ENDESA was established in 1944 with the name of Empresa Nacional de Electricidad, S.A. On 25 June 1997, the Ordinary General Meeting changed its name for the current ENDESA, S.A.

ENDESA, S.A. is registered in the Madrid Companies Register, volume 323, book 1, folio 143, page M6405. Its registered address and head office are located in Calle Ribera del Loira no. 60, 28042 Madrid, and its Tax Identity Number (NIF) is A28023430.

Its main business is the production, transmission, distribution and marketing of electricity. The company is also a major operator in the natural gas industry and also performs 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 29,245 million Euros on 31 December 2015.

On 31 December 2015, ENDESA, S.A.’s share capital came to 1,270,502,540.40 Euros and is represented by 1,058,752,117 shares with a nominal value of 1.2 Euros, totally subscribed and paid up which are fully admitted to trading on the Spanish stock exchange.

In 2015, ENDESA obtained net profit of 1,086 million Euros, a gross operating result of 3,039 million Euros, an operating result of 1,598 million Euros and total revenue of 20,299 million Euros.

At year-end 2015, the Company employed 10,000 people in Spain and Portugal.
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Vision
Open Power to tackle some of the world’s greatest challenges

Mission
1. Open energy to more people
   We will use and increase our global scale to connect more people to safe and sustainable energy.

2. Open energy to new technologies
   We will be at the forefront of the development and application of new technologies to generate and distribute more sustainable energy, paying special attention to renewable sources and smart distribution grids.

3. Open new forms of managing energy for the consumer
   We will develop more services tailor-made for people to help them use energy more efficiently, with special attention to smart meters and digitisation.

4. Open energy to new uses
   We will develop new energy-based services to tackle global challenges paying special attention to connectivity and e-mobility.

5. Be open to more collaborators
   We will form a network of collaborators in research, technology, product development and marketing to build new solutions together.
Values

Responsibility
Each one of us is responsible for success of the group, at all levels. We place our energy at the service of people to improve their life and make it more sustainable.

Innovation
We live and work with curiosity, we make an effort to go beyond what is typical and overcome our fears, to open the energy to new uses, technologies and people. Learning from both errors and correct decisions.

Trust
We act confidently, honestly and transparently, to win the trust of our colleagues, customers and external partners, valuing individual differences.

Proactivity
We take charge of our work in first person. We continuously interpret scenarios and global challenges to anticipate changes, redefining priorities if the concept so requires.
Dear shareholder,

I am delighted to present you with ENDESA’s activity report for the eighth consecutive year. Like every year, this letter offers me the very valuable opportunity to address all those people that form part of all stakeholders that ENDESA has a relationship with, and very particularly our shareholders, whose backing is highly important for the good running of our Company.

We are at a very important time in our history, where, after the great effort made by all Spaniards, Spain has ended 2015 leading economic growth in Europe and increasingly demonstrating its strength and capacity to better itself. Simultaneously, we are experiencing a particularly relevant moment, not only in ENDESA, but also in the energy industry on a global scale, which will set the energy model in which we perform our activity in the coming decades. It is a process of deep technological change, marked by the European greenhouse gas emission reduction targets and due to the new active role of consumers, both in management of their energy consumption and in that expected of their energy companies. In this context, ENDESA’s commitment is clear: tirelessly working towards a smart energy future, with the responsibility that it has always demonstrated at the key times in its history.

With this complex but opportunity-filled context, the report presented here, awarded by the “Informe Reporta” the last two years for its transparency, among all those presented by Ibex companies, makes it possible to show all our publics, especially those who back us as shareholders, how
to tackle our challenges based on excellent company management, a solid financial strategy and an industrial project that guarantees its sustainability in the long-term.

If 2014 was marked by corporate restructuring which, despite its complexity, ended with resounding success, and with 70,000 new shareholders to respond to; 2015 has been the year of verifying the success of the creation of the new ENDESA: a new industrial plan which marks our growth in Spain and Portugal, and a dividend policy which guarantees greater visibility of the profitability for 300,000 shareholders which form part of the company ownership. ENDESA committed to distributing its entire profit among the shareholders, with a pay out of 100%, and it is fulfilling this. This attractive dividend policy is endorsed, as could only be the case, by a solid operational and financial reality.

ENDESA’s net profit in 2015 has come to 1,086 million Euros. If we compare this figure with that 2014 in homogeneous terms, i.e. solely considering the ongoing activity that state the result after taxes of business in Spain and Portugal, the increase in net result would have been 15.6%.

ENDESA’S Board, in its meeting December 2015, agreed to distribute to shareholders an interim dividend of the financial-year results 2015 for a gross amount of 0.4 Euros per share. Payment of this has involved a disbursement of 424 million Euros, paid on 4 January 2016.

The proposal for distributing dividends to shareholders for financial year 2015 presented by ENDESA’s Board of Directors to the General Shareholders Meeting —the day this report was presented— shall be for a gross amount of 1.026 Euros per share charged to 2015 net profit, a 35% increase with respect to the ordinary dividend charged to financial year 2014. Considering the interim dividend, the complementary dividend would be equal to 0.626 Euros gross per share, which shall be paid the coming month of July.

To continue with the transparency of our accounts, I would like to detail that the revenue was 20,299 million Euros in 2015, compared to 21,512 million Euros obtained in 2014. The EBITDA was 3,039 million Euros, 1.7% less than the previous year, as it includes a new provision of 380 million Euros for various workforce optimisation projects. On 31 December 2015, ENDESA’S net financial debt was 4,323 million Euros, a reduction of 1,097 million Euros with respect to the debt on 31 December 2014.

