Zero Accidents”, integrating for it the efforts and the different actuation lines developed to promote the exchange of the best practices and generation of synergisms.

In 2014, occupational safety and health indices kept the improving trend of recent years. The combined frequency index (own employees and vendors) decreased 13.9% from the previous year (from 2.42 to 2.08) and the combined severity rate decreased 27.2%, from 0.10 to 0.07. In the same way, the total number of combined accidents decreased 9.3%.

In addition, ENDESA has continued performing different actions aimed at promoting the health and well-being of its employees, such as medical check-ups that are performed every year by the Company to its employees. Specifically, 60,279 medical check-ups were performed in Spain in 2014.

These medical check-ups, together with the rest of the action of prevention, training and awareness raising performed by ENDESA in 2014 allow to highlight the care of its employee’s health, thus increasing productivity and reducing absenteeism, which leads to a remarkable reduction in the operating cost of the Company.

ENDESA develops a planning corporate social responsibility in Human Resources for the purpose of progressing in the management of people considering the integration of various groups, satisfaction of people and respect and development thereof. In conclusion, a more human, efficient and productive talent management.

In the year 2014, ENDESA was certified as Family Responsible Company Model, certifying to all countries where it operates, both in Spain and in Latin America (ENDESA with presence in that region at the time of certification, that was prior to disinvestment of October, 2014).

In line with the impetus and willingness of ENDESA of progressing in the area of gender diversity, ENDESA signed an Agreement in the Ministry of Health, Social Policy and Equality of Spain, for the purpose of promoting and increasing the presence of women in responsibility positions. This agreement is associated with an action plan with initiatives of strategic, transversal and specific improvement that will develop until the year 2018, for the purpose of increasing the participation of women in pre-management and management positions and steering committees.

Currently, the number of female managers and middle management posts over the total amounted to 28.1%. In total, the percentage of female workers represented 21.5%.
On the other hand, during the year 2014 no incidents caused by discrimination were recorded in the Company.

In 2014 Enel corporate unit called Enel University, with the support of Human Resources and Organisation, was in charge of meeting the needs for training to all Company units.

In the Iberia area, the 2014 Training Plan contributing both to achieving the challenges faced by the business and to supporting the different organisation changes occurring along the year. The activity was aimed at developing the technical skills of the different business lines (Generation, Distribution; commercialisation) and staff areas, as well as the technical skills in the Occupational Safety and Health Area. These matters received the greatest attraction, followed by transversal and skills training.

During the year 2014, training was given to 86% of the employees of the area of Iberia, reaching a total of 408,700 hours, which means an average of 39 hours per employee. The training hours were distributed as follows: Managerial and transversal categories (14%), languages (10%), technical business contents (38%), occupational safety and health (30%) and contents of staff areas (8%).

During 2014, the different international initiatives continued to be consolidated, promoted from Enel University. The aim was twofold: increasing efficiency of training through offer globalisation and scale synergisms and economies, and promoting diffusion of global messages and developing common skills in the Group.

In addition, ENDESA has criminal risks that meet the requirements of the Spanish Criminal Code in matter of criminal responsibilities of the legal person. This Model gives the Company an internal control system aimed at preventing that crimes are committed in the company, reinforcing the culture of ethics and compliance of ENDESA.

ENDESA has an Ethical Channel, accessible through its website (www.endesa.com) and in all company intranets, for all its stakeholders to report safely and anonymously any irregular, unethical or illegal behaviours that, in their opinion, occur during the development of Company activities.

The procedure established for use of the channel ensures confidentiality, as it is managed by an external, independent company (Ethics Point), through which all complaints or communications are managed.

During 2014 ENDESA received through its Ethical Channel or by other means a total of 64 complaints. The investigation related to 77% of the cases reported in 2014 was closed in the same tax year.

Of the complaints received, 13 breaches of the Code of Ethics could be checked, five of which took place in Spain and Portugal and eight in Latin America (all data from the Ethical Channel are from 31 December for Iberia and 30 October for Latin America).

4. Commitment to our investors

ENDESA keeps a constant relationship with its shareholders, private and institutional investors, as well as with the main stock exchange analysts, to which it supplies permanently detailed information.

For this it has a Directorate of Relations with Investors, with activities including public presentations to analysts and investors of the quarterly results and the Strategic Plan of the Company. Furthermore, the Shareholders Office provides a permanent attention service in person, by telephone by
electronic means, to meet your requests. In 2014, 6,465 requests were answered.

ENDESA strengthened its position in the group of leader companies in Sustainability worldwide through its presence, for the fourteenth consecutive year, in the Dow Jones Sustainability Index.

ENDESA set a new record reaching its maximum global score (85 over 100) since its inclusion the index for the first time in the year 2001, improving the score from last year (84 over 100).

In addition, ENDESA reinforce its presence in the international sustainability indices Euronext-VIGEO, as it was included for the first time the Euronext-Vigeo World 120 index and maintained its presence in the indices Euronext-Vigeo Europe 120 and Euronext-Vigeo Eurozone 120. In the latter, ENDESA has been present without interruption since its launch in 2012 by the stock market operator New York Stock Exchange and VIGEO, analyst specialised in the assessment of non-financial performance of companies.

5. Commitment to the environment

The 2014 Environment Plan is based on the commitment for respect and preservation of the environment. Therefore, ENDESA continued strengthening in 2014 its strong commitment to the environment, fulfilling its activities in an environmentally-friendly manner, progressing in the implantation and certification of the environmental management systems, ensuring maintenance of certifications already achieved and committed to the preservation of biodiversity and responsible waste management.

In 2014, ENDESA continued adding efforts in its process of implantation and certification of environmental management systems, according to the international standard ISO 14001 and to the European co-management and EMAS environmental audit system in the main geographical areas where it operates, as well as in the maintenance of the certifications already obtained.

With this regard, the certifications of the environmental management systems were maintained according to the international standard ISO 14001 that ENDESA has implanted in all business of the geographic area of Spain and Portugal.

Late in 2014, ENDESA had in Spain and Portugal 97.65% of the installed power certified according to ISO 14001, the port terminals, mining sites, as well as the entire distribution business. With regard to office buildings, the certification covers the main headquarters.

Furthermore, in 2014 ENDESA has saved 1,546.67 GJ of energy in the business of Spain and Portugal thanks to the development of energy efficiency improvement programmes —including mainly the programmes focused on the redesign of processes on in the preservation and adaptation of equipment— as well as for changes of behaviour of its employees during the performance of their functions. This energy savings means a reduction in the Company carbon footprint and contributes to reducing the operative costs of the business.

The assessment of the environmental risks associated with the development of corporate activities and with the environmental certificates granted by external entities helps ensure the excellence in environmental management, which is integrated and aligned with corporate strategy.

ENDESA also has systems of management and reduction of wastes that are reviewed continuously to detect and promote improvements. In this context, ENDESA adds value to the ashes and residual slags generated at its coal-fired plants, located mainly in the Iberian Peninsula, as raw material for other industrial uses, providing to it additional incomes for its sales mainly to the construction industry. Therefore, in 2014 ENDESA added value to 577,405 tons of ashes and 20,949 tons of slags, which meant 38.5% and 8% of the total produced.

In 2014, ENDESA joined, for the fifth consecutive year, to the CDP Water Disclosure, an initiative that provides data relative to water and its management by the largest corporations in the world for informing the global market of the risk of investing and trade opportunities, as well as to help manage investments to the sustainable use of this resource.
In the Plan for the Preservation of Biodiversity, in 2014 30 shares remained active, applied to the protection of native species and their habitats, the control of invasive exotic species and environmental improvement of its own and surrounding facilities. All actions of the plan are published in the website of biodiversity of ENDESA (http://endesabiodiversidad.com/es/), page that was also started in 2014. In the last year ENDESA continued complying with the Biodiversity Pact that it signed in 2013, together with other major Spanish companies, the Biodiversity Foundation and the Ministry of Farming, Food and the Environment.

6. Commitment to innovation and technology

ENDESA continued in 2014 with the development of technological projects aimed at obtaining value, promoting innovation culture in the Company and creation of sustainable competitive advantages. Therefore R&D&i activities of the Company are part of its commitment to Sustainability matters, as shown in ENDESA 2014 sustainability plan.

6.1. R&D&i and Technological Leadership Model

ENDESA continued the development of R&D&i plants in all its business lines and corporate technological actuations, included in the Technological Innovation Plan 2013-2017, integrated in ENDESA sustainability plan.

ENDESA’s direct investment in R&D&i activities was 33 million Euros, of which 16 millions were contributed to the business in Spain and Portugal and 17 millions to the business in Latin American, through the execution of 249 projects.

6.2. Technological response to energy challenges

ENDESA submitted its technological response to the existing energy challenges through technological projects in advanced distribution networks, efficiency in the final use of energy and technological projects for greater efficiency in generation.

With regard to the advanced distribution networks, to be noted is the remote management project, where ENDESA is the leader in implantation in Spain, the smartcities led by ENDESA: Málaga and Barcelona in Spain, Santiago in Chile, and Búzios in Brazil, as well as the ZEM2ALL project, aimed evaluating the impact of the deployment of a pilot vehicle fleet in an urban environment (in this case the city of Málaga), obtaining knowledge and experiences for its implantation in our Community.

With reference to the efficiency in the final use of energy, the Store project is to be noted, an energy storage project, aimed at improving the temporal imbalances in production and consumption and thus managing demand peaks.

ENDESA, during the year 2014, integrated the criteria of energy efficiency in the corporate strategy of the company, so that it is present in all its business projects, planning and decision-making. Therefore, during the years it followed a double actuation strategy in the area of Energy Efficiency, that covers all territories where ENDESA operates: as consumer and as supplier of energy.

6.3. Management of knowledge and collaborations

As part of its open innovation model ENDESA has chosen to work with entrepreneurs to find solutions to the challenges facing our businesses. In this context, the company promotes a culture of innovation and knowledge management among its employees and throughout its value chain.

ENDESA, together with Enel, participated in the process of selection and acceleration of 42 start-ups related to smart energy, through the INCENSE project. This project, of the third phase of the FI PPP (Future Internet Public Private Partnership) project, makes available to European start-ups 80 million Euros through 16 accelerators, once of them INCENSE, for the development products and services based
on the technologies developed in the first two stages of the programme, available at the FI-WARE platform.

Eidos Market, a global application created to promote and recognise the innovative spirit of ENDESA employees and aimed at giving solutions to the challenges and problems that the Company must face, became in 2014 the corporate tool of all employees of Enel group for that purpose. During the year, three editions were made both on a corporate and local level in several companies of the group. Since its launch, Eidos Market has been able to collect over 4,500 ideas from the employees of the global group. The platform uses advanced methods, such as the crowdfunding philosophy or the predictive markets for the purpose of maximising the innovative potential of collective intelligence of the social network of the Company employees.

ENDESA continues collaborating in Spain with several technological platforms, including the Plataforma Tecnológica de Eficiencia Energética, la Plataforma de Redes Eléctricas del Futuro (FUTURED) where it is a member of the governing group, and the Plataforma de Fisión Nuclear (CEIDEN) where it is responsible for the Technical Secretariat. Furthermore, collaboration is provided in other areas such as the Plataforma Tecnológica Española del CO₂, Plataforma Tecnológica Española para la Seguridad Industrial (PLATI) and Plataforma Española de Biomasa (BIOPLAT), as well as other sector collaboration platforms such as Alinne.

Furthermore, ENDESA also actively participated in many other organisations and is a founding patron of the Catalan Institute for Energy Research (IREC), the Andalusia Technology Corporation (CTA) and the Pro Rebus Foundation of the Spanish Royal Academy of Engineering.

7. Commitment to the community: our partners

ENDESA reinforced its commitment to the promotion of the commitment to sustainability among its collaborators. In 2009, a vendor rating system was started for the purpose of reinforcing compliance with the applicable regulations in legal, occupational, safety and environmental protection matters, that during 2014 followed the planned development. Through it, it was established if a vendor met the requirements to work with ENDESA.

ENDESA would like to convey to its collaborators the commitment to sustainability for the purpose of contributing to the economic, social and environmental development in the territories where it operates.

The Vendor Rating System is already implanted in 190 purchasing families, 52 more than in 2014, which means an increase of 38% 2014. In Spain there are 63 purchasing families. During the activity period of ENDESA in Latin America in 2014 (from January to October) purchasing families were established in Chile (33), in Brazil (26), in Peru (36) and in Colombia (32).

Once fully deployed, it is expected that 60% of purchases will be covered by the system and close to 1,500 suppliers and contractors will have to fulfil the requirements set out therein.

In addition, during 2014, 100% of the contracts included clauses about Human Rights.

8. The climate change challenge

The fight against the climate change is one of the cornerstones of ENDESA Sustainability Plan of 2014 and in particular its Climate Change Programme, that includes five strategic lines focused on: renewable energies, technological development, energy efficiency, sustainable transport, and Clean Development Mechanisms (CDM).

In matters of energy efficiency, ENDESA continued developing its Energy Efficiency Global Plan 2010-2014 (PGE3) focused on three lines of action. The efficiency of the company infrastructures and active management of energy consumption, the maximisation of the activities developed in this field and the aware rising of the company employees in their responsible consumption habits.

With regard to the Clean Development Mechanism (CDM), late in 2014 the joint portfolio of Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs) of
the Enel-ENDESA Group had almost 60 CDM projects, which involves about 163 million tons of CO₂ reduction until 2000.

As an activity complementing the development or participation in MDL projects, ENDESA continues participating in 3 carbon funds managed by the World Bank, which are namely: Community Development Carbon Fund (CDCF), Spanish Carbon Fund (SPF) and Carbon Partnership Facility (CPF).

With regard to the voluntary compensations of greenhouse effect gas emissions, ENDESA ended the process of compensating voluntarily in 2014 greenhouse gas emissions of 3 internal events performed in 2013 and 2014 for a total of 50,298 tons of CO₂. The most relevant event in terms of compensation of emissions was the World Basketball Cup 2014, of which ENDESA is the sponsor and that as part of its commitment against climate change neutralised the carbon footprint associated with travels of teams, viewers and staff, as well as the energy consumption in stadiums of this event, for a total of 50,000 tonnes of CO₂.

ENDESA participates in 3 initiatives of the Carbon Disclosure Project (CDP), an independent non-profit organisation working for achieving savings in greenhouse gas emissions and sustainable use of water by companies and cities. The initiatives where it participated are CDP Climate Change, CDP Supply Chain and CDP Water.

With regard to its participation in the CDP Investors, ENDESA was awarded with a position in List A: “The Climate Index CDP Performance Leadership 2014”, for its actions to reduce carbon emissions and mitigate the business risks involved by the climate change.