Hence, this is the basis on which ENDESA works to lead the technological transformation our industry is undergoing. A transformation which places the customer at the centre as key player in managing his energy requirements. From the traditional energy consumer customers, we have moved to a customer that not only consumes but can produce energy and distribute it. This authentic revolution in which we are immersed, must have our commitment and predisposition for
change and to adapt ourselves to this new reality, so that the resulting energy model places Spain at the forefront of European countries.

Furthermore, ENDESA has contributed like few Spanish companies to the electrification process of our country’s energy demand, increasingly placing energy at the centre of our lives, homes and cities.

Our responsibility as a company that transforms the social and economic reality is proportional to the effort we make each day to deal with the increasing challenges we face. And these challenges go beyond business successes for which our shareholders ask us to render accounts. At ENDESA we are strongly committed to our responsibility of actively contributing to building a new smart energy future for Spain, which on today’s date must use all available resources, without rejecting any technology, strengthening the diversity of the generation network and concentrating all efforts on more efficiently managing the already existing installations.

Within our decided commitment to a more sustainable energy culture, we have implemented an E-mobility Plan through which our employees have the chance to form part of being pioneers of sustainable e-mobility and form part of the change towards a new emission-free energy model. This plan achieved that ENDESA’s employees purchased in just seven months close to 10% of the electric cars sold in Spain throughout 2015.

In this sense, our commitment not only consists of fighting against climate deterioration, but we also supervise industry competiveness without placing the economic sustainability of the electric system at risk. This model necessarily implies important efforts and investments in innovation, especially in digitisation of the sector and modernisation of the distribution networks, to continue making progress in electrification of demand, in solutions with greater energy efficiency and in the supply safety of our system. To do this, in line with our commitment to innovation and for new technologies, ENDESA has created a new collaborative platform, called ENDESA Energy Challenges, to seek new energy efficient products and services together with entrepreneurs, which is giving great results.

Although it is true that we still have much left to do, we have already travelled a good part of the path and we are ready to continue at the front of this revolution. Our company is renewed, with a new corporate image and a new logo which represents our desire to change, our attitude open to everything that surrounds us and, also, our predisposition to tackle new businesses, new partners and new alliances with an entrepreneur mentality. But none of this would be possible without the trust of our 300,000 shareholders, our more than 11 million customers, our numerous suppliers and very especially of the more than 10,000 ENDESA employees, to whom I would like to dedicate a few words of heartfelt gratitude. Because all of them are sailing in the same direction, overcoming difficulties and problems, offering ENDESA their best personal and professional
capabilities. And, thanks to them, as ENDESA Chairman, I can stand before all of you and the company with the peace-of-mind and pride of performing a great role at a crucial time for the development of our country and our Company.

One year ago, we promised the creation of a new ENDESA, and today we present our accounts to the thousands of shareholders who trust in us with the satisfaction of work well done and with the objective fulfilled.

Borja Prado Eulate
ENDESA Chairman
Dear shareholder,

Every year we have the pleasure and privilege of presenting our shareholders and other stakeholders with a full balance of the management performed in the previous financial year. It is a legal obligation and ethical commitment which, for obvious reasons of transparency, we assume with full responsibility and total conviction.

But it is also something more. It is also a great chance to share some thoughts about the present and future of our company.

I would like to especially stress this last aspect on this occasion, as I think that we are at an important crossroads. Indeed, few times like now, the present of our Company, its long-term vision and the way of effectively linking this present with the future has had such relevance.

To illustrate this, I shall mention an example that goes far beyond the strict limits of our Company and Group. It is a fact that gives us a great challenge in which we can, must and want to play a vital role: the agreement signed last December in Paris by 195 countries in the world to achieve a completely carbon-free energy system by 2050.

I do not need to insist on what this challenge means for energy companies and especially for a Group like ours, ready and willing to take on a leadership position in fulfilling that objective.

But, however important this may be, it is not the only factor of change we are facing. We live in a world subjected to the unstoppable accelerated evolution of the development of new technologies, especially
digital ones; the need to increase accessibility to energy and electrification of demand in benefit of increasingly elderly populations and increasingly urban in nature; the strong increase in the decision-making capacity and influence of our customers… These and other phenomena are even modifying, expanding on and enriching the criteria that investors and savers follow when making investment decisions.

But why raise all of this? Because I think it is vital that our Company’s management demonstrates to our shareholders and our stakeholders that not only are we achieving excellent results at present, but, that they are also the result of applying a long-term strategy, common to Enel Group as a whole, which places us in the situation of successfully tackling these challenges and having the necessary strengths to guarantee the transition towards the goal of implementing the sustainable energy model demanded by our society.

Regarding the first aspect I have just mentioned, i.e. the results achieved at present, the 2015 balance is clearly positive. In this financial year, ENDESA achieved a net profit of 1,086 million Euros, positioning it above and beyond the commitments assumed with the markets and clearly above, if we measure in homogenous terms, what was achieved in the previous year.

Indeed, the year-on-year comparison reveals that net profit in 2015 was 2,251 million less than the previous year, but this is also due to 2014 results including the net capital gain from the sale of the Latin American business to Enel made in October 2014 and the results provided by this business until the date that operation took place. But if the comparison between both periods is made in homogenous terms, i.e. considering only the Continuing operations, which exclusively include the results after taxes of ENDESA’s business in Spain and Portugal, the net profit rises 15.6% in 2015.

It is important to highlight that this large growth was achieved despite our revenue suffering a 6% setback, mainly due to the unfavourable evolution of commodities prices and that the Spanish electricity demand, although greater than the previous year, thus showing the first symptoms of recovery of our economy, increased by only 1.8%, falling to 1.6% once industrial activity and temperature effects were factored in.

The Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) was 3,039 million Euros, 1.7% less than 2014, due to normalisation of the Company’s business margins, after being exceptionally high in 2014, and of the provisions allocated to the new workforce optimisation process. In any case, that EBITDA figure was also positioned above the targets we have previously notified to the markets.

Furthermore, the gross investments were 1,084 million Euros, also in line with the commitments announced, and the high working cash flow, of 2,656 million Euros, was greater than the amount of the investments and of the ordinary dividend, which made it possible to reduce our debt level by 1,097 million Euros, thus placing the net financial debt of the company at 4,323 million Euros at the end of 2015.

On the basis of these excellent results, ENDESA is in the condition to preserve its attractive dividend policy, for which it will submit the proposal of paying the gross dividend per share of 1.026 Euros charged to the 2015 net profit to the approval of the 2015 General Shareholders’ Meeting, of which they were already paid 0.40 Euros dividend in January 2016. This proposal is logically in line with the commitment acquired for 2015 and 2016, consisting of paying as dividend the higher amount resulting from applying an increase of 5% on the dividend paid the previous year or 100% of the net profit.
Furthermore, we should underline that all these financial results are supported with a solid industrial position that has allowed us, and will continue to do so, to effectively manage the consequences of the unfavourable environment which, despite the recent macroeconomic improvements, continues to affect us.

ENDESA has a highly diversified production mix in Spain, with a high participation of hydraulic and nuclear technologies, and a highly competitive conventional thermal generation. Our mainland electricity production in ordinary regime was 60,686 GWh in 2015, 5.5% greater than that of financial year 2014, due to the increase in production of combined cycles (94.7%), coal power plants (9.5%) and nuclear production (4%), which compensated for the reduction in hydroelectric production (–18.3%). Nuclear and hydropower technologies represented 54.3% of ENDESA’s mainland generation in ordinary regime, compared with 52% of the rest of the sector.

As regards the other key operating aspects, ENDESA produced 12,375 GWh in the non-mainland territories, 1.6% more than in 2014; distributed 114,190 GWh in the Spanish market, with a growth of 2.9%; sold 77,965 GWh to the customers of the deregulated market, 0.8% more, and 14,934 in the regulated market, with a drop of 9.8%, and the sales in the gas market were 71,587 GWh, with a fall of –3.7%.

As a consequence of this, in Spain the Company achieved a market share of 38.8% in the mainland electricity generation in ordinary regime, of 43.5% in distribution and 35.7% in sales to electricity customers from the deregulated market, thus confirming its leadership position.

Furthermore, ENDESA has a relevant position in Portugal. The Company has investments in two generation power plants amounting to 1,483 MW, it is the second operator in the Portuguese deregulated electricity and is also present in the gas market.

This solid industrial position and the strength that belonging to a large multinational Group with whom we share proven technological expertise gives us are a solid base on which to build a strategy decidedly aimed at constructing a new energy system. An energy system free from carbon emissions; which promotes new uses of electricity through new added value products and services; with a strong digital component; strongly aimed at promoting e-mobility, electric storage and self-consumption; based on a complete implementation of remote management in the distribution grids and which gives a definitive boost to electrification of the demand in benefit of increasingly educated customers, who are more demanding, more digitised and with greater decision-making power and desire.

ENDESA does not fear these challenges, but it has decided to promote them as factors of change towards a new more sustainable energy model and as clear opportunities for profitability and value creation for its shareholders.

However, it is licit and logical to wonder if this more sustainable and electrified future is anything but a desirable and faraway goal. In other words, if we have the necessary resources to build the necessary bridge that allows us to travel from the present time to that of the future, and, therefore, guarantee that ENDESA is not only a company that provides excellent results in the short-term but it can uphold them over time.

I don’t have the slightest doubt that the answer is yes. ENDESA, as I have previously stated, has presented attractive and consistent targets to the markets; it met them in 2015, even above the announced
levels, and analysts and investors have shown their confidence that we will be able to do so again in the coming financial years.

Likewise, it has presented a strategy clearly aimed at enabling that new aforementioned energy model. And it has the industrial position and necessary technological knowledge to enable the bridge between one and the other. It has both a technologically diversified mix and the capacity to ensure the transition towards a production system essentially based on renewable energies, to which the necessary backing with conventional technologies should be given to guarantee supply; a broad market, made up of customers of all possible types, who are offered a stable and reliable service, in addition to new added value products and services, and a more than proven experience in the development of smart grids and in the application of the new technologies vital for integration in the renewable-source electricity grid.

And, finally, ENDESA has its greatest asset: the human factor. A factor integrated by an extremely valuable professional team with exceptional talent, whose health and safety is our priority and top concern. A team that a large set of professionals from supplier companies and other institutions also forms part of, the number of which will increase in coming years as a result of our desire to help build our energy future by opening new and fruitful collaborations. And of which the thousands of shareholders who have placed their trust in us, which we will always try to compensate with our dedication and effort, are also a vital part.

This is the path and future we propose to travel together. We believe it is well worthwhile.