This index only shows companies meeting the maximum score criteria defined by CDP, that measures the performance level of companies in the strategy, objectives and actions related to climate change.

Furthermore, for the third consecutive year, ENDESA published its report on the carbon footprint of the company, in this case corresponding to the year 2013. To date, the Company has calculated and checked its carbon footprint, covering all its business lines from the year 2009 to 2013.

Once the process, tool and calculation method have been well-established, ENDESA decided to went one step further in this new year, adding the report of follow-up and verification of Targeted Actions. Targeted Actions are projects implemented by the Company, with an execution achieving a reduction of emissions. Therefore, full management of Greenhouse effect gas emissions is achieved.

9. The challenge of local rooting

The response to the challenge of local rooting is one of the most relevant areas of ENDESA Sustainability Plan for 2014 and is seated in the commitment spirit with Sustainable Development and the prospect of contribution of social value. ENDESA strengthens this commitment responding to the social concerns through reinforcing the links with the communities where it operates, with economic development actions and shared value, that promote confidence of the citizen and promote taking root.

This challenged is implemented through the development of global and local plants which allow to adjust the objectives and strategic lines of the company to the realities and needs of each site where it operates. During 2014, coordination was maintained between the Sustainability Plan and local management, through the Sustainability Committees. They have provided the integration of the concepts and objectives of sustainable development with business vision.

A significant part of the effort made in ENDESA local rooting challenge had performed through social development projects that are performed for the benefit of the environments where the Company operates.

In 2014, ENDESA allocated 37.8 million Euros to performing or promoting 431 social projects. Of this amount, 29% was invested in Spain and Portugal and the remaining 71% in Latin America.

**ENDESA allocated 37.8 million Euros to performing or promoting 431 social projects.**
During 2014, the company has strengthened the framework of social projects, considering these as a management cornerstone that enhances social inclusion of the company, minimises risks, increases prestige, brings the company close to its interest groups and integrates its demands.

According to said framework, Endesa social projects are divided into five categories aligned with the strategic action lines in social action matters: access to energy, education and training, social development and quality of life, environment and biodiversity and voluntary work.

The Energy Access strategic line involves 30% of the investment in social projects of 2014, 37% corresponds to the category of Social Development and quality of life, 29% has been invested in Education and Training, and 4% in shares of the Environment and Biodiversity.

The volunteering activity is transversal to the four previous categories, and over 500 volunteers have participated, in particular in Social Development and Quality of Life projects.

Finally, there is an additional category called "Humanitarian Aid" that is aimed at occasional, universal responses and for catastrophes. For example, through the ENDESA Foundation, in 2014 the company made an economic contribution to help those affected by the earthquake of Chile in 2010.

Of the 431 social projects performed in 2014, the following are to be noted:

- Agreements signed against energy poverty in Spain. ENDESA, aware of the serious problem involved by energy poverty in many Spanish households, understands that it must contribute part of the response to one of the problems related to its business. Therefore, it has signed agreements with different townships to prevent power cuts in vulnerable families. Until the end of 2014 42 agreements were signed, covering a population of 2.2 million households, and power cuts were prevented in over 1,800 families. It is expected to reinforce and extend this type of initiatives.

- Occupational training in electricity for young people at risk of social exclusion in Spain. Since 2010 Endesa Foundation develops projects aimed at improving the employability of young people with limited resources and at risk of social exclusion. The objective is to provide young people, through the educational development of their personal and professional skills, access to the labour world and, as a result, its sustainable social integration. The programme works in collaboration with Cáritas, guided by the Public Administrations, public and private Education Institutions and even implicating company vendors in the provisions of practices for training students and eventually job positions. In 2014, there were 110 beneficiaries and about 200,000 Euros had been invested.

- **Endesa Educa in Spain.** Endesa Educa is an educational initiative designed to promote a new social awareness based on sustainability and energy efficiency. For this, it has a wide range of activities offered to all educational institutions freely and adapting to the different needs thereof. In 2014 it exceeded the historical record of over 7,000 activities completed at its own facilities.

- **Coach project in Spain.** Developed through the Foundation Exit, the initiative is to provide mentoring and coaching to young people at risk of social exclusion by the company employees. These accompany and provide counselling during several sessions young adolescents for improving their employability and their social and labour marketing inclusion. In 2014 there were 82 volunteers (in working hours) and 73 young people were benefited.

- **EcoAmpla and Ecoelce in Brazil and Ecochilectra in Chile.** Programmes aimed at residential customers, in particular those of low income, that consists of exchanging recyclable wastes by discounts in the electrical energy bill. After a selective collection, the material is taken to points prepared for that purpose and, after weighing it, discounts are assigned that can be used in the energy bill. For instance, in both Brazil projects 2,881 tons of recyclable wastes were collected in 2014 and 211,000 Euros of credits were granted in the electricity bill.

ENDESA understands that only with a strategic, organised social action linked to the company’s business it will reach the goal of achieving local roots and achieving the development, social inclusion and growth of the Company together with that communities where it operate.
10. Endesa and its stakeholders

Understanding the expectations of the stakeholders is a cornerstone in the sustainability strategy of ENDESA. According to the sustainability policy, the company integrates these expectations on a structured basis, in line with the strategy. This approach is intended mainly to identify drivers which will make safe, sustainable and competitive energy models viable, and to develop innovative, exhaustive and pioneering approaches to anticipate events, manage risks and seek differentiation.

Therefore ENDESA performs a strategic management of the interaction with its groups of interest from an adequate identification thereof, the prioritisation of subjects which require attention by the company and the design of responses to the expectations considered more valuable for ENDESA and the community where it provides its services.

Consequently, ENDESA performed:

a) Advanced identification of the group map of interests of the Company

ENDESA regularly reviews, identifies and rates the groups of interest of the company on a national and territorial basis, for which it uses the “Stakeholder Management” methods of the standard AA1000SES. As a result of this the 10 groups of interest of ENDESA were positioned in the map based on three variables: dependency, influence and tension. The combination of these three factors gives rise to the relevant of the group of interest, guiding and prioritising its involvement in the identification of material subjects and in the response given in ENDESA Sustainability strategy.

b) Dynamic mechanism of evaluation and prioritisation of material aspects: 2014 study of materiality

For the definition of its sustainability strategy the Enel Group performed a deep study to identify the sustainability issues that, for maturity degree and relevance, are determinant for the business. This study was performed on the basis of a comprehensive analysis of the information received through different sources, including corporate policies, business plan, queries made to the groups through the different existing dialogue channels, studies on priority matters prepared by the rating agencies for preparing sustainability indices and rankings, as well studies on benchmarking and trends, amongst others. ENDESA, as part of the Enel Group, also collaborated actively in the identification of said material subjects.

Once a set of material subjects were identified in the Enel Group, ENDESA performed in 2014 a specific materiality study to classify these issues according to their impact in the strategy of the business and their relevance for the groups of interest. This allowed to identify the main challenges as well as the relevant issues for the groups of interest in matters of business and good environmental and social governance.

This study has allowed to identify the creation of economic and financial values, occupational safety and health, as well as the quality for clients as the three matters with the greatest impact on ENDESA strategy. However, the groups of interest have identified the fight against climate change, ethical conduct and management of environmental, social and governance risks as priority issues.

The environmental issues identified as priority for the groups of interest and that, in turn, have a greater impact on the business strategy are the fight against climate change, advanced environmental management and efficient use of water resources. On the other hand, the social and ethical issues more relevant for the groups of interest and impacting to a higher degree the business strategies are equality and diversity, management and development of human capital, occupational safety and health, ethical conduct and responsible relations with the communities.

With this regard, ENDESA 2014 Sustainability Plan, aimed at contributing to meeting the established business objectives and also to meet the expectations of the groups of interest, including actuation lines for each material subject identified. A greater detail on the results of this materiality analysis is in the Sustainability report, which deepens comprehensively the different lines of action developed by ENDESA as part of its sustainability strategy to handle the different material issues identified.
11. Planning for the next years

The change in the area of activity experienced by ENDESA in 2014, as a result of the transfer of its assets in Latin America to its parent company Enel, requires a deep review and updating the strategic priorities of ENDESA in sustainability matters.

Furthermore, ENDESA is extremely aware that the energy sector is experiencing a very important worldwide transformation that will be enhanced in the next decades, mainly promoted by the demographic changes currently occurring—where most of the population lives in city centres—, for the appearance of a new more active client profile, and with decision making ability as well as for the technological progress in the field of energy and in telecommunications.

Therefore, ENDESA, that already started to develop projects such as City and Energy to take advantage of the opportunities provided by this sector transformation, is currently in a strategic thinking period for definition of a new Sustainability Plan for the next years that, in line with the guidelines of the Enel Group, focuses on reinforcing the commitment of the Company to its new activity perimeter and committed to electricity as energy vector of the modern company will be reinforced. Electricity is unquestionably the most sustainable source of energy, with the greatest capacity to meet successfully social and environmental challenges that modern and future companies must face.

This plan will be based on a deep review of the current commitments of the Company with sustainable development and its groups of interest, as well as the identification of the new focal points of action aimed at promoting a new business model that increases the current levels of reliability, efficiency and sustainability and that, in conclusion, allows to transform the challenge of the sector in sustainable business opportunities to thus continue generating value on the long-term and committed with the communities where it fulfils its activities. A new model deepening into commercial development and placing the client as an axis that guides the activity of the Company as provider of solutions to meet its needs.

No doubt in this new setting issues such as sustainable mobility and, within it, the spreading of the electric vehicle, rehabilitation of buildings, transformation of the consumer in a generator producing part of the electricity, introduction of new channels and platforms which allow to make finalist offers to meets needs against which the current energy supply and the offer of a service of digital quality based on the confidence, closeness, and overage of the energy needs at a fair price.

Finally, it must be noted that, after the reorganisation process occurring both in the Enel Group and in ENDESA in the second half of 2014, the sustainability structure has been markedly reinforced, positioning it at the maximum level and thus ensuring that Enel and ENDESA commitment with the sustainable development will be present in the decision-making processes most relevant for the companies.
Electric vehicle
Research, technological development and innovation
ENDESA has an open innovation model, that includes the contributions of internal and external players, promoting the development of an industrial structure of international nature based on the knowledge, through which to promote a new energy model based on the citizen, in line with the European guidelines.

During 2014, two new patents of own technological solutions were applied for.

- Procedure to remove varnishes from lubricating oils.
- Device for the detection of the client-network link in an electricity network and a method for detection using said device.

The direct investment of ENDESA in R&D&i in 2014 was 35 million Euros of which 18 million Euros in the business of Spain and Portugal and 17 million Euros in the Business in Latin American through the execution of over 250 projects (during 10 months ranging from January to October 2014).

ENDESA actuations in Innovation are promoted in close coordination with the rest of the Enel group, under a structured model, with common project selection criteria, capture of technological knowledge and added value, always considering the regulatory and business characteristics of each country.

With regard to the internal management of innovation, the global application of management of ideas of employees called EIDOS MARKET is to be noted; it was recreated to promote and recognise the innovative spirit of its employees, and in 2014 became the corporate tool of all employees of the Enel group for this purpose, and 3 editions have been performed both on a corporate and local basis in several companies of the group.

Since its launch, Eidos Market has been able to collect over 4,500 ideas from the employees of the global group. The platform uses advanced methods, such as the crowdfunding philosophy or the predictive markets for the purpose of maximising the innovative potential of collective intelligence of the social network of the Company employees.

During the year, each company performed several in-house and external programmes and activities, aimed at managing innovation, establishing a creative, innovative culture in the organisation, via communication, diffusion, training and recognition campaigns for employees to their innovative contribution.

As part of its open innovation model ENDESA has chosen to work with entrepreneurs to find solutions to the challenges facing our businesses.

ENDESA jointly with Enel and two other European partners has achieved fund allotment from the 7th framework programme of the EU thanks to which it has created the accelerator INCENSE. Through it, ENDESA jointly with the other partners is involved in the process of selection and acceleration of emerging companies (start-ups) of the ICTs industry applied to energy efficiency.

The programme will provide funds of up to 42 of these start-ups, with sunk costs of 150,000 Euros for each of them.

This project is part of the third phase of the FI PPP (Future Internet Public Private Partnership) project, makes available to European start-ups 80 million Euros through 16 accelerators in different settings, one of them INCENSE, for the development products and services based on the technologies developed in the first two stages of the programme, available at the FI-WARE platform.

The multiple projects performed during 2014 include those developed with the area of e-mobility and smartcities.
2. E-mobility

ENDESA continues to be strongly committed to the development of e-mobility technologies in the broadest sense and fulfills an active role in this area to be positioned as sector leader in e-mobility and to develop and install refilling systems, systems which allow to use the energy stored and demonstrating in large scale focused on the promotion of e-mobility in real settings.

In this context the efforts made allowed to develop technologies and agreements in the following areas of actuation through the following projects:

In the last three years, ENDESA made available to industrial, domestic and institutional projects a total of 853 charging points.

With regard to the fast conduction charge, devices were developed that meet the market needs:

- FASTO (Fast Together): catalogue of fast multistandard loading equipment currently in commercialisation stage.
- CRAVE (Quick charging of batteries in Electric vehicles): support system for the quick charging of the electric vehicles.
- DISENSER: quick charging equipment with storage.

With regard to the inductive charging, ENDESA is currently developing two initiatives:

- VICTORIA: development of dynamic induction charging technology for buses, that will allow to build the first dynamic induction lane of Spain in the city of Malaga.
- UNPLUGGED: international consortium for developing a quick charging station by flexible induction as well as the investigation in the use of this system in urban environments.

On the other hand, the Vehicle to Grid-V2G project (vehicle to network) is aimed at developing system which allow to both charge the electric vehicle and discharge it to the electrical network, using the energy stored in the electrical vehicles.

Another group of actions aimed at the promotion of e-mobility in real environments developing projects at demonstration scale.

The ZEM2ALL (Zero Emissions Mobility to All) project, a demonstration project of e-mobility, achieved the deployment of 23 quick chargers, 6 V2G chargers, the control and information centre and up to 200 electrical cars between companies, public and private institutions from Malaga, that obtained a high degree of satisfaction among the participants and significant savings in emissions to the atmosphere: the project achieved to date 3 million kilometres run, avoiding the emission into the atmosphere of 212 Ton of CO₂.

The GREEN eMOTION project is currently the reference demonstration in Europe, focusing on creating specific regions of demonstration for e-mobility.

During the year, an e-parking was implanted for ENDESA vehicles in Barcelona, including charging points of three types: conventional linked, quick and V2G.

An infrastructure was also deployed in Malaga for the management of demand in parkings and quick charging solutions with electric storage, based on used batteries.

In addition, the interoperability of the charging systems was demonstrated between Italy, Germany and Spain.