José D. Bogas Gálvez
ENDESA CEO
Governing Bodies of the Company

Board of Directors

CHAIRMAN
Mr. Borja Prado Eulate

VICE-CHAIRMAN
Mr. Francesco Starace

CEO
Mr. José Mr. Bogas Gálvez

BOARD MEMBERS
Mr. Alberto de Paoli
Mr. Miquel Roca Junyent
Mr. Alejandro Echevarría Busquet
Mr. Livio Gallo
Mr. Enrico Viale
Ms. Helena Revoredo Delvecchio
Mr. Ignacio Garralda Ruiz de Velasco
Mr. Francisco de Lacerda

SECRETARY
Mr. Francisco Borja Acha Besga

Audit and Compliance Committee

CHAIRMAN
Mr. Miquel Roca Junyent

BOARD MEMBERS
Mr. Alejandro Echevarría Busquet
Mr. Alberto de Paoli
Mr. Ignacio Garralda Ruiz de Velasco
Mr. Francisco de Lacerda
Ms. Helena Revoredo Delvecchio

SECRETARY
Mr. Francisco Borja Acha Besga

Executive Committee

CHAIRMAN
Mr. Miquel Roca Junyent

AUDIT DIRECTOR
Mr. Enrique Durand Baquerizo¹

ADMINISTRATION, FINANCE AND CONTROL DIRECTOR
Mr. Paolo Bondi

COMMUNICATION DIRECTOR
Mr. Alberto Fernández Torres

MEDIA DIRECTOR
Mr. José Luis Puche Castillejo

HUMAN RESOURCES AND ORGANISATION DIRECTOR
Mr. Andrea Lo Faso

INSTITUTIONAL RELATIONS AND REGULATION DIRECTOR
Mr. José Casas Marín

SUSTAINABILITY DIRECTOR
Ms. María Malaxechevarría Grande

PURCHASES DIRECTOR
Mr. Pablo Azcoitia Lorente

ICT DIRECTOR
Mr. Manuel Fernando Marín Guzmán

MARKETING DIRECTOR
Mr. Javier Uriarte Monereo

ENERGY MANAGEMENT DIRECTOR
Mr. Álvaro L. Quiralte Abelló

INFRASTRUCTURE AND GRID DIRECTOR
Mr. Francesco Amadei

NUCLEAR DIRECTOR
Mr. Juan María Moreno Mellado

SECRETARY GENERAL AND OF THE BOARD OF DIRECTORS AND LEGAL ADVICE DIRECTOR
Mr. Francisco Borja Acha Besga

¹ Without prejudice to the functional dependency on the Audit and Compliance Committee.

Appointments and Remunerations Committee

CHAIRMAN
Mr. Alejandro Echevarría Busquet

BOARD MEMBERS
Mr. Alberto de Paoli
Mr. Ignacio Garralda Ruiz de Velasco
Mr. Francisco de Lacerda
Ms. Helena Revoredo Delvecchio
Mr. Miquel Roca Junyent

SECRETARY
Mr. Francisco Borja Acha Besga

Activities Report
## Key economic-financial figures

### Key Figures of the Balance Sheet (million Euros)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
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### Figures of the Revenue Statement (million Euros)

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<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tr>
<td><strong>OPERATING REVENUE</strong></td>
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### Main Economic Flows (million Euros)

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<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tr>
<td><strong>NET FLOWS FROM OPERATING ACTIVITIES</strong></td>
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<td><strong>TOTAL INVESTMENTS</strong></td>
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</tr>
<tr>
<td>Business in Spain and Portugal</td>
<td>1,495</td>
<td>1,413</td>
<td>1,102</td>
<td>1,413</td>
<td>1,084</td>
</tr>
<tr>
<td>Business in Latin America</td>
<td>1,331</td>
<td>1,314</td>
<td>1,514</td>
<td>1,088</td>
<td>0</td>
</tr>
<tr>
<td><strong>DIVIDENDS</strong></td>
<td>642</td>
<td>0</td>
<td>1,588</td>
<td>15,410</td>
<td>1,086</td>
</tr>
</tbody>
</table>

### Data per share (Euros)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>2.09</td>
<td>1.92</td>
<td>1.77</td>
<td>3.15</td>
<td>1.03</td>
</tr>
<tr>
<td>Dividend</td>
<td>0.61</td>
<td>—</td>
<td>1.5</td>
<td>14.56</td>
<td>1.026</td>
</tr>
<tr>
<td>Parent company equity</td>
<td>18.22</td>
<td>19.51</td>
<td>19.38</td>
<td>8.1</td>
<td>8.53</td>
</tr>
<tr>
<td>Total Profitability for the Shareholder (in %)</td>
<td>–12.58</td>
<td>10.26</td>
<td>38.11</td>
<td>36.67</td>
<td>16.53</td>
</tr>
<tr>
<td>PER (Price/Result) (times)</td>
<td>759</td>
<td>8.78</td>
<td>13.13</td>
<td>5.25</td>
<td>18.06</td>
</tr>
</tbody>
</table>
## Key operating figures