The ZeEUS project is developed in a European consortium for demonstration of economic, environmental and social viability of urban electric buses. In the consortium 8 cities have been identified for the demonstration, including Barcelona, that will show the capacity of the electric bus systems to meet the mobility needs of citizens in an urban setting.
3. Smartcities

ENDESA is developing the concepts of Smart Grid in the Smartcity programmes, which leads with several projects. In Spain it was the fifth anniversary of the start-up of the Malaga Smartcity and the third of Smartcity of Barcelona. While in Latin America the development of the projects Búzios (Brazil) and Santiago de Chile, launched in 2012, continued.

**Málaga Smartcity**

During the year 2014 actions aimed at integration of the Smart Grids and sustainable urbanism continued around the concept of “Smartcity”.

During these years, different latest-generation technologies have been developed and installed in SmartCity Malaga in terms of manufacture and storage distributed of energy, infrastructures for electrical mobility and pioneer solutions of energy efficiency in buildings, companies and households, with active involvement of the final consumers. This experience demonstrated the viability of this new energy management model at the city by achieving an energy savings above 20%, a reduction of 20% in CO₂ emissions at one year and an increase of energy from renewable sources. The project was performed in a city area with 12,000 household customers, 300 industrial and 900 of services.

**Smartcity Barcelona**

The development of a new energy model, deploying and testing the most advanced technologies of remove management of meters, network automation, efficient lighting, integration of renewables and electrical mobility in a number of actions distributed all over the city continues.

The most remarkable actions performed including the initiative Future Grid for Electric Energy Distribution, for the implantation of monitoring and control devices in over 1,400 Transformation Centres, which results in a better continuity and quality of supply.

It was also continued with the development of the Solar House, located in the marina of Barcelona and housing the Smart Grid Service Centre, the operating centre monitoring and managing the start-up processes within the framework of Smartcity Barcelona and all associated information.

**Operations in discontinued activities**

With regard to the actions performed in Latin America (January to October, 2014) prior to disinvestment, the following is to be highlighted:

- **Smartcity Búzios**. It is the first Smartcity project performed in Latin America, specifically in the city of Búzios of the state of Río de Janeiro. Its primary objectives include the integration of technologies such as the Smart metering, network automation, e-mobility, smart public lighting and generation distributed for the purpose of evaluating economic, technical and social viability.

- **Smartcity Santiago**. Deployed in the district Business City of Santiago de Chile, for the purpose of testing integration of technologies such as Smart metering, network automation, e-vehicles, public lighting and distributed generation evaluating economic, technical and social aspects thereof.
4. Other activities

ENDESA continues collaborating in Spain with several technological platforms, including the Plataforma Tecnológica de Eficiencia Energética, la Plataforma de Redes Eléctricas del Futuro (FUTURED) where it is a member of the governing group, and the Plataforma de Fisión Nuclear (CEIDEN) where it is responsible for the Technical Secretariat. Furthermore, collaboration is provided in other areas such as the Plataforma Tecnológica Española del CO$_2$, Plataforma Tecnológica Española para la Seguridad Industrial (PLATI) and Plataforma Española de Biomasa (BIOPLAT), as well as other sector collaboration platforms such as Alinne.

Furthermore, ENDESA also actively participated in many other organisations and is a founding patron of the Catalan Institute for Energy Research (IREC), the Andalusia Technology Corporation (CTA) and the Pro Rebus Foundation of the Spanish Royal Academy of Engineering.

The technological innovation project portfolio of ENDESA is structured along technological axes aligned based on the objects on the middle and long-term, which are oriented to optimisation of resources and generation of added value, through the following relevant projects:

**Generation Technologies**

- Study of strategies to boost flexibility in terms of fuels and environmental improvement of the thermal groups with tangential boilers by consumption of petrol coke as alternative fuel.

- In synergism with the Project COKEFEED, this Project has been mixed for the purpose of evaluating the potential degradation and reduction of the useful life of tubular materials of boilers and high-temperature components for the effect of the use of different fuels.

- Project for the analysis of the viability of extreme desulphuration technology and removal of contaminants with solid sorbents in the laboratory with real combustion gases of the electrical station of Litoral.
• Pilot plant of CO₂ capture with microalgae: pilot plant located in the thermal power station Litoral de Almería for valuation of CO₂ from combustion gases, by the culture of microalgae, for the purpose of obtaining high added value commercial products.

• O2GEN Project to study second-generation OxyCFB technology with high O₂/CO₂ ratios in small boilers at a lower cost.

• Implantation in the power station of Teruel of predictive, adaptive power control system, expert for optimisation of the functioning of the water-steam cycle in power stations and reduction of damages caused by thermal fatigue.

• Projects ReCaL and CaO₂: optimisation of the CO₂ capture process by carbonation-calcination cycles with testing at the pilot plant of 1.7 MWt of La Pereda.

• TELESIVI: development of artificial vision technologies aimed at monitoring and optimisation of maintenance systems in hydroelectric plants.

Energy storage

• STORE: energy storage project through technologies of direct application to electric power systems for the purpose of improving temporal imbalances of production and consumption in the Canary Islands.

Distribution and smart networks

• REMOTE MANAGEMENT: its aim is to implant an automatic and remote control and management system of electrical supply for domestic clients. It is a pioneer system in Spain, that will be implanted at home of the more than 13 million clients of the Company for replacing traditional electricity meters.

• ECCOFLOW: it develops a new product, a superconducting fault current limiter (SFCL) for limiting short-circuit that will provide on the middle term a greater safety, reliability, energy efficiency and quality of network. It will facilitate the integration of renewable energies in the distribution network, avoiding or postponing new investments in conventional network infrastructures.

New Downstream

• MICRONETWORKS: analysis in real setting of commercial viability and new services in the area of micro networks as a solution of household clients, define the most appropriate business models, measuring their efficiency, defining the adequate control systems and verifying their ability to integrate renewable energies and energy storage systems to the distribution network. To reach these goals work will be undertaken in the creation of 2 types of micro networks covering the energy needs of 2 different profiles of residential complexes in the city of Aquiraz, province of Ceará (Brazil), and other in Santiago de Chile (Chile).

• SUNBATT: development of a test platform at the entrance of the factory of SEAT Martorell which allows to know and estimate the viability of a second useful life for batteries used in electric cars. After knowing the results, it could be established for which type of uses this second life would be feasible, such as uses in network, industrial environments, even in households.

• ENERGRID: distributed system of smart infrastructures for the management of the offer and demand of the electrical grid. The system allows to manage the production and consumption of energy from small nodes (household, companies), creating a decentralised system. In addition, the project intends to improve the energy management of buildings, by a dialogue between consumers, generators and users.

• GROW SMARTER: ENDESA is involved in this project aimed at improving economic, social and environmental sustainability of the cities, through the development of innovative solutions in sustainable mobility, integrated infrastructures and efficient neighbourhoods.

• ENDESA will deploy and manage the infrastructure of municipal electric charging in Barcelona, with the incorporation to the existing infrastructure of FASTO chargers and V2G chargers. In addition, ENDESA will develop an energy management system of municipal assets and will integrate Smart Grid services through the City OS to improve efficiency and resilience of the city.
• FLEXICIENCY: through this project they will demonstrate at large scale new services for agents of the European electricity market based on accessibility of the data of the meter almost in real time. The five demonstrative cities include Malaga, where ENDESA will develop a team that enables the figure of the aggregator offer value added energy services (for instance: management of charges through sensors and actuators) to a sample of 50 points of consumption of the city.

• HOUSE OF THE FUTURE: design and construction of a house in the city of Niterói (Brazil), with the expected characteristics of a residence in a future of 10 to 15 years. During the design of the house, it will use crowdsourcing methods to include ideas and solve problems with the aid of our clients and experts. The house will be energetically sustainable and will make the use of efficient, innovative equipment, providing a reference for the market.

Nuclear energy

R&D activities in the nuclear area are developed through participation in different programmes. In addition, ENDESA holds the secretariat of the Spanish Nuclear Fission Technology Platform CEIDEN, that coordinates the R&D&i activities of the industry. Furthermore, through the Nuclear Energy Committee of UNESA (Association of the Spanish Electrical Industry), the Company promotes research projects interesting for its power stations. The following are programmes of particular relevance:

• EPRI nuclear programme, that has as objective to reach operative excellence of nuclear power plants.

• Coordinated PCI Research Programme: carried out with the participation of sector companies and the Nuclear Safety Council (CSN) to analyse plant security for both operators and the regulator.

• Joint PIC programme of electricity companies and ENUSA, that coordinates the R&D&i activities related to nuclear fuel, defining projects of common interest.

• In collaboration with the CEIDEN platform, samples of concrete of the Power Station José Cabrera will be analysed to obtain highly valuable data that improve the security conditions of the stations currently operating.
Employees' children in ENDESA head offices (Madrid)
People
People

1. ENDESA workforce

ENDESA had directly employed 10,500 people on 31 December, 2014, which means a reduction of 54.3% from the previous year, a reduction mainly caused by the effect of disinvestment in Latin America.

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>% Var. 2013/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final workforce</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain and Portugal*</td>
<td>11,506</td>
<td>10,933</td>
<td>10,500</td>
<td>-4</td>
</tr>
<tr>
<td>Latin America</td>
<td>11,301</td>
<td>11,608</td>
<td>—</td>
<td>-100</td>
</tr>
<tr>
<td>Total</td>
<td>22,807</td>
<td>22,541</td>
<td>10,500</td>
<td>-53.4</td>
</tr>
<tr>
<td>Average staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain and Portugal*</td>
<td>11,754</td>
<td>11,099</td>
<td>10,760</td>
<td>-3.1</td>
</tr>
<tr>
<td>Latin America</td>
<td>11,241</td>
<td>11,339</td>
<td>9,413</td>
<td>-17</td>
</tr>
<tr>
<td>Total</td>
<td>22,995</td>
<td>22,438</td>
<td>20,173</td>
<td>-10.1</td>
</tr>
</tbody>
</table>

* Spain and Portugal business workforce includes headcounts of other non-Iberian countries (Morocco).

ENDESA had a diverse staff. Most of it is aged from 45 to 54 years of age, and older than 20 years. With regard to the personnel composition by gender, men account for 78.5% and women for 21.5%.

<table>
<thead>
<tr>
<th>Age</th>
<th>% workforce</th>
<th>Years in the company</th>
<th>% workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 28 years</td>
<td>1.54</td>
<td>Under 10 years</td>
<td>26.65</td>
</tr>
<tr>
<td>From 28 to 34 years</td>
<td>11.28</td>
<td>From 10 to 19 years</td>
<td>24.08</td>
</tr>
<tr>
<td>From 35 to 44 years</td>
<td>29.72</td>
<td>From 20 to 29 years</td>
<td>28.69</td>
</tr>
<tr>
<td>From 45 to 54 years</td>
<td>36.59</td>
<td>From 30 to 34 years</td>
<td>14.25</td>
</tr>
<tr>
<td>From 55 to 59 years</td>
<td>19.83</td>
<td>Over 35 years</td>
<td>6.33</td>
</tr>
<tr>
<td>Over 60 years</td>
<td>1.04</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ENDESA offers to its employees competitive labour conditions that are above the average of the markets where it is present. A proof of this is that 97.2% of the contracts are permanent and virtually all the personnel works on a full basis (99.9%).

On the other hand, as a measure to promote employment and facilitate access of young people to the labour market, a total of 469 people in Spain benefited from a work contract in practice or a grant in 2014.

Contractors: during 2014, the average of people working in ENDESA through contractor companies was 21,619.

2. Management of leadership and talent

ENDESA is working constantly to identify and develop the potential of the people so that their performance contributes to make the Company an industry benchmark.

Based on this, the Company has several tools that ensure the development of people, based on merits and skills.

2.1. Leadership model

The leadership model is the set of behaviours that the Company expects from all its staff. This model offers references to the employees for working consistently with the objectives and the mission of the Company and to thus contribute to corporate leadership. These behaviours turn around 7 factors aimed at continued improvement, change and innovation, giving priority to security at work.

THE 7 LEADERSHIP MODEL VALUES

From priority to safety.
Feels and acts like a Group citizen.
Manages the change.
Assumes responsibilities and risks.
Skilled
Leads collaborators to grow.
Results-oriented.

Currently, work is ongoing in the review of the Leadership model for the purpose of adapting it to the business environment and to adjust the factors and behaviours forming it to the new Company challenges. The result will be reported and implanted in 2015.

2.2. Enel Global Banding System

The Management Model has progressed in 2013 to the so-called Enel Global Banding System that includes, in addition to all management positions of the Company, the key positions of technical-professional nature.
This new model starts from the identification and definition of the technical-professional roles of the Company and the evaluation of managing positions.

On the one hand, there are five managerial levels of the organisation, with the following names:

- EVP (Executive Vice President)
- SVP (Senior Vice President)
- VP (Vice President)
- SD (Senior Director)
- D (Director)

These positions are complemented with the key positions of technical-professional nature (KPR or Key Professional Roles) that are characterised by their high technical skills and critically for businesses.

This system allows to perform an effective, homogeneous and unified management, regardless of the function or the country where the Manager or KPR is located.

2.3. Talent bank

From the leadership and management models, in 2014 work was continued on the identification, development and formation of the talent bank —Pools— that is the in-house candidates for posts of higher responsibility in the Company. There are three types of talent banks:

- Pool 1: group formed by people from the Management Model, with potential to reach positions in the first Managerial Model levels.
- Pool 2: group formed by people that are potential candidates to reach positions in the Management Model.
- Pool 3: group formed by young post-graduates recruited by the Company in the past 5 days, that are potential candidates to reach positions as supervisors.

2.4. Talent evaluation tools

In 2014, 41.15% of ENDESA people received a regular evaluation of professional performance and development. The main activities performed in matters of assessment of talent in 2014 were:

- Behaviours: the behaviours of 3,589 people were evaluated according to the Leadership Model of the Company.
- Objectives: the individual contribution of 2,778 people to the results of the Company was measured.
- Evaluation 360°: in 2014, a total of 78 persons from the first levels of the organisation were object of this evaluation. In addition, over 1,000 evaluators participated in this process.

2.5. Tools for talent development

- Individual development interviews: completed in 394 people in 2014. It consists of an individual interview between the person and a development expert to define, propose and perform an individual plan that potentiates his/her development and where the manager plays a key role.

- Coaching: ENDESA continues to be strongly committed to coaching. In 2014, 42 people benefited from this development tool, of which 30 processes were performed in in-house coaches and 12 with external coaches.

- Mentoring: two pilot mentoring experiences were completed in the business lines of generation and commercialisation of Spain and Portugal. Mentoring processes were performed in the talent groups. Overall, in 2014, 88 persons participated in mentoring processes, 42 of which participated with the role of mentor and 46 with the role of mentee.

- Skill development workshops: in 2014, workshops were performed for developing skills in 193 persons. The subjects approached were, amongst others, feedback, communication, coordination of actions and skills and coaching tools for managers.

2.6. Training

2.6.1. Training in Iberia

The 2014 training plan in the area of Iberia contributed to both the achievement of the challenges considered by
Enel-ENDESA and to support the different organisation changes that were generated along the year.

ENDESA training contributed a substantial improvement in the ranking of “better companies to work in” prepared by the magazine Actualidad Económica, which shows that the training is one of the areas most appreciated in the labour market.

The activity was aimed at developing the technical skills of the different business lines (Generation, Distribution, Commercial...) and staff areas, as well as the technical skills of Occupational Safety and Health. These matters received the greatest attention, followed by transversal training and skills training.

This year again the training of people supported the objective of "0 Accidents" through the implementation of global courses, such as One Safety Day or Leadership in Prevention. Also the design and execution of courses on prevention and occupational safety and health meeting local needs contributed positively to said objective.

Reinforcing ENDESA commitment with the environment and energy efficiency and for the purpose compliance with triple environmental certification in our buildings, the course of Integrated System of Energy Environmental management and Environmental Quality indoors (SIGAEC) was given to all people fulfilling their activities at these facilities.

For Iberia during the tax year 2014, training was given to 86% of the employees during 408,700 hours, reaching a mean of 39 hours per employee; the figures reached were similar to those of 2013. The training hours were distributed mainly as follows: Managerial and transversal categories (14%), languages (10%), technical business contents (38%), occupational safety and health (30%) and contents of staff areas (8%).

2.6.2. Training in Latin America until October 2014

In Latin America, during the period from January to October 2014, training was given to 66% of the employees for 238,603 hours, reaching a mean around 19 hours per employee. The training hours were distributed mainly as follows: Managerial and transversal categories (27%), languages (2%), technical business contents (23%), occupational safety and health (25%) and contents of staff areas (23%).

2.6.3. International Training

During this year, the different international initiatives continued to be consolidated in ENDESA, promoted from Enel University. The aim was twofold: increasing efficiency of training through globalisation offer and scale synergisms and economies, and promoting diffusion of global messages and developing common skills in the Group.

Specifically, the Pilot Course of New Supervisor was performed, that was used to test its approach and contents to Iberia, and the Catalogue of Post Performance Review Training was extended with new courses. It continued with the implementation of JET International Program (Junior Energy Training) aimed at people recently recruited with an international profile.

3. Attracting and retaining talent

For the purpose of attracting the best talent, ENDESA performs Employer Branding actions to position the Company as an attractive place to work in all markets where it operates, guiding its efforts towards the most demanded profiles. Therefore, in 2014 ENDESA participated in in-person and on-line employment fairs, collaborating with different institutions for enhancing the Grant Plan.

3.1. Selection of personnel

In 2014 in ENDESA Spain 200 processes of personnel selection were performed in-house and published, with the participation of 2,000 employees. When the possibilities of internal promotion cannot be met by the employees, the labour market is used for these incorporations. In 2014 for Endesa Spain area 193 external processes were performed.
3.2. International Mobility

ENDESA promotes international mobility thinking of the development and multicultural integration of people. In 2014 in Spain 86 job positions were published to be covered in all areas, 17 of which were vacant in Latin American countries and the others where within Iberia areas and other countries of Enel Group.

3.3. Remuneration policy

In 2014, significant progress was made to standardise ENDESA’s management remuneration systems as part of the Enel Group for the individual management group.

During this tax year, to be noted is the integration of compensation processes and establishing homogeneous remuneration structures for Managers, Executives and Senior Managers for continuity and consistency purposes among the different levels, standardising management and optimising coordination with the Group.

In 2014, a new assessment of the socio-economic situation was performed over the countries and activity sectors where ENDESA companies operate. With this regard, in Spain, due to the existing economic and regulatory situation, for the group of individualised management a wage freeze and a reduction of 20% in the variable remuneration for 2013 was applied. After signing the IV Framework Agreement, in 2014 a meritocracy policy was implanted for the contract personnel regulating economic promotion based on merits. In Latin America, wages evolved according to the wave trends of the markets in the countries where ENDESA operates.

During 2014, a new loyalty plan of ENDESA, long-term incentive for the years 2014-2016, was approved, conditioned to achieving the Company objectives.

4. Relation with people

4.1. Satisfaction of the people

ENDESA cares about the maximum satisfaction of its employees providing them with opportunities in terms of equality, respecting balance in their personal and work life, promoting dialogue as method for solving conflicts and permanent improvement.

Social Responsibility Plan for People

Under the Social Responsibility Plan for People of ENDESA, called Plan Senda, several activities were developed in the year 2014 in the different dimensions it includes:

- Management of diversity and equality of opportunities.
- Reconciliation and flexibility.
- Integration of people with disability and risk of social exclusion.
- Promoting volunteer programmes.
- Socially Responsible Investing.

a) Equality

ENDESA commitment to the principles of gender equality and non-discrimination was consolidated during 2014 through the following initiatives:

- In line with the impetus and willingness of ENDESA of progressing in the area of gender diversity, ENDESA signed an Agreement in the Ministry of Health, Social Policy and Equality of Spain, for the purpose of promoting and increasing the presence of women in responsibility positions.

- This agreement is associated with an action plan with initiatives of strategic, transversal and specific improvement that will develop until the year 2018, for the purpose of increasing the participation of women in pre-management and management positions and steering committees.

- In matters of initiatives on gender-based violence, ENDESA in Spain joined in 2012 the initiative of the Ministry of Health, Social Services and Equality “Companies for a society free from gender-based violence”. In this framework, during 2014, the Company continue to show its commitment to contribute to eradicating the problem of gender-based violence, offering its maximum collaboration with the ministry through the diffusion of several awareness raising and prevention campaigns on the subject.
b) Reconciliation of work, personal and family life

ENDESA continues promoting several actuation lines that strengthen the flexible work culture and facilitate personal, family and professional balance of employees. In the year 2014, ENDESA was again certified as Global Family-Responsible Company, certifying all countries where it operated, both in Spain and in Latin America (remembering the participation of ENDESA in Latin America from January to October 2014).

The family-responsible business model is a company management system based on the continued improvement commitment in matters of employment, reconciliation, diversity, promotion of equality of opportunities and support in the work environment.

With this certificate, ENDESA is recognised as one of the international leaders in quality of employment, flexibility, support to the personal environment of employees and their training and professional development and is committed to maintain and promote its commitment in matters of reconciliation, equality and responsible management of people through following the family-responsible company management model.

c) People with different capacities

ENDESA developed and continues to develop actions in the area of integration of disabled people, that are evidenced as the existence of a staff of 90 disabled people in Spain. With this regard, the following actions were completed in 2014:

• Continuity of the Family Plan developed by the Foundation Adecco, joined by 87 families to receive counselling and therapy of diverse types for employees with any disabled relative.

• The cooperation agreements with Adecco, Randstadt, Prevent, Universia y Prodis Foundations will be maintained. In addition to these, there will be many other disability related activities, such as: training volunteer activities aimed at people at risk of social exclusion, among which there are disabled people, victims of gender violence and long-term unemployed.

d) Support to voluntary services

ENDESA wants to be company that facilitates and supports corporate voluntary work amongst its employees, committed to the development of the communities where it operates, contributing to social, environmental, education and cultural development of the community. The following initiatives were developed during 2014:

Participation in the 1st Ibero-American Congress of Corporate Voluntary Service, held on 21 and 22 October in Barcelona, at the round table “How volunteering can help employability”.

The year 2014 was the year of consolidation and start-up of new voluntary initiatives in Spain. These initiatives include the design of a pilot programme with four actuations linking very clearly corporate voluntary work with the development of several skills of the employees (team work, innovation and adaptation to change). A total of 105 employees participated in this initiative. The different experiences of voluntary services include:

• As in other years, we have participated in the 8th edition of the Solidary Day of Companies for the purpose of contributing to the development of some of the communities where ENDESA operates: Madrid in a solidary breakfast with 10 employees, Seville through the distribution of food to families at risk of social exclusion with the participation of 13 employees, Zaragoza participated in the bowling championship with children at risk of exclusion, with 17 employees.

• A food collection campaign “Juntos Podemos Más” (Together we can achieve more) performed at ENDESA offices in Spain to help disadvantaged people. Over 27,362 kilograms were donated by the employees and for the Food Bank, Cáritas, Cooperación Internacional NGO and Foundation Dar.

• Consolidation of the Coach Project of the Foundation Exit. It is a corporate voluntary initiative that intends to improve employability of young people at risk of social and occupational exclusion through coaching and mentoring. Eighty-five volunteers participated in the year under analysis.
4.2. Work environment

In November 2012, the Survey on Climate and Safety of the Enel Group was launched simultaneously to all employees. ENDESA reached a participation of 76% and a commitment level of 74%. The most remarkable results were:

- Existence of a group of categories of the survey where ENDESA has areas with clear strengths, such as operating efficiency and excellence, internal relations and my line manager.
- Leadership, management of changes and meritocracy and development areas requiring improvements, in particular in terms of team managers.

With the results obtained, in the year 2013, 661 initiatives were designed, aimed at enhancing strengths and use them as levers to reinforce the identified areas of improvement. In May 2014, the Thermometer of Climate and Safety was launched, aimed at a representative sample of people, with the objective of evaluating the impact of the actions started up. The results indicated a positive impact thereof. These actions will be performed until the first quarter 2015, when the launch of a new Climate Survey is planned.

4.3. Social Dialogue

In Spain and Portugal there were five collective agreements in force at the end of the year 2014, that affect 10,154 people, which accounted for 96.7% of the personnel.

In the year 2014 collective agreements were signed in Andorra-Mining, Endesa Engineering, Ascó Vandellós and Encasur Puertollano, affecting 1,126 people.

In the area of collective negotiation, in the year 2014 the most relevant actions were:

- Negotiation on the labour measures to be applied to workers of the Combined Cycles of Colón, Besos and As Pontes.
- Negotiation on the implantation of the transformation process of Customer Attention.
- Information about the new organisation of the Enel Group.

In the area of ENDESA in Spain, Social Representation has promoted holding union elections for the month of February, 2015.
ENDESA volunteering programme
Social Policy

ENDESA contributes actively, as integral element of its corporate task, to the development of the communities and environments where it performs its activities, through social projects of highly diverse types. Therefore, it starts up this type of initiatives that are considered as a strategic thrust of management, potentiating social inclusion, approaching the company to its stakeholders and integrating demands.

These actions also promote significantly the strengthening of the local identity and social confidence, which is one of the main objectives of the Company Sustainability Plan.

1. ENDESA’s social policy

Balanced compliance with the company responsibilities in economic, social and environmental matters, based on sustainability criteria, is a basic characteristic of the company behaviour of ENDESA. In particular, regional ties are an essential element of its culture.

The company, aware that energy supply is essential for the development and well-being of society, is strongly committed to meet the needs derived from the nature of this service, in order to provide it under the best quality, safety and environmental respect conditions. Furthermore, social actions are designed as an extension of this commitment, that is applied on a priority basis to disadvantaged persons or backgrounds.

In the definition of social projects, ENDESA applies the following criteria:

- Search for a relationship with nature and characteristics of business development.

- Giving opportunities of access to public goods related to electricity.

- Meeting the needs of the public relating to it.

- Contributing to generating welfare and employment, and to social integration.

- Taking care for disadvantaged persons.

- Having continuity in time and potential to reproduce the most successful actuations.

- Trying to collaborate with social representatives of the respective communities in the development of the different projects.

- Informing publicly of these activities systematically, clearly and through internationally agreed reporting criteria.
2. Investment in social development

The social actions of ENDESA are developed through projects promoted by its corporate centre, foundations, or territorial organisations and shared companies. In 2014, the Actuation Framework of social projects was consolidated, distributing them into 6 categories or actuation axes:

- Access to energy
  Projects that promote access to energy through building infrastructure, reducing physical and economic barriers, energy efficiency and training.

- Education and training
  Projects promoting the progress of communities through universal primary education, training, disclosure of knowledge and research.

- Social development and quality of life
  Projects to improve the well-being of people and communities, maintaining cultural identity, preserving heritage, sports, healthy habits and helping to cover basic needs.

- Environment and biodiversity
  Projects potentiating recycling, disclosure, preservation, regeneration and improvement of the environment in general and of biodiversity in particular for the preservation and improvement of the environment of the communities.

- Volunteering
- Humanitarian aid
  Universal and one-off initiatives, aid for disasters.

In 2014 ENDESA allocated 37.8 million Euros to performing or promoting social projects. This amount is equivalent to 1.3% of the net benefit of the continued activities attributable to the Company’s shareholders.

Of the total expenditure, 29% was invested in Spain and Portugal and the remaining 71% in Latin America.

ENDESA INVESTMENTS IN SOCIAL DEVELOPMENT ACTIVITIES IN 2014 (MILLION EUROS)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount (MILLION EUROS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain and Portugal</td>
<td>10,901</td>
</tr>
<tr>
<td>Corporate site</td>
<td>7,054</td>
</tr>
<tr>
<td>ENDESA Foundations</td>
<td>3,560</td>
</tr>
<tr>
<td>Territorial centres of Spain and Portugal</td>
<td>287</td>
</tr>
<tr>
<td>Latin America</td>
<td>26,945 (*)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37,846</strong></td>
</tr>
</tbody>
</table>

(*) In 2014 the social investment in Latin America was consolidated until October, when these assets were sold to the Enel Group.

ENDESA INVESTMENT IN SOCIAL DEVELOPMENT ACTIVITIES (MILLION EUROS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (MILLION EUROS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>35.2</td>
</tr>
<tr>
<td>2013</td>
<td>40.1</td>
</tr>
<tr>
<td>2014</td>
<td>37.8</td>
</tr>
</tbody>
</table>
3. Social development actions in Spain and Portugal

The investment in social action in the area of Spain and Portugal in 2014 has amounted to 10.9 million Euros that were allocated to 231 initiatives driven by the transversal areas of the company, the business lines and the 2 foundations operating in Spain (Foundation Endesa and Sevillian Foundation Endesa).

19.9 million Euros were allocated to performing or promoting social projects in Spain and Portugal.

The highest investment percentage, as in 2013, has been for social development projects and improvement of quality of life with 42% of the total budget, corresponding to over 4.5 million Euros. Investment in education and training initiatives has mean 37% of the investment in 2014. To be noted is the investment in actuations to facilitate access to energy, that has increased from 4% in 2013 to 17% in 2014, for the interest of the company in order to meet social demands.