<table>
<thead>
<tr>
<th>Metric</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Workforce</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain and Portugal</td>
<td>11,504</td>
<td>11,142</td>
<td>10,500</td>
<td>10,000</td>
</tr>
<tr>
<td>Other countries</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Gross capacity (MW)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain and Portugal</td>
<td>23,122</td>
<td>23,199</td>
<td>22,677</td>
<td>22,164</td>
</tr>
<tr>
<td>Hydroelectric</td>
<td>4,716</td>
<td>4,755</td>
<td>4,759</td>
<td>4,765</td>
</tr>
<tr>
<td>Classic Thermal(^2)</td>
<td>14,720</td>
<td>14,758</td>
<td>14,475</td>
<td>13,956</td>
</tr>
<tr>
<td>Thermal-nuclear(^2)</td>
<td>3,686</td>
<td>3,686</td>
<td>3,443</td>
<td>3,443</td>
</tr>
<tr>
<td>Other countries(^2)</td>
<td>123</td>
<td>123</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Output (GWh)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain and Portugal</td>
<td>77,386</td>
<td>69,690</td>
<td>69,681</td>
<td>73,061</td>
</tr>
<tr>
<td>Hydroelectric</td>
<td>5,350</td>
<td>9,511</td>
<td>8,778</td>
<td>7,176</td>
</tr>
<tr>
<td>Classic Thermal(^2)</td>
<td>45,069</td>
<td>34,212</td>
<td>36,141</td>
<td>40,129</td>
</tr>
<tr>
<td>Thermal-nuclear(^2)</td>
<td>26,967</td>
<td>25,967</td>
<td>24,762</td>
<td>25,756</td>
</tr>
<tr>
<td>Other countries(^2)</td>
<td>930</td>
<td>852</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Sales (GWh)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain and Portugal</td>
<td>102,766</td>
<td>96,122</td>
<td>93,928</td>
<td>92,899</td>
</tr>
<tr>
<td>Regulated price</td>
<td>25,644</td>
<td>20,554</td>
<td>16,560</td>
<td>14,934</td>
</tr>
<tr>
<td>Deregulated market(^4)</td>
<td>77,122</td>
<td>75,568</td>
<td>77,388</td>
<td>77,965</td>
</tr>
<tr>
<td><strong>Number of customers (thousands)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain and Portugal</td>
<td>11,431</td>
<td>11,376</td>
<td>11,206</td>
<td>11,112</td>
</tr>
<tr>
<td>Regulated market(^5)</td>
<td>8,592</td>
<td>7,470</td>
<td>6,663</td>
<td>6,029</td>
</tr>
<tr>
<td>Deregulated market(^4)</td>
<td>2,839</td>
<td>3,906</td>
<td>4,543</td>
<td>5,083</td>
</tr>
<tr>
<td><strong>Energy distributed (GWh)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain and Portugal</td>
<td>115,390</td>
<td>112,031</td>
<td>110,945</td>
<td>114,190</td>
</tr>
</tbody>
</table>

---

1. In contrast to previous years, 2008 to 2013 data include the figures for the Asociación Nuclear Ascó-Vandellós, Carbopogo, Nuclenor; Pegop Electricity, Tejo Energía and ENDESA Ingeniería due to changes in consolidation criteria.
2. Figures consolidated by ENDESA.
3. Data measured in power plant busbars.
4. To provide coherent economic data for this business, it includes sales made by Endesa Energía and customers in European countries outside of Spain and Portugal.
5. Tariff customers. Does not include toll customers.
ENDESA’s new logo

Open Power

ENDESA, like all companies forming part of Enel Group, has been at the cutting edge of energy sector development, taking safe, reasonably priced and sustainable energy to millions of people in the world.

Aware of the profound change currently taking place in the industry, the Group is positioned in a new energy era, which is more open, participative and digital. That strategic positioning is summarised in the Open Power concept.

Open Power is our platform for growth, the combination of the strength of our global organisation with the opportunities of an open and connected world.

As a consequence of this positioning, during 2015 Enel has redefined its brand expression throughout the world to make this Open Power concept tangible through visual elements.

The first step of the overall creative process consisted of exploring how the abstract concepts of energy and opening could be graphically embodied, from kinetic energy to physical phenomena and to the systems centred on the data. More than 100 people from all Enel countries have been involved in the process, both from the organisation itself and a group of international brand expert advisors.
New logotype

Enel has developed a new visual expression for its brand, incorporating the philosophy concealed behind Open Power. It is an open and cooperative design system that facilitates participation and encourages people to experiment. It is in constant movement, promoting change and innovation.

At the core of the logotype we have the cursor, an iconic symbol which represents Open Power. The cursor is the starting point of energy: it is in constant movement, always energetic, it symbolises the true core of the lightbulb. The cursor shows the appearance and feeling of the new brand identity and creates a design language consequent in all its printed and digital applications, right up to products and signs. The colour gradient of the letters represents energy and continuous movement.

The new logotype is a modern and distinctive brand. Its silhouette has been drawn through the movement of cursors, followed by a wash of colour-filled energy. Its exclusive font has been used in all Group brands: Enel, ENDESA and Enel Green Power, helping to create a solid and coherent brand family. 8 colours have been used for the Enel logotype and blue has been maintained for ENDESA, due to its value and immediate brand association.

The new brand identity has been devised to create a completely visual experience for all our stakeholders: customers, employees, shareholders, Public Administration, organisations, etc.
1. Enel, international leader

When we speak of Enel we are speaking about the largest electricity company in Italy, which owns most of the country’s electricity grid, and is also an active operator in the production, supply and sale 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 has the largest customer base of its European competitors with an installed power capacity of 89.7 GW. Enel Group’s EBITDA on 31 December 2015 was 15.3 thousand million Euros.

Enel has been listed on the Milan stock exchange since 1999 and its main shareholder is the Italian Ministry of Economy and Finance with 25.5% of the capital. It has the largest number of shareholders of an Italian company (around 1 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 its Code of Ethics.

2. ENDESA in the Enel Group

ENDESA forms part of the Enel Group, which has 70.101% of its share capital.

The Enel Group has in Spain and Portugal, through ENDESA, a strong presence in the distribution and sale of gas and electricity.