3.1. Access to energy actions

ENDESA understands social projects as a strategic focus of its management. Therefore, one of the main thrusts of actuation in social development corresponds to projects aligned with the “core business” of the company, on initiatives that promote energy access through the creation of infrastructures, reducing physical and economic barriers, energy efficiency and training related to energy. The most remarkable projects in this area are as follows:

- Agreements signed against energy poverty. ENDESA, aware of the serious problem involved by energy poverty in many Spanish households, understands that it must contribute part of the response to one of the problems related to its business. Therefore, it has signed agreements with different townships to prevent power cuts in vulnerable families. Until the end of 2014, 42 agreements have been signed, covering a population of 2.2 million households, and power cuts have been prevented in over 1,800 families. It is expected to reinforce and extend this type of initiatives.

- Occupational training in electricity for young people at risk of social exclusion in Spain. The Endesa Foundation and Cáritas develop projects with the aim of improving the employability of low-income young people at risk of social exclusion. Practices for training students are fulfilled at the facilities of the companies or outsourced. In 2014 this training is given in six Spanish cities, benefiting 110 young people.

- Solidarity Circuit project: change of defective electrical installations to destitute people. It was developed by ENDESA, the Foundation Endesa, Catalonia Red Cross, the guild installers of the Baix Llobregat and Foundation Gremibaix. The purpose of this initiative is to solve precarious situations and risk of electrical installations in households with no economic resources enough for maintaining them. ENDESA and the Endesa Foundation collaborate with funds and volunteers, who complete visits to the households referred by social services to prepare the study and detection of risk situations and establish the actuations to be performed.

This category corresponds to the Enabling Electricity programme, led by our parent company, where ENDESA performs a relevant value contribution.
3.2. Education and training actions

For several years ENDESA has been developing different educational and training initiatives in all areas where it is present. Many of these projects are focused on business-related topics such as education in energy efficiency or safety for children, young people and adults, or to promote research in energy-related subjects. However, the Company also supports projects that help communities through universal primary education, awareness as a way of life and general training initiatives in energy-related topics.

Some of the most relevant projects developed were as follows:

- **Endesa Educa.** Endesa Educa is an educational initiative designed to promote a new social awareness based on sustainability and energy efficiency. For this, it has a wide range of activities offered to all educational institutions freely and adapting to the different needs thereof. It includes visits to electrical installations, activities aimed ENDESA information centres, workshops given at the same educational institutions and activities on-line. In 2014 it exceeded the historical record of over 7,000 activities completed at its own facilities.

- **Support to university courses and Grants and Awards programmes.** Endesa Foundation works with multiple university studies centres aimed to boost high education studies among the Spanish youth. As an example for its 2014 activities, we can highlight the grants for underprivileged students in Comillas Pontifical University; ENDESA grants for visual arts; grants for postgraduate education in Political and Constitutional Studies, European Union Law, communication and information technologies, and Art and Creation investigations; as well as grants programme for pre-doctoral research trainee staff in Rovira i Virgili University, among others. The economic investments amounted to more than 480,000 Euros in 2014.

3.3. Social development and quality of life actions

ENDESA articulates the Social Development and Quality of Life to several types of project with the aim of improving the welfare of people and communities through supporting the coverage of basic needs, maintaining cultural identity, preserving its heritage and promoting sports and healthy lifestyle. Examples of initiatives of this type include:

- **Project promoting small and medium size businesses in Spain.** Non-for-profit public and private collaboration initiative, supporting entrepreneurs of small and medium size businesses in Spain, through free meetings where several useful subjects are discussed, such as funding, innovation, internationalisation or energy efficiency. In 2014 there were meetings in 12 Spanish cities.

- **Agreement with Ecoembes and Save the Children.** In 2014 a collaboration agreement was signed with both entities to perform a pilot project that, starting in the headquarters in Madrid to be the largest, consists in adding value to recyclable wastes (paper, plastic, glass, tins, etc.) to allocate it to Integral Care Centres for children of Save the Children in Spain.

- **Also with Save the Children** another agreement was signed to donate the funds obtained from the recovery of cell phones from both company employees, after updating the terminals of all the staff in Spain, and personal cell phones that employees could donate. Over 25,000 Euros were raised, that were allocated fully to three Integral Care Centres for Children in Seville, located in districts declared by the Township as Social Transformation Areas, benefiting 200 children and their relatives.
3.4. Environmental and biodiversity actions

Area of social action actuation, with voluntary nature by the company, covering social projects that enhance disclosure, preservation, recycling, regeneration and improvement of the environment in general and biodiversity in particular for the preservation and improvement of the environment of communities. These include:

- **Actions disclosing environmental and biodiversity subjects.** During 2014 ENDESA has promoted the publication of several contents and studies related to the environment and biodiversity for the purpose of promoting disclosure and raising awareness in the community about these subjects as well as for consultation purposes. The following examples are to be noted: XXV Bird Report of the Balearic Islands or the study and publication of analysis of CO₂ data in Spain.

- **Birdlife protection programmes.** ENDESA implements many voluntary projects in Spain to protect birdlife in general and specifically to protect those species in danger of extinction. During 2014 it must be noted, amongst others, the initiative of follow-up and labelling of kites (species in danger of extinction in Majorca) or the installation of reflective distress beacons in medium voltage lines in Lanzarote, for the protection of birdlife in collaboration with the Spanish Society of Ornithology (SEO/Bird Life).

3.5. Volunteer actions

With the commitment to corporate volunteer programmes, ENDESA collaborates with the social development of communities in multiple projects with the involvement of its employees. Corporate volunteer programmes act as a catalyst of social projects increasing the closeness and involvement of the company with its groups of interests and provides development and commitment to participants. In 2014 there were over 250 volunteers involved in five projects.

The most relevant initiatives were:

- **Coach Project.** Developed through the Foundation Exit, the initiative is to provide mentoring and coaching to young people at risk of social exclusion by the company employees. These accompany and advice during workshops to young adolescents to improve employability and promote social and professional inclusion. In 2014 there were 82 volunteers (in working hours) 73 young people were benefited.

- **Training volunteer programme “Sabes + si compartes lo que sabes”** (You know + if you share what you know). Work is performed with the Foundation Randstad at workshops given by volunteers in working hours on different subjects (preparation for interviews, in English or coaching) always focusing on improving the employability of users of the Foundation. At the end of 2014, 34 employees performed this volunteer programme and 7 people were in active search for employment and benefited from it.
4. Social development actions in Latin America

The investment in social action in the area of Latin America from January to October 2014 amounted to 26.9 million Euros, allocated to 200 initiatives promoted by the Directorates of the different countries (Argentina, Brazil, Chile, Colombia and Peru) and by the other three Foundations operating in Latin America (Foundation Endesa Colombia in Colombia, and Foundation Huinay and Foundation Pehuén in Chile).

26.9 million Euros were allocated to performing or promoting social projects in Latin America.

In 2014 the investment for project to facility access to energy and projects of social development and quality of life were made equivalent, both with 35%. The investment in education and training initiatives experienced a significant increase of 8 percent points as compared to 2013 where it was 18% of the investment and in 2014 it was of 26%. The investment of environmental projects and biodiversity is maintained at 4%.

5. London Benchmarking Group

ENDESA is part of the work group of London Benchmarking Group (LBG) Spain since 2008. This method allows to measure, manage, evaluate and notify the contributions, achievements and impacts in social action of the Company, in the community.

For the sixth consecutive year, in addition to the report on ENDESA social action, the social balance is presented according to the British methods.

ENDESA CONTRIBUTION IN 2013 TO THE SOCIAL ACTUATION, ACCORDING TO LBG* (MILLION EUROS)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain and Portugal contributions</td>
<td>12,011</td>
</tr>
<tr>
<td>Latin America contributions</td>
<td>30,210</td>
</tr>
<tr>
<td>Total</td>
<td>42,221</td>
</tr>
</tbody>
</table>

* The main difference in the total result between both reporting systems is to consider the time of the employees working in social action for each action and transformed in to Euros, as well as the inclusion of the costs associated with the management of social projects by the company.
Dam of El Carpio (Córdoba)
Appendices
## 1. ENDESA Generation Park

### ENDESA GENERATION FACILITIES IN SPAIN ON 31/12/2014 (R. ORDINARY) MW B.A.

<table>
<thead>
<tr>
<th>Source company</th>
<th>Location</th>
<th>Type of fuel</th>
<th>No. of groups</th>
<th>Power total (MW)</th>
<th>% ENDESA</th>
<th>Power corresponding a ENDESA (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MAINLAND SYSTEM</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Conventional thermal plants</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Coal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMPOSTILLA</td>
<td>ENDESA</td>
<td>Cubillos del Sil-León</td>
<td>H-A</td>
<td>4</td>
<td>1,200</td>
<td>100.0</td>
</tr>
<tr>
<td>BANDING</td>
<td>33.33% ENDESA</td>
<td>Ancares-León</td>
<td>H-A</td>
<td>1</td>
<td>365</td>
<td>33.33</td>
</tr>
<tr>
<td>AS PONTES</td>
<td>ENDESA</td>
<td>As Pontes-La Coruña</td>
<td>BC</td>
<td>4</td>
<td>1,469</td>
<td>100.0</td>
</tr>
<tr>
<td>TERUEL</td>
<td>ENDESA</td>
<td>Andorra-Teruel</td>
<td>BC</td>
<td>3</td>
<td>1,101</td>
<td>100.0</td>
</tr>
<tr>
<td>LITORAL</td>
<td>66.66% ENDESA - 33.33% SEV</td>
<td>Carboneras-Almería</td>
<td>IC</td>
<td>2</td>
<td>1,159</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total Coal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>14</td>
<td>5,294</td>
<td></td>
</tr>
<tr>
<td><strong>Conventional fuel-gas</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Combined gas cycle</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAN ROQUE 2</td>
<td>TERBESA (G. ENHER)</td>
<td>Cubelles-Barcelona</td>
<td>F-NG</td>
<td>1</td>
<td>520</td>
<td>100.0</td>
</tr>
<tr>
<td>REPORT 3</td>
<td>Besós-Barcelona</td>
<td>CCTG</td>
<td>1</td>
<td>408</td>
<td>100.0</td>
<td>408</td>
</tr>
<tr>
<td>REPORT 5</td>
<td>Besós-Barcelona</td>
<td>CCTG</td>
<td>3</td>
<td>873</td>
<td>100.0</td>
<td>873</td>
</tr>
<tr>
<td>REPORT 4</td>
<td>Huelva</td>
<td>CCTG</td>
<td>1</td>
<td>398</td>
<td>100.0</td>
<td>398</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
<td>870</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total Fuel-Gas</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10</td>
<td>3,489</td>
<td></td>
</tr>
<tr>
<td><strong>Total Conventional Thermal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>24</td>
<td>8,782</td>
<td></td>
</tr>
<tr>
<td><strong>Nuclear</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASCÓ I</td>
<td>40% END - 60% FEC</td>
<td>Ascó-Tarragona</td>
<td>N</td>
<td>1</td>
<td>1,033</td>
<td>100.0</td>
</tr>
<tr>
<td>ASCÓ II</td>
<td>40% END - 45% FEC</td>
<td>Ascó-Tarragona</td>
<td>N</td>
<td>1</td>
<td>1,027</td>
<td>85.0</td>
</tr>
<tr>
<td>VANDELLÓS II</td>
<td>72% ENDESA</td>
<td>Vandellós-Tarragona</td>
<td>N</td>
<td>1</td>
<td>1,087</td>
<td>72.0</td>
</tr>
<tr>
<td>ALMARAZ I</td>
<td>36% SEVILLANA</td>
<td>Almaraz-Cáceres</td>
<td>N</td>
<td>1</td>
<td>1,049</td>
<td>36.0</td>
</tr>
<tr>
<td>ALMARAZ II</td>
<td>36% SEVILLANA</td>
<td>Almaraz-Cáceres</td>
<td>N</td>
<td>1</td>
<td>1,044</td>
<td>36.0</td>
</tr>
<tr>
<td><strong>Total Nuclear Thermal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
<td>5,241</td>
<td></td>
</tr>
<tr>
<td><strong>Hydroelectric</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Conventional hydroelectric</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hydr. Prod. U. Northwest</td>
<td>H</td>
<td>749</td>
<td>100.0</td>
<td>749</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U. of Hydr. Prod. Ebro-Pirineos (1)</td>
<td>H</td>
<td>1,992</td>
<td>100.0</td>
<td>1,992</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U. Hydr. Prod. Sur</td>
<td>H</td>
<td>673</td>
<td>100.0</td>
<td>673</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Generation with pumping</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U. Hydr. Prod. Ebro-Pirineos</td>
<td>H</td>
<td>755</td>
<td>100.0</td>
<td>755</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U. Hydr. Prod. Sur</td>
<td>H</td>
<td>590</td>
<td>100.0</td>
<td>590</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total hydroelectric</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,759</td>
<td></td>
<td>4,759</td>
</tr>
<tr>
<td><strong>Total mainland</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>18,782</td>
<td></td>
<td>16,740</td>
</tr>
</tbody>
</table>
### NON-MAINLAND SYSTEMS

#### Balearic Islands

<table>
<thead>
<tr>
<th>Source company</th>
<th>Location</th>
<th>Type of fuel</th>
<th>No. of groups</th>
<th>Power total (MW)</th>
<th>% ENDESA</th>
<th>Power corresponding a ENDESA (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Coal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALCUDIA</td>
<td>GESA</td>
<td>Majorca</td>
<td>IC</td>
<td>4</td>
<td>510</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Fuel-Gas</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALCUDIA</td>
<td>GESA</td>
<td>Majorca</td>
<td>G</td>
<td>2</td>
<td>75</td>
<td>100.0</td>
</tr>
<tr>
<td>SON REUS</td>
<td>GESA</td>
<td>Majorca</td>
<td>G</td>
<td>11</td>
<td>612</td>
<td>100.0</td>
</tr>
<tr>
<td>CA’S TRESORER</td>
<td>GESA</td>
<td>Majorca</td>
<td>G</td>
<td>6</td>
<td>475</td>
<td>100.0</td>
</tr>
<tr>
<td>MAHÓN</td>
<td>GESA</td>
<td>Minorca</td>
<td>F-G</td>
<td>8</td>
<td>270</td>
<td>100.0</td>
</tr>
<tr>
<td>IBIZA</td>
<td>GESA</td>
<td>Ibiza</td>
<td>F-G</td>
<td>16</td>
<td>366</td>
<td>100.0</td>
</tr>
<tr>
<td>FORMENTERA</td>
<td>GESA</td>
<td>Formentera</td>
<td>G</td>
<td>1</td>
<td>14</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total Balearic Islands</strong></td>
<td></td>
<td></td>
<td></td>
<td>2,322</td>
<td>2,322</td>
<td></td>
</tr>
</tbody>
</table>

#### Canary Islands

<table>
<thead>
<tr>
<th>Source company</th>
<th>Location</th>
<th>Type of fuel</th>
<th>No. of groups</th>
<th>Power total (MW)</th>
<th>% ENDESA</th>
<th>Power corresponding a ENDESA (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fuel-Gas</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JINAMAR</td>
<td>UNELCO</td>
<td>Gran Canaria</td>
<td>F-G</td>
<td>10</td>
<td>302</td>
<td>100.0</td>
</tr>
<tr>
<td>BARRANCO DE TIRAJANA</td>
<td>UNELCO</td>
<td>Gran Canaria</td>
<td>F-G</td>
<td>10</td>
<td>697</td>
<td>100.0</td>
</tr>
<tr>
<td>CANDELARIA (2), (3)</td>
<td>UNELCO</td>
<td>Tenerife</td>
<td>F-G</td>
<td>7</td>
<td>221</td>
<td>100.0</td>
</tr>
<tr>
<td>GRANADILLA (4)</td>
<td>UNELCO</td>
<td>Tenerife</td>
<td>F-G</td>
<td>14</td>
<td>797</td>
<td>100.0</td>
</tr>
<tr>
<td>PUNTA GRANDE (5)</td>
<td>UNELCO</td>
<td>Lanzarote</td>
<td>D-G</td>
<td>13</td>
<td>231</td>
<td>100.0</td>
</tr>
<tr>
<td>LAS SALINAS</td>
<td>UNELCO</td>
<td>Fuerteventura</td>
<td>D-G</td>
<td>12</td>
<td>187</td>
<td>100.0</td>
</tr>
<tr>
<td>EL PALMAR</td>
<td>UNELCO</td>
<td>La Gomera</td>
<td>D</td>
<td>10</td>
<td>23</td>
<td>100.0</td>
</tr>
<tr>
<td>LLANOS BLANCOS</td>
<td>UNELCO</td>
<td>El Hierro</td>
<td>D</td>
<td>9</td>
<td>13</td>
<td>100.0</td>
</tr>
<tr>
<td>LOS GUINCHOS</td>
<td>UNELCO</td>
<td>La Palma</td>
<td>D-G</td>
<td>11</td>
<td>108</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Hydroelectric</strong></td>
<td>UNELCO</td>
<td>La Palma</td>
<td>H</td>
<td>1</td>
<td>1</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total Canary Islands</strong></td>
<td></td>
<td></td>
<td></td>
<td>2,580</td>
<td>2,580</td>
<td></td>
</tr>
</tbody>
</table>

#### Ceuta and Melilla

<table>
<thead>
<tr>
<th>Source company</th>
<th>Location</th>
<th>Type of fuel</th>
<th>No. of groups</th>
<th>Power total (MW)</th>
<th>% ENDESA</th>
<th>Power corresponding a ENDESA (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ceuta</strong></td>
<td>ENDESA</td>
<td>Ceuta</td>
<td>F-D</td>
<td>10</td>
<td>99</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>MELILLA</strong></td>
<td>ENDESA</td>
<td>Melilla</td>
<td>F-G</td>
<td>8</td>
<td>85</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total Ceuta and Melilla</strong></td>
<td></td>
<td></td>
<td></td>
<td>184</td>
<td>184</td>
<td></td>
</tr>
<tr>
<td><strong>Total islands and non-mainland</strong></td>
<td></td>
<td></td>
<td></td>
<td>5,086</td>
<td>5,086</td>
<td></td>
</tr>
<tr>
<td><strong>Total Spain Endesa Group</strong></td>
<td></td>
<td></td>
<td></td>
<td>23,868</td>
<td>21,826</td>
<td></td>
</tr>
</tbody>
</table>

(1): Conventional Ebro-Pyrinees hydraulics, including LaFortunada-Cinqueta, acquired to Acciona in December 2014.
(2): Candelaria including the facility of Guía de Isora: TG1: 48.6 MW (type twin-pack = 2*24,3).
(3): Candelaria baja of fuel motors 1, 2 and 3 (3 x 12 MW).
(4): Granadilla includes facility of Arona (TG1+TG2: 2*24,3 MW).
(5): Puntau Grande includes a new fuel group D11 (18.5 MW).

Fuels: H-A (soft-coal-anthracite), LP (brown coal), LN (black coal), IC (import coal), F (fuel-oil), G (diesel), NG (natural gas), CCTG (combined cycle-gas turbine) D (diesel), N (nuclear), H (hydroelectric).
### ENDESA GENERATION FACILITIES IN PORTUGAL ON 31/12/2014 (R. ORDINARY) MW B.A.

<table>
<thead>
<tr>
<th>Source company</th>
<th>City/Town</th>
<th>Type of fuel</th>
<th>No. of groups</th>
<th>Power total (MW)</th>
<th>% ENDESA</th>
<th>Power corresponding a ENDESA (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENDESA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ELECGAS (3)</td>
<td>Pego, Abrantes</td>
<td>CCTG</td>
<td>2</td>
<td>851</td>
<td>100.0</td>
<td>851</td>
</tr>
<tr>
<td>Total Gas Combined Cycle</td>
<td>2</td>
<td>851</td>
<td>851</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Portugal</td>
<td>2</td>
<td>851</td>
<td>851</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(3): Endesa has a share of 50% in Elecgas, but has 100% of the Tolling contract.

| Total España y Portugal Grupo Endesa | 24,719 | 22,677 |

### ENDESA GENERATION PARK THAT CONSOLIDATE BY PLACING INTO EQUIVALENCE ON 31/12/2014 (ORDINARY R.) MW B.A.

<table>
<thead>
<tr>
<th>Spain</th>
<th>Portugal</th>
<th>Morocco</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuclear</td>
<td>Nuclear</td>
<td>Nuclear</td>
</tr>
<tr>
<td>GAROÑA</td>
<td>NUCLENOR</td>
<td>Tahaddart</td>
</tr>
<tr>
<td>Santa María de Garoña-Burgos</td>
<td>Trillo-Guadalajara</td>
<td>ENDESA</td>
</tr>
<tr>
<td>N</td>
<td>N</td>
<td>CCTG</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>466</td>
<td>1,066</td>
<td>384</td>
</tr>
<tr>
<td>50.0</td>
<td>1.0</td>
<td>32.0</td>
</tr>
<tr>
<td>233</td>
<td>11</td>
<td>123</td>
</tr>
<tr>
<td>Total Spain</td>
<td>Total Portugal</td>
<td>Total Morocco</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>1,532</td>
<td>628</td>
<td>384</td>
</tr>
<tr>
<td>244</td>
<td>244</td>
<td>123</td>
</tr>
<tr>
<td>Total Endesa Group Placing into Equivalence</td>
<td>5</td>
<td>2,544</td>
</tr>
<tr>
<td>611</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2. Relevant factors of the disinvestment of the business of Endesa, S.A. in Latin America

Date: 31/7/14

Relevant Fact sent to the National Securities Market Commission

Endesa, S.A. (the “Company” or “ENDESA”), in compliance with the provisions of Article 82 of the Law of the Securities Market, discloses the following:

The Board of Directors of ENDESA, at its meeting held yesterday, has adopted, amongst others, the following agreements:

I. Take reason of the proposal received from Enel, S.p.A. (“Enel”), through the company Enel Energy Europe, Sociedad Limitada (“Enel Energy”), with 100% share by Enel and major shareholder ENDESA (with 92.06% of its share capital).

Enel Energy has sent to the Company a formal invitation to study a operation (the “Operation”), integrated by two elements as summarised below:

- **Company reorganisation:** A proposal of acquisition by Enel Energy of (i) 100% of the shares of Endesa Latinoamérica, S.A. (company that is also the owner of 40.32% of the social capital of Enersis, S.A.) and (ii) 20.3% of the shares of Enersis, S.A that are currently held by ENDESA.

The purpose of these purchases-sales is to enable a reorganisation of the group of companies forming the Enel group. The price of purchases-sales will be set on the basis of international procedures and methods of evaluation of companies generally accepted in this type of operations (“fair value”), for which it will be supported by independent experts that will issue the opinions (“fairness opinions”) they consider necessary or advisable.

After specifying the purchase-sales terms, Enel Energy will sign a binding proposal with ENDESA for approval.

- **Distribution of an extraordinary dividend:** The Board of Directors of Enel Energy has agreed that, in case ENDESA accepts the purchase-sales proposals and conditioned to the implementation thereof, Enel Energy would ask the Board of Directors of ENDESA to propose the distribution of an extraordinary dividend in cash to ENDESA shareholders. The divided that would be proposed to distribute would amount to at least the same amount as ENDESA would receive from Enel Energy as a result of the purchase-sales.

It has been planned that the operation is performed during the last quarter of 2014, in any case, subject to obtaining administrative authorisations and the favourable decision for the queries that, as appropriate, can be required for performing it in the terms indicated.

As a complement to the above and once the Operation has been implemented, Enel Energy intends to potentiate ENDESA giving to it (i) a business plan focused on the Iberian market, which allows to use the opportunities that an improved macroeconomic setting and an adequate, stable regulatory framework can offer, (ii) a more efficient asset and debt structure, and (iii) a sustainable, defined dividend policy. Enel will evaluate, as appropriate, provided the market conditions allow for it, the eventual operations in the capital market that can enhance the value of ENDESA shares and solve the current situation of limited liquidity of the issue.

Enel, through its subsidiary Enel Energy, has reported in its communication that the primary objectives of the Operation are as follows:

1. Adjusting the organisation and society structure of the Enel group for the purpose of responding effectively to the different requirements of the markets where the Group operates, grouping the different business lines to transfer the best practices to the different branches of activity and optimising the asset structure and the financial strength of the Enel Group, which will affect favourably all participated companies of the Group.

2. Generating and providing value to ENDESA's shareholders by:
• the immediate distribution of the liquidity generated by the sales of Latin American assets as a remuneration to shareholders by distribution of an extrapyramidal dividend;

• the review of the debt structure and the leverage ratios of ENDESA, improving the efficiency of the balance and reducing the cost of the capital, and

• a greater visibility and stability of the dividend with a sustainable, defined policy of dividend of ENDESA.

3. To strengthen the commitment of the Enel Group to ENDESA and the Spanish market:

ENDESA will strengthen its leadership as the largest utility in Spain and Portugal, achieving a greater integration in the Spanish economic and industrial fabric, with presence throughout the entire electrical business value chain and as a relevant operator in the gas business, by:

• the definition of an industrial plan committed with the Spanish market which allows to use the opportunities of the improved macroeconomic setting and an adequate, stable regulatory framework can provide;

• the design of an investment plan aimed at innovation of the Spanish energy model and the development of the current business platforms;

• a managing team fully focused on the local business; and

• the alignment of interests and the collaboration for the definition of a common project of energy policy in an adequate, stable regulatory framework.

II. Setting up within it a commission ad hoc, with the main functions of (i) performing tasks of financial, legal and strategic analysis of the operation from the viewpoint of social interest of ENDESA, always having in mind the interests of workers, shareholders, clients and suppliers of ENDESA, and (ii) submitting to the Board of Directors the proposals related to the Operation it considers advisable; this Commission will be made up only by the independent directors of ENDESA, that is, Mr. Miquel Roca Junyent and Mr. Alejandro Echevarría Busquet (the “Commission of Independent Directors”).

This Commission will contract the services of the independent experts that were necessary for the purpose of analysing and evaluating the terms and conditions of the Operation.

In case it is agreed to perform the Operation, it will be submitted for final approval to a General Extraordinary Board of Shareholders of ENDESA.

Date: 11/09/2014

Relevant Fact sent to the National Securities Market Commission

Endesa, S.A. (the “Company” or “ENDESA”), in compliance with the provisions of Article 82 of the Law of the Securities Market, discloses the following:

Following Relevant Fact no. 209397, published on 31 July, 2014, informs of the following:

I. Enel, S.p.A. (“Enel”), through the company Enel Energy Europe, Single Member Limited Liability Company (“Enel Energy”), 100% participated by Enel and majority shareholder of ENDESA (with 92.06% of its social capital) has submitted to the Company a binding proposal for the acquisition of the participation of 60.62%, of which ENDESA is directly and indirectly the holder, in the social capital of the Chilean company Enersis, S.A. (“Enersis”), leader of the activity in Latin America. In particular, the shares object of purchase-sales would be (i) 20.3% of the shares of Enersis that are directly held by ENDESA, and (ii) 100% of the shares of Endesa Latinoamérica, S.A. (company that is also the owner of 40.32% of the social capital of Enersis) and that are currently held by ENDESA (the “Purchase Sales”).

The purchase offer is for a global price, for the total shares of Endesa Latinoamérica, S.A. and Enersis mentioned above, of 8,252.9 million Euros (based on an implied price per share of Enersis of 215 Chilean pesos, equivalent to 0.28 Euros at the exchange rate of 10 September, 2014, after discounting the costs of structure and the passive net of Endesa Latam for a negative amount of 144 million Euros), a price, that, according to the offer, has been obtained by application of the current international procedures and
methods of evaluation generally accepted in this type of operations.

The propose related to sales and purchases of 60.62% of the capital of Enersis includes a claim based on which, in the event that in the two years following the execution of the sales and purchases a third party, other than Enel Group or Endesa Group, purchases to Enel Energy (or any other company of the Enel Group) all or part of Enersis shares held directly or indirectly by Enel Energy (or any other company of the Enel Group) for a price per share in cash that it higher than the resulting of applying to these shares the price per share of Enersis resulting of the sales and purchases and by means of said acquisition Enel Energy (or any other company of the Enel Group) reduces its participation in Enersis (either direct or indirect) below 60.62% of the share capital, Enel Energy must pay to ENDESA an amount equivalent to the difference between (i) the price per share of Enersis of this acquisition, and (ii) the price per share of Enersis resulting of the sales and purchases, multiplied by the number of shares of Enersis object, direct or indirectly, of said acquisition by a third party as far as they lead to reducing the participation of Enel Group in Enersis below 60.062% of the social capital. This clause shall not be applicable in any case to company restructuring operations in the Enel Group.

II. Furthermore, Enel Energy has agreed to the request to the Board of Directors of ENDESA that, in case the sales and purchase offer is accepted, and condition to the effect execution thereof, agrees to submit to the General Board of ENDESA the proposal of distribution of an extraordinary dividend in cash that amounts to a sum equivalent to the total consideration received by ENDESAS for the sales and purchases (the “Distribution of Dividend”). It is planned in the offer that the sales and purchases and the distribution of dividend is closed during the last quarter of 2014, and it will be effective based on the approval of the sales and purchases and the distribution of dividends by the Board of Directors, at the proposal of the Independent Commission set out last 30 July and by the General Meeting of Shareholders of ENDESA summoned for that purpose.