Also, through ENDESA, Enel participates in the gas sector and operates a thermal power plant in Morocco.
After its consolidation as a multinational group, Enel is currently working on the consolidation of acquired assets and the greatest possible integration of its businesses. The Group performs operations in 33 countries on 4 continents, with a particular focus on Europe and Latin America.

> **North America**  
  - Capacity: 2.5 GW

> **Latin America**  
  - Capacity: 18.1 GW  
  - Grids: 0.32 mn km  
  - End users: 15.0 mn

> **India**  
  - Capacity: 0.2 GW

> **Iberia**  
  - Capacity: 22.9 GW  
  - Grids: 0.32 mn km  
  - End users: 11.9 mn  
  - Customers: 12.6 mn

> **Mexico + Central America**  
  - Capacity: 1.1 GW

> **Africa**  
  - Capacity: 0.01 GW

> **Italy**  
  - Capacity: 30.7 GW  
  - Grids: 1.14 mn km  
  - End users: 31.6 mn  
  - Customers: 10.1 mn

> **Eastern Europe**  
  - Capacity: 14.2 GW  
  - Grids: 0.09 M km  
  - End users: 2.7 mn  
  - Customers: 0.1 mn

Enel is Italy’s first electricity company. It operates in the generation sector with thermal power stations and generation from renewable sources. Furthermore, Enel manages most of the electricity distribution grid of Italy and provides integrated packages of electricity and gas products and services to its 31 million Italian customers.

In the Iberian Peninsula, after placing an additional 22% of the share capital of its Spanish subsidiary ENDESA on the Madrid Stock Exchange, Enel now holds 70.101% of the leading electricity company in Spain and second electricity company in Portugal.

In Europe, Enel also is present in Slovakia, where it holds 66% of Slovenské Elektrárne, the country’s largest electricity generator and the second in Central and Eastern Europe. In Romania, as well as in Greece, the Enel Group, through its subsidiary Enel Green Power (EGP), has and operates renewable energy generation plants. In Russia, Enel operates in the generation sector and in the resale distribution sector, where Enel holds 49.5% of RusEnergoSbyt, one of the country’s largest independent suppliers. In France, Enel operates in electricity and gas supply, plus generation from renewable sources.
Enel is a major player in the energy market in Latin America, where Enersis is the leading private company both in terms of installed capacity and number of customers. Enersis’ subsidiaries operate in 5 countries, with installed power capacity from thermal and hydroelectric plants and other renewable energy sources. In the generation sector, Enersis owns and operates power plants in Argentina, Brazil, Chile, Colombia and Peru. In the distribution sector, the Group is present in the Brazilian state of Ceara and in 5 of the main cities in South America: Rio de Janeiro, Bogota, Buenos Aires, Santiago de Chile and Lima. In the transmission sector, Enersis operates an interconnection power line between Brazil and Argentina. Chile and Brazil, as well as Costa Rica, Guatemala, Panama and Mexico, house wind power and hydroelectric power plants operated by EGP Latinoamerica.

In North America, EGP North America has and operates hydroelectric, geothermal, wind, solar and biomass plants.

In Africa Enel is present in the gas exploration and production sector, developing gas fields in Algeria and Egypt. Through ENDESA, Enel also operates a thermoelectric power plant in Morocco. In South Africa, Enel Green Power recently built and connected to the grid its first photovoltaic plant in the country, in Upington (0 MW); furthermore, it has been awarded photovoltaic and wind power supply contracts within the framework of a public renewable energy tender promoted by the government of South Africa.

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Data at 31 December 2015: %, 31/12/2014.

¹ Among private operators.
4. Innovation and quality of service in Enel

The Enel group promotes technological innovation to generate electricity more efficiently and responsibly and offers customers new solutions (from energy efficiency to smart grids) under a common denominator: electrical energy, the cleanest and most efficient energy vector.

Enel was the first energy company in the world to replace traditional electromechanical meters with smart meters, which enable measuring consumption in real time and managing contractual relations remotely. This innovative tool is vital for developing smart grids, 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 generates renewable energy, operating sources of over 9 GW net installed power capacity based on water, wind, geothermal, sun and biomass generation plus cogeneration in Europe, America and Africa. Enel Green Power is the renewable energy company with the most highly-diversified smart technology of its competitors worldwide.

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

<table>
<thead>
<tr>
<th>Conventional generation</th>
<th>Renewable energies</th>
<th>Infrastructure and grids</th>
<th>New products and services, e-mobility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement of operational and environmental performance, with emission reduction.</td>
<td>Improvement in the performance of all available technologies, integration of storage and research systems in new technologies.</td>
<td>Ongoing development of smart grids for managing distributed generation, e-mobility and improved reliability of the electricity system.</td>
<td>Develop new business models to improve people’s quality of life and propose innovative solutions for companies, by launching new products and services, mainly electricity-based.</td>
</tr>
</tbody>
</table>
Economic, energy and regulatory framework
1. Key macroeconomic highlights

1.1. International economic outlook

According to the IMF, the upturn in world growth is weak and unequal among economies, with the risks currently lying with the emerging markets, as indicated in the last Update of the World Economic Outlook.

In terms of economics, 2015 left us on the path to economic recovery of the more advanced markets, whilst the emerging markets slowed and became more heterogeneous. Global growth continued to be moderate and unequal.

The economic figures reflect a steady rate of growth in the advanced economies (with improvements in the UK and Japan, although the rate of growth slightly decelerated in the USA). For their part, the emerging economies continued with a weaker evolution, although a certain strength is observed in the growth in China at the same time as deceleration in the economies in of India, Brazil and Russia.