III. In the event that the Board of Directors of the Company evaluates favourable the proposal made by Enel Energy for the sales and purchases and the distribution of dividends, Enel has informed that its Board of Directors will be perform the appropriate analysis and evaluation related to (i) a redefinition of the financial structure of ENDESA (that could be eventually performed by distribution of a subsequent extraordinary dividend) and possible review of the relevant policy of dividends, and (ii) the possibility of performing, provided the market conditions allow for it, eventual operations in the capital market that can enhance the value of Enel Energy participation in ENDESA and solve the current situation of limited liquidity of ENDESA issues.

IV. The binding offer has been notified for performing the sales and purchases and the proposal of Distribution of Dividends received from Enel Energy to the financial, strategic and legal advisers of the Company proposed by the Independent Commission, so that they issue the appropriate reports to evaluate the offer from the viewpoint of the social interest of ENDESA.

V. Once the appropriate reports are received from the Company advisers, this Independent Commission will meet for evaluating the offer received from Enel Energy and submit to the Board of Directors, after the report from the Audit and Compliance Committee, the proposal considered appropriate in relation to sales and purchases and distribution of dividends.

VI. The Board of Directors of ENDESA is expected to meet next 17 September for evaluating the public offer to purchase and the proposal of distribution of dividends received from Enel Energy.

This announcement is not a sales offer or solicitation of an offer to buy securities issued by Endesa, S.A. in any jurisdiction.

Date: 17/09/2014

Relevant Fact sent to the National Securities Market Commission

Endesa, S.A. (the “Company” or “ENDESA”), in compliance with the provisions of Article 82 of the Law of the Securities Market, discloses the following RELEVANT FACT.
Following Relevant Fact no. 210665, published on 11 September, 2014, reports that the Board of Directors of ENDESA, at its meeting held today, has adopted, amongst others, the following agreements:

I. With regard to the binding offer received from Enel, S.p.A. (“Enel”), through the company Enel Energy Europe, Single Member Limited Liability Company (“Enel Energy”), 100% participated by Enel and majority shareholder of ENDESA (with 92.06% of its social capital), the Board of Directors of ENDESA, in compliance with the proposal received from the Independent Commission set up last 30 July, that has been reported favourably by the Audit and Compliance Committee, all of this after receiving the relevant reports from the financial, strategic and legal advisers hired by ENDESA for the purpose of evaluating, from the viewpoint of ENDESA social interest, the binding offer received from Enel Energy, has agreed, subject to approval by the General Meeting of Shareholders, to accept said offer and, therefore:

(i) To transfer to Enel Energy the participation of 60.62% of which ENDESA is the holder, directly and indirectly, in the social capital of the Chilean Company Enersis, S.A. (“Enersis”), leader of the activity in Latin America. In particular, the shares object of sales and purchase would be (i) 20.3% of the shares of Enersis, S.A. that are held directly by ENDESA, and (ii) 100% of the shares of Endesa Latinoamérica, S.A. (a company that also owns 40.32% of the social capital of Enersis, S.A.) that are currently held by ENDESA (the “Sales and Purchases”).

The sales and purchases would be made for an overall amount of 8,252.9 million Euros (based on an implied price per share of Enersis of 215 Chilean pesos, equivalent to 0.28 Euros at the exchange rate of 10 September, 2014, after discounting the costs of structure and the net passive of Endesa Latam for a negative amount of 144 million Euros).

(ii) In case the General Meeting of Shareholders of ENDESA accepts the proposal to make the sales and purchases and condition to the execution thereof, submit for consideration by its General Meeting the distribution of an extraordinary dividend in cash to ENDESA shareholders for a gross amount per share of 7.795 Euros, that is, a total of 8,252,972,752.02 Euros, an amount substantially equivalent to the total consideration received by the Company for the sales and purchases.

II. To summon the shareholders for the Extraordinary Meeting that will be held at the headquarters located at the street Ribera del Loira no. 60, on 21 October, 2014, at 12:30 hours, in a first and only call. In the next days the notice of the meeting of the Extraordinary Shareholders’ Meeting shall be published, with all mentions legally required.

Date: 23/10/2014

Relevant Fact sent to the National Securities Market Commission

Endesa, S.A. (the “Company” or “ENDESA”), in compliance with the provisions of Article 82 of the Law of the Securities Market, discloses the following Relevant Fact.

As a continuation to Relevant Fact no. 218059 published on 17 September, 2014, it is informed that, as of today, and after the approval of the operation by the Extraordinary General Meeting of Shareholders of last 21 October, ENDESA has performed the transfer to Enel Energy Europe, S.R.L., a company 100% shared by Enel S.p.A., of its 100% share capital in Endesa Latinoamérica, S.A. and 20.3% of the shares of Enersis S.A., for a total price of 8,252.9 million Euros.
3. Relevant facts of the Initial Public Offering

Date: 05/11/2014

Relevant Fact sent to the National Securities Market Commission

Endesa, S.A. ("ENDESA"), in compliance with the provisions of article 82 of the Law of the Securities Market, discloses the Following Relevant Fact.

The Board of Directors of ENDESA, at its meeting held yesterday, has adopted, amongst others, the following agreements:

I. Raise awareness that Enel Energy Europe, S.r.l. ("Enel Energy"), 100% participated by Enel, S.p.A. and majority shareholder of ENDESA (with 92.063% of its social capital), has agreed to perform a public offer for sales of part of ENDESA shares of which it is the holder, that would be offered to minority, qualified investors (the "Public sales Offer" or the "Offer"). The initial offering would account for about 17% of the social capital of ENDESA, that can reach up to 22% of said social capita, including, in any case, the green shoe purchase option for 15% of the final amount of the Offer that would be granted to the global coordination entities.

II. Enel Energy and ENDESA would assume a commitment to no transfer or issuance of ENDESA shares (lock-up) for the 180 days following settlement of the Offer.

III. The conditions of the Public Offer for Sales will be set out in the prospectus prepared pursuant to Regulations 809/2994/EC of the Commission of 29 April, 2004, related to the application of Directive 2003/71/EC of the Parliament and the Council, that was approved by the Board of Directors of Enel Energy and ENDESA and is pending of registration by the National Commission on the Securities Market ("CNMV"). Subject of registration of the Prospectus by CNMV, it is planned that the Offer could start next 7 November, 2014.

IV. It has been agreed to designate as global coordinating entities of the Offer and insurance companies of the qualified investors tranche to Banco Santander, BBVA, Credit Suisse and J.P. Morgan, as well as by Goldman Sachs International, Morgan Stanley & Co and UBS Limited as insurance companies for the qualified investors tranche. On the other hand, BBVA and Banco Santander will lead the syndicate of the placing companies of the retail tranche.

This announcement is not a sales offer or solicitation of an offer to buy securities issued by Endesa, S.A. in the US or in any jurisdiction where said offer or sales is illegal.

This announcement is not suitable for distribution, directly or indirectly, in the US, Australia, Canada or Japan.

In any of the member states of the European Economic Space, other than Spain, where the current Directive 2003/71/EC has been implemented (together with the implementation measures applicable in any member states, the "Directive of Prospectus"), this notice is aimed only at qualified investors of said member states as defined by them in the Directive of Prospectus.

None of the securities mentioned herein have been or shall be registered under the US Securities Act of 1933 in its current wording and cannot be offered or sold in the US without a registration or exemption from registration set out in the Securities Act. There is no intention to register any security referred to in this document in the US or to make a public offer of the securities in the US. This document does not intend to obtain money, values or any other type of compensation and, if any of the above are provided as a response to it, they will not be accepted.

The information sheet of the Offer is pending of registration by the National Securities Market Commission.

Date: 06/11/2014

Relevant Fact sent to the National Securities Market Commission

Endesa, S.A. ("ENDESA"), in compliance with the provisions of Article 82 of the Law of the Securities Market, discloses the Following Relevant Fact.
As a continuation to the Relevant Fact no. 213708, published yesterday, it is notified that, as of today, the National Securities Market (“CNMV”) has registered the information prospectus of the public sales offer of shares of ENDESA (the “Offer”) by Enel Energy Europe, S.r.L. (“Enel Energy” or the “Offerer”), 100% participated by Enel, S.p.A. and majority shareholder of ENDESA (with 92.063% of its social capital).

The main characteristics of the Offer are as follows:

- **Offer Size:** the object of the Offer ranges from 156,511,181 shares (the “Initial Offer”) to 201,800,000 shares (the “Maximum Offer”) that account for about 14.78% to 19.06% of the social capital of ENDESA.

  These amounts may be extended in the event the Global Coordinating Entities exercise the green shoe option that the Offerer has planned to grant to these Companies, over a minimum of 23,476,678 shares (in case the Offer was for the size of the Initial Offer) and a maximum of 30,270,000 shares (in case the Offer was for the size of the Maximum Offer), which means 15% of the respective total amounts of the initial and maximum offer (excluding the green shoe). The number of shares which form the object of the Offer (including the green shoe option) accounts for about 17% (Initial Offering) to 21.92% (Maximum Offer) of the social capital of ENDESA.

- **Tranches in the Offer:** the Offer comprises two tranches:
  
  — Minority Tranche: that assigned initially 23,476,677 shares, that account for 15% of the number of shares object of the Initial Offering, though they could be assigned up to 46,953,355 shares (in case of reassignment of tranches) that would account for 30% of the number of shares object of the Initial Offering and 23.27% of the number of shares object of the Maximum Offering (without including the green shoe option).

    The requesters attending the Minority Tranche will have the right to perceive from the Offerer an additional share per every 40 shares acquired in the Offer, provided they keep the shares acquired within the framework of the Offer for at least 12 months after the date of liquidation of the Offer (planned for 26 November, 2014).

    Furthermore, the requesters of the Minority Tranche that were shareholders of ENDESA at the closure of the market of 5 November, 2014 and submitting purchasing orders in the Offer will benefit from a preferential adjudication offer of up 300 shares by request, with a maximum overall of 12,874,155 shares for this preferential adjudication, all of this in the terms detailed in the Prospectus.

  — Qualified Investors Tranche: to which they are initially assigned 133,034,504 shares, that account for 85% of the number of shares object of the initial offering, though in case of the Offer was finally for the size of the Maximum Offer, up to 178,323,323 shares could be assigned, that would account for 88.37% of the number of shares object of the Maximum Offer (without including the green shoe option). Without prejudice to the above, the number of shares assigned to this tranche could be modified based on the redistribution between tranches and the exercise of the green shoe option as appropriate.

- **Prices:** the Maximum Retail Price has been fixed at 15,535 Euros per share, corresponding to the maximum price of the daily closure prices of the ENDESA share from 29 October, 2014, to 5 November, 2014.

  The Retail Tranche price of the offer shall be lower than the Maximum Retail Price and (ii) the Section for Qualified Investors of the Offer

  The Qualified Investor Tranche price of the Offer will be fixed by the Offerer, after notifying the Global Coordinating Entities, on 20 November, 2014, and at that same date the final price of the Offer will be fixed considering, amongst others, the quantity and quality of the demand in the context of the Qualified Investors Tranche and the amount of demand for the entire Offer, as well as the existing market conditions.

- **Estimated timing:** the investors of the Retail Tranche may perform requests from 8:30 am Madrid hour, day 7 November, 2014, within the business hours established
by each placement entity and until 19 November, 2014, by the formulation of irrevocable purchase applications.

In the Qualified Investors Tranche, the performing proposals will start at 08:30 am Madrid hour of 13 November, 2014, and will end at 12:00 am Madrid hours of 20 November, 2014.

At that same date, the Offerer will fix the size of the Offer, the distribution among tranches, as well as the final price of the Offer. The final allocation of the shares in all tranches will be performed by the principal agent entity, Santander Investment, S.A. (that acts as agent entity together with Banco Bilbao Vizcaya Argentaria, S.A. that acts as coagent) on 21 November, 2014, coinciding with the date of operation of the offer that is expected to be settled on 26 November, 2014, all of this without prejudice to the powers of the offerer to reduce the offer period.

- **Lockup:** Enel Energy and ENDESA would assume a commitment to no transfer or issuance of ENDESA shares (lock-up) for the 180 days following settlement of the Offer.

- **Global Coordinating Entities:** these act as global coordinating entities and insurance companies of the qualified investors tranche for Banco Santander, BBVA, Credit Suisse and J.P. Morgan and, s insurance companies for the qualified investors tranche, Goldman Sachs International, Morgan Stanley & Co and UBS Limited. On the other hand, BBVA and Banco Santander will lead the syndicate of the placing companies of the retail tranche.

- **Stabilisation:** from 21 November, 2014, and for 25 calendar days (including that date), Credit Suisse Securities (Europe) Limited, as Stabilisation Agent, may perform operations of stabilisation in the Continuous Market, for the Insurance Companies of the Qualified Investors Tranche according to the provisions of Regulations CE 2273/2003 of the Commission and following the common international practices for these international share offer operations.

The rest of the terms and conditions of the Offer, as well as the information about the issuer are detailed in the Prospectus of the Offer available in the website of the CNMV www.cnmv.es and the Corporate web of ENDESA www.endesa.com.

**Date: 20/11/2014**

**Relevant Fact sent to the National Securities Market Commission**

Endesa, S.A. (“ENDESA”), in compliance with the provisions of article 82 of the Law of the Securities Market, discloses the Following RELEVANT FACT.

In relation to the public sales offer (the “Public Sales Offer” or the “Offer”) by the shareholders of Endesa, S.A. (“ENDESA”) of which the holder is Enel Energy Europe, S.L.U. (the “Offerer”) to which the Prospectus registered in the official register of the National Securities Market Commission on 6 November 2014 (the “Prospectus”) is registered, the following information is published:

After yesterdays’ end of the binding applications period of the Retail Tranche and in compliance with the information received from the Global Coordinating Entities available at that date, the demand registered in the Retail Tranche has amounted to about 40.3 million shares, that is 1.7 times the number of shares initially allocated to said Tranche, considering the Maximum Retail Price.

With regard to the above, the Offerer, after notifying the Global Coordinating Entities, has agreed to increase the volume of shares allocated to the Retail Tranche in 11,333,823 additional shares, so that the volume of shares definitively allocated to the Retail Tranche of the Offer amounts to 34,810,500 shares.

For the purpose of allocating the shares finally assigned to this tranche to the applications made, a pro rata calculation will be made over the Retail Tranche of the offer in compliance with the rules set out in the Note on Shares part of the Prospectus.

It is planned that today the period of prospection of the demand ends in the Qualified Investors Tranche, after which the final prices of the Offer shall be fixed, the final size of the Offer and the assignment of the Qualified Investors Tranche,
which shall be notified, together with the information on the pro rata calculation, by the appropriate information additional to the Prospectus.

This announcement is not a sales offer or solicitation of an offer to buy securities issued by Endesa, S.A. in the US or in any jurisdiction where said offer or sales is illegal. This announcement is not suitable for distribution, directly or indirectly, in the US, Australia, Canada or Japan. In any of the member states of the European Economic Space, other than Spain, where the current Directive 2003/71/EC has been implemented (together with the implementation measures applicable in any member states, the “Directive of Prospectus”), this notice is aimed only at qualified investors of said member states as defined by them in the Directive of Prospectus.

None of the securities mentioned herein have been or shall be registered under the US Securities Act of 1933 in its current wording and cannot be offered or sold in the US without a registration or exemption from registration set out in the Securities Act. There is no intention to register any security referred to in this document in the US or to make a public offer of the securities in the US. This document does not intend to obtain money, values or any other type of compensation and, if any of the above are provided as a response to it, they will not be accepted. This announcement and the information sheet of the offer are not an initial public offering of ENDESA shares in Chile, or the Offerer or ENDESA as the intention to make any offer in that jurisdiction. The information leaflet of the Offer registered by the CNMV (National Securities Market Commission) is available in the CNMV website www.cnmv.esy in corporate web of ENDESA www.endesa.com.

Date: 21/11/2014

Relevant Fact sent to the National Securities Market Commission

Information additional to the information leaflet on initial public offering of Endesa, S.A.

With regard to the public share offer of part of the shares of Endesa, S.A. (“ENDESA”) of which the holder is Enel Energy Europe, S.L.U. (the “Initial Public Offering” or the “Offer”) referred to in the Prospectus registered in the official registers of the National Securities Market Commission on 6 November, 2014 (the “Prospectus”), and in compliance with the provisions of section 5.3.2 of the note on the shares which is part of the Prospectus (the “Note on the Shares”), the additional information is made public:

• Fixing the Offer price. Yesterday, the offerer, Enel Energy Europe, S.L.U. (the “Offerer”), after notification to the Global Coordinating Entities considering, amongst others, the amount and quality of demand in the context of the Qualified Investors Tranche and the amount of the demand for the entire Offer overall, and the existing market conditions, fixed the price of the Qualified Investors Tranche at 13.50 Euros per share (the “Qualified Investors Tranche”).

Consequently, in compliance with section 5.3.1 of the Note on Shares, the Retail Tranche price of the Offer was also set at 13.50 Euros per share (the “Retail Tranche Price”), as it was lower than the Maximum Retail Price set out in the section of Note on the Shares and set at 15.535 Euros per share.

• Size and final amount of the Offer. Furthermore, after analysing the market conditions and the demand registered in the prospection period of the demand for the Qualified Investors Tranche, according to the Offer Prices established, the Offerer agreed to fix the final amount of the Offer at 2,724,300,000 Euros, which corresponds to the amount of the Maximum Offer, planned and defined in section 5.1.2 of the Note on Shares.

Consequently, the number of shares offered amounts to 201,800,000 shares of 1.20 Euros of nominal value, that represent 19.06% of the social capital of ENDESA (without considering the green shoe option) and 232,070,000 shares, that represent 21.92% of the social capital of ENDESA (assuming the entire exercise of the green shoe option) and an amount of 3,132,945,000 Euros.
• **Signature of the Qualified Investors Tranche Underwriting.** Yesterday 20 November, 2014, after fixing the Qualified Investors Tranche Price, the Underwriting Agreement for the Qualified Investors Tranche was signed, without recording any changes from the Underwriters indicated in section 5.4.1 of the Note on Shares of the Prospectus.

• **Demand volume recorded in the Offer.** In compliance with the notification by Relevant Fact no. 214350, published on 20 November, 2014, the demand recorded in the Retail Tranche at the end of the period of the Offer in this Tranche amounted to 40,304,088 shares, which means a demand of 1.7 times the number of shares initially assigned to the said Tranche. The Offerer agreed to increase the share volume assigned to the Retail Tranche, amounting to 34,810,500 shares. Consequently, in compliance with the rules set out in the Note on Shares, a pro rata calculation was made in the Retail Tranche of the Offer for the purpose of allocating the shares to the applications submitted, as explained below.

On the other hand, the closure of the prospection period of the demand that ended yesterday, the demand recorded in the Qualified Investors Tranche has represented 2.2 times the number of shares finally allocated to said Tranche (assuming the full exercise of the green shoe option).

• **Final allocation of shares to each of the Offer Tranches.** Final allocation of shares to each Offer Tranche (without including the green shoe option) has been as follows:

  — Retail tranche: 34,810,500 shares.

  — Qualified investors tranche: 166,989,500 shares and 197,259,500 shares (assuming, in the latter case, the full exercise of the green shoe option).

• **Information on the result of the pro rata calculation made in the Retail Tranche of the Offer.** The volume of shares finally allocated to the Retail Tranche of the Offer (34,810,500 shares) has not been enough to meet fully all binding applications not cancelled in said Tranche, that amounted to 40,179,970 shares. Consequently, the applications submitted during the term of the Offer could not be fully met. In compliance with the regulations in section 5.2.3 c) of the Note on Shares of the Prospectus, the result of the pro rata calculation made has been as follows:

  — **Preferential adjudication to ENDESA shareholders.** The share volume assigned of the preferential adjudication of shares to ENDESA shareholders (12,874,155 shares) have been sufficient to meet all binding application for purchase and not cancelled, submitted by ENDESA shareholders with right to the preferential adjudication system, that amounted to 2,082,798 shares.

    The 10,791,357 shares (12,874,155 - 2,082,798 shares) not adjudicated to ENDESA shareholders have been integrated in the Retail Tranche.

  — **Stock award plan in retail tranche.** The share volume finally allocated to the Retail Tranche of the Offer after discounting the shares assigned to ENDESA shareholders with right to the preferential allocation system (34,810,500 - 2,082,798 shares adjudicated to ENDESA shareholders = 32,727,702 shares) have not been enough to meet all binding purchase applications not cancelled in said Tranche, that amounted to 38,097,172 shares (40,179,970 - 2,082,798 shares allocated to ENDESA shareholders). Consequently, not all binding purchase applications not cancelled submitted during the public offer of the Retail Tranche of the Offer could be met.

    In compliance with the rules set out in section 5.2.3 (c) (pro rate calculation in the Retail Tranche) of the Note on Shares, a pro rata calculation was performed. According to the information provided by the main agent entity (Santander Investment, S.A.), the result of the pro rata calculation made on the non-cancelled, binding pro rata calculations, taking as reference the Maximum Retail Price, has been as follows:
(i) Adjudications of at least 96 shares to non-cancelled purchase applications:

— The share volume assigned to the Retail Tranche of the Offer has been enough to allocate the Minimum Number of Shares planned for this tranche in paragraph (v) of the aforementioned section 5.2.3 (c) (Pro rata calculation in the retail tranche) on the Note on the Shares, that is, 96 shares, to all non-cancelled purchase applications submitted in the Retail Tranche.

— The number of shares allocated after applying the rule set on the above-mentioned section 5.2.3 (c) has been 5,781,624 shares.

(ii) Allocations to non-annulled purchase applications after attending at least 96 shares as referred to in the above paragraph:

— After allocating the Minimum Number of Shares, the remaining number of shares was 26,946,078 shares.

— The purchase applications indicated in the non-annulled purchase applications (for the amount not covered by the Minimum Number of Shares) has exceeded the remaining number of shares, so it has been necessary to perform the pro rata calculation set out in paragraph (vi) of the above-mentioned section 5.2.3 (c) (pro rata calculation in the retail tranche) on the Note on Shares. After application of the above pro rata calculation, non-cancelled purchase applications have been allocated (for the amount not covered by the Minimum Number of Shares) 83.384% of the volume not met.

— The number of shares allocated after applying the rule established in paragraph (vi) of the above-mentioned section 5.2.3 (c) (pro rata calculation in the Retail Tranche) was 26,918,036 shares.

(iii) Allocation of shares not adjudicated due to the effects of rounding, after application of the pro rata calculation set out in paragraph (v) of section 5.2.3 (c) (pro rata calculation in the retail tranche) the number shares not allocated due to the effect of rounding was 28,042 shares. According to paragraph (vii) of said section 5.2.3 (c) (pro rata calculation in the retail tranche) have been allocated one by one in order from higher to lower amount of the application and, in case they are equal, in alphabetical order of the applicants from letter “X”, resulting of the draw before notary public on 19 November, 2014.

• Green shoe option and stabilisation practices. It is notified that, from today, 21 November, included, and for 25 calendar days (that is, until 15 December, 2014), Credit Suisse Securities (Europe) Limited, as Stabilisation Agent, many perform stabilisation operations in the Continuous Market, on the account of the other Qualified Investors Tranche Underwriters (as this term is defined in the Prospectus) in compliance with the provisions of Regulations (EC) no. 2273/2003 of the Commission of 22 December, 2003. These stabilisation practices have the object of supporting the market price of ENDESA shares, though it is not sure that these activities are performed, and they can be stopped, if any, at any time.

For this purpose, the Global Coordinating Entities, on the account of the Qualified Investors Tranche Underwriters, have over-adjudicated in the Offer a total of 30,270,000 shares (equivalent to 15% of the number of shares object of the Offer), after registering for the relevant securities lending that may be returned by exercising the green shoe option granted by the Stabilisation Agent Offerer, on behalf of the Qualified Investors Tranche Underwriters, over a number of shares equivalent to 15% of the number of shares object of the Offer (that is, over 30,270,000 shares of ENDESA).

• Global Coordinating Entities and Qualified Investors Tranche Underwriters. The Global Coordinating Entities for the Offer and Qualified Investors Tranche Underwriters were Banco Santander, BBVA, Credit Suisse y J.P. Morgan
and, as Underwriters for said Qualified Investors Tranche, Goldman Sachs International, Morgan Stanley & Co and UBS Limited. On the other hand, BBVA and Banco Santander will lead the syndicate of the placing companies of the retail tranche.

This announcement is not a sales offer or application for an offer to purchase securities issued by Endesa, S.A. in the US or in any jurisdiction where said offer or sales is illegal. This announcement is not suitable for distribution, directly or indirectly, in the US, Australia, Canada or Japan.

In any of the member states of the European Economic Space, other than Spain, where the current Directive 2003/71/EC has been implemented (together with the implementation measures applicable in any member states, the “Directive of Prospectus”), this notice is aimed only at qualified investors of said member states as defined by them in the Directive of Prospectus.

None of the securities mentioned herein have been or shall be registered under the US Securities Act of 1933 in its current wording and cannot be offered or sold in the US without a registration or exemption from registration set out in the Securities Act. There is no intention to register any security referred to in this document in the US or to make a public offer of the securities in the US. This document does not intend to obtain money, values or any other type of compensation and, if any of the above are provided as a response to it, they will not be accepted.

This announcement and the information sheet of the offer are not a an initial public offering of ENDESA shares in Chile, or the Offerer or ENDESA have the intention to make any offer in that jurisdiction. The information leaflet of the Offer registered by the CNMV (National Securities Market Commission) is available in the CNMV website www.cnmv.es in corporate web of ENDESA www.endesa.com

Date: 25/11/2014

Relevant Fact sent to the National Securities Market Commission

Endesa, S.A. (“ENDESA”), in compliance with the provisions of Article 82 of the Market Securities Law and in compliance with the provisions of sections 5.2.5 and 6.5.3 of the Note on the Shares that is part of the Prospectus of the Public Sales Offer of part ENDESA shares (the “Public Share Office” or the “Offerer”) the holder of which is Enel Energy Europe, S.L.U. (the “Offerer”), registered in the official registers of the National Securities Market dated 6 November, 2014 (the “Prospectus”) makes public the following Relevant Fact.

1. Exercise of the green shoe purchase option over 30,270.0 ENDESA shares. Today, Credit Suisse Securities (Europe) Limited, as Stabilisation Agent of the Public Shares Offer, acting for and on behalf of the Qualified Investors Tranche Underwriters, has exercises fully the green shoe purchase option granted by the Offerer for the maximum of 30.270 ENDESA shares.

In compliance with the provisions of the Qualified Investors Tranche Underwriting Contract of the Offer signed on 20 November 2014, the price agreed for exercising the green shoe purchase option corresponds to the price of the Offer, that is 13.5 Euros per share.

Consequently, as set out in the addition information Prospectus of 21 November, the total number of shares object of the Offer amounted to 232,070,000 share, that represent 21.92% of the social capital of ENDESA, for a total amount of 3,132,945,000 Euros.

2. Stabilisation operations. Credit Suisse Securities (Europe) Limited, as Stabilisation Agent, in compliance with the provisions of Article 9.3. of the Regulations CE 2273/2003, of 22 December, applying the Directive 2003/6/CE of the European Parliament and the Council referring to the exemptions for repurchasing and stabilisation programmes of financial instruments, has notified that no stabilisation operation has been performed on ENDESA shares since the date of operation of the Offer (that is, since November 21, 2014).

As a result of the exercise of the green shoe purchase option, at this date the stabilisation period referred to in section 6.5.2 of the Note on Shares of the Prospectus is considered to be ended, that could be extended until up to 15 December 2014.
This announcement is not a sales offer or an application for a purchase offer of securities issued by Endesa, S.A. This announcement is not suitable for direct or indirect distribution in the US, Australia, Canada or Japan. In any of the member states of the European Economic Space, other than Spain, where the current Directive 2003/71/CE has been implemented (together with the implementation measures applicable in any member state, the "Directive of prospectus"), this notice is addressed only to qualified investors of said member state, as they are defined in the Directive on Prospectus.

None of the securities mentioned herein have been or shall be registered under the US Securities Act of 1933 in its current wording and cannot be offered or sold in the US without a registration or exemption from registration set out in the Securities Act. There is no intention to register any security referred to in this document in the US or to make a public offer of the securities in the US. This document does not intend to obtain money, values or any other type of compensation and, if any of the above are provided as a response to it, they will not be accepted.

The information leaflet of the Offer registered by the CNMV (National Securities Market Commission) is available in the CNMV website www.cnmv.es in corporate web of ENDESA www.endesa.com.
Dam of Cavallers (Lérida)
This publication has been produced according to the ISO 9001:2008 Quality Management System and the ISO 14001:2004 Environmental Management System standards. These standards verify that at all times both production processes and waste management are carried out to the highest standards according to current legislation. All paper used is elemental chlorine-free (ECF) with neutral pH and free of heavy metals. Printed on FSC® certified paper.
Endesa is an Enel Group company