Global trade continued its slow recovery despite global imports strengthening in the advanced economies, but the contribution of the emerging economies was reduced, mainly due to the fall of trade in Latin America.

Global inflation has maintained at reduced levels and the drops in oil prices and other raw materials kept global inflation levels in check, a situation which helped boost private consumption in various countries. Inflation, excluding energy and food, did not vary with respect to the previous year and these low recorded inflation levels (principally) on a global scale, conceal substantial differences between countries. Although general inflation is reduced in most advanced economies and in China, it has considerably higher values in some of the large emerging economies (Russia, Brazil and Turkey).

According to the Bank of Spain, the economic recovery of the Euro zone continued, largely upheld by the dynamism of private consumption. However, it is considered that this recovery may slow down due to the stagnation of exports.

Likewise, the new fall in oil prices further aided household disposable income and company profits and, in consequence, private consumption and investment benefitted. In a context of surplus offer and weakened demand in the oil market, Brent prices fell again in the last quarter of 2015, until reaching 29 US dollars per barrel.

The Euro zone’s tax policy took on a slightly expansive tone, although recovery of the Euro zone was hindered by weakness of the growth prospects of the emerging economies, the volatility of the financial markets, the necessary adjustments in the balances of different sectors and the slow rate of application of structural reforms.

In the Euro zone, the year-on-year inflation was 0.2% (according to the IAPC). The rate of the month of December was less than expected, due to the drop in oil prices, food and services (mainly the fall in food prices with a drop of 4%). Most of the core inflation indicators remained basically stable, after an upturn in the first half of 2015, with the prices of non-energy assets most contributing to the rise in prices, whilst the internal inflationary pressure remained at moderate levels.
In the **UK**, the GDP advanced at moderate rate and the economic growth was boosted by the increase in household consumption, a situation supported by the increase in disposable income of citizens, a scenario that was made possible due to reduced energy prices. The investment decelerated in the last quarter of the year but preserved its positive value throughout 2015, whilst the unemployment rate showed a downward trend and fell to 5.1%. In December 2015, the year-on-year inflation was close to zero (0.2%), due to low energy and food prices, whilst inflation, excluding energy and food, increased to 1.4%.

For the year under analysis, the **USA** economy preserved its strength, upheld by favourable financial conditions, the strength of its internal property markets and the considerable improvement in the job market, which helped preserve activity levels that allowed maintaining the internal economic rate, although it decelerated in the last quarter of the year. The strength of its currency during 2015 led to a worse export situation and the marginal contraction of the manufacturing sector.

In **Japan**, the rate of the economy has been relatively weak, with real GDP growth of 0.3 in the quarter-on-quarter rate at year-end, after a very moderate rise in its economic activity in the last period of the year. Inflation (excluding energy and food variations) was 0.9% annual.

In **China**, the volatility of the financial market caused an outbreak of uncertainty about the outlook for economic growth, and the indicators show a gradual deceleration in growth of activity. Despite this, the macroeconomic data showed very good capacity for resistance of its economy. In 2015, its real GDP growth was 6.9%.

### 1.2. The Spanish economy

The Spanish economy closed 2015 with marked progress and according to the National Institute of Statistics (INE) achieved a growth of 3.2% in its GDP, which represents the largest increase since 2007 generated by the Spanish economy. The positive growth rate was maintained throughout the year and, although it has not been constantly rising, it ended the year with the aforementioned positive value.

The good rate maintained by private consumption added to corporate investment were the growth boosters in 2015. In this setting, the contribution of foreign trade did not have great impact as exports could not compensate for the increase in exports due to increase in expenditure (both household and business).

External factors also had an impact on these results of the Spanish economy, such as the drop in oil price or the improvement in financial conditions due to intervention of the European Central Bank. On the other hand, GDP evolution in 2015 placed Spain as one of the economies with largest growth in the European Union.

In 2015, the evolution of the unemployment rate in Spain indicate a year-end (according to INE figures) with 20.90% unemployment, 678,200 fewer people unemployed than the previous year. The total number of unemployed persons at year-end was 4,779,500. The reduction of the number of unemployed people, in absolute terms, is the highest since 2002.

These figures achieve three consecutive years of drops in the number of unemployed people (after six years of rise in said figure) and two consecutive years of job creation. The number of people in employment grew by 525,100 (2.99%) compared to the previous year.

The Spanish risk premium closed the last session of 2015 at 115 basis points.

By economic sectors, the number of jobs created rose mainly in the services area (421,500 more employed) and also increased in agriculture (50,800 more), construction (28,100) and industry (24,600).

As regards regional distribution, recorded unemployment fell 13 in autonomous communities, including Andalusia, Madrid and Catalonia, but rose in the remaining 4 headed by Galicia and Navarre. The Ministry of Employment and Social Security highlighted in a statement the reduction in unemployment among people under 25 years of age, which fell in year-on-year terms by 11.8%, a figure higher than the general mean, of 7.96%.

Among other concepts that indicate the progress of the Spanish economy, we can indicate that, according to the Bank of Spain, the joint debt of the public administrations was 1,070 thousand million Euros in the fourth quarter of
the year, 7,562 million Euros more than in the previous quarter. In year-on-year terms, the public debt rose in the fourth quarter to 3.5%, whilst in relation to the previous quarter, it rose 0.7%.

Of this debt, the largest part corresponds to the Central Government, which increased it 4.80%, to 938,799 million, which represents 86.8% of the GDP whilst the local administrations were the only ones that decreased their debt, 8.33%, to 35,147 million, equivalent to 3.3% of the GDP. The Social Security administrations ended 2015 with a debt of 17,188 million Euros, a figure equivalent to 1.6% of the GDP. By Autonomous Communities, Catalonia (72,274 million Euros), Valencian Community (41,753 million), Andalusia (31,365 million) and Madrid (27,646 million) represent 66.2% of the total debt of the regional governments. In GDP percentages, the debt of the Valencian Community represents 41.3% and remains at the head of the most indebted regions in relation to its wealth, followed by Castile-La Mancha, with 35.5%, and Catalonia, with 35.3%. In contrast, the Community of Madrid (13.6% of the GDP), Basque Country (14.4%) and the Canary Islands (15.7%) are those with less debt with respect to the GDP.
During 2015, the evolution of sovereign debt interest rates in Europe has been conditioned by the actions of the European Central Bank (ECB), which has made it possible to maintain minimum interest rates in Spanish public debt, stabilising in the year at levels below 2%. The Spanish differential compared with the German 10-year bond was 114 basis points at 2015 year-end compared with 107 at the end of the previous financial year. Other indebted economies in the Euro zone have also benefitted. Thus, the differential compared with the German 10-year bond of Italy, Portugal and Greece fell during 2015 to 97, 189 and 766 basis points, respectively, at year-end, having improved by 38, 26 and 155 basis points, respectively, compared to 2014.

The European Central Bank has maintained the Euro-zone interest rates at the all-time low of 0.05% and has continued to implement a series of measures for monetary expansion and supervision of the banking system. The European Central Bank has increased the amounts of the sovereign bond purchase program and has increased the financial assets on which it can act with the aim of increasing inflation expectations.

The long-term interest rate of the Euro (10-year Swap rate) increased during 2015, going from 0.81% at the start of the year to 1.00% at the end of 2015.

The short-term interest rate (3-month Euribor) went from 0.08% to –0.13% at year-end.

As regards the long-term interest rate of the US dollar, it fell during 2015, from 2.28% to 2.19% at year-end.

The 3-month interest rate of the US dollar increased from 0.26% to 0.61% at the end of 2015.

The Euro depreciated 10% compared with the US dollar (USD) during 2015, with the Euro/US dollar (Euro/USD) exchange rate going from 1.21 at year-start to 1.09 at 2015 year-end, affected by the divergence between the monetary policies of the European Central Bank (ECB) and of the US Federal Reserve (FED).

The Latin American currencies of Chile, Brazil, Colombia, Peru and Argentina strongly depreciated against the US dollar (USD) during 2015, in a context of lower raw material prices and uncertainty over growth in China. The currencies with greatest depreciation were the Argentinian peso (ARS), the Brazilian real (BRL) and the Colombian peso (COP), which lost, respectively, 53%, 49% and 34% against the US dollar (USD), respectively. The Chilean peso (CLP) and the new Peruvian sol (PEN) depreciated 17% and 15% against the US dollar (USD), respectively.

Evolution of Euro and dollar interest rates in recent years (%)
3.1. Oil and oil derivatives

The prices of Dated Brent crude fell from 66 to 35 USD/bbl in 2015, levels last seen in 2008. The main reasons were the increase in production, especially in Saudi Arabia and Russia, the cancellation of the sanctions on Iran, the deceleration of the Chinese economy and the strength of the dollar. The mean Price of Dated Brent was 52.39 USD/bbl (vs. 98.95 USD/barrel in 2014, –47%).

The prices of petroleum derivatives were in line with the crude price. Diesel FOB ARA 0.1% and fuel oil FOB NWE 1% ended the year with mean prices of 488.1 USD/t (–42% vs. 2014) and 260.5 USD/t (–53% vs. 2014), respectively.

3.2. Natural gas

In 2015, the gas prices in Europe and LNG worldwide continued to fall, dragged by the weakness of crude (to which a good part of the long-term LNG and European gas supply contract continue to be index-linked) and due to the deceleration of the Chinese economy, which mainly affects LNG demand in the Far East.

In Spain, the gas demand ended the year with growth of 4.4% compared with the previous year, due to an increase of 1.6% in conventional demand but especially a growth of 18.2% in electricity generation demand. The percentage of consumption used for electricity generation exceeded 19% in 2015, compared with 17% recorded in the two previous years.
3.3. Coal

During 2015, coal prices continued to fall especially following the decrease in oil price. In particular, the reference index for coal in Northern Europe (API2) closed the year at 56.64 USD/mt, a decrease of more than 21% compared with the previous year.

In the Asian market, the importation of coal in China continued to significantly fall (estimated 83 Mt.) supported by low domestic prices, increasing government measures to try to limit emissions and the drop in economic growth. Importations in India, in contrast, increased (estimated 34 Mt.), but this rise did not cover the drop in China. The net volume in the Asian market (approximately 80% of the global market) indicates a drop in demand. On the supply side, the most significant element is the depreciation in the Australian and South African currencies which helped to maintain the supply. This dropped considerably in Indonesia, however, also based on an increase in domestic use of raw materials promoted by the government. The market continued to have surplus supply.

The most relevant aspect of the European market was that the supply grew or was maintained in the Mediterranean countries (Spain, Italy, Turkey, Israel, Egypt and Morocco) and fell in the northern countries, traditionally large coal importers, where gas is now cheaper (UK) or the use of renewable sources is significantly rising (Germany). On the supply side, depreciation of the Colombian peso and the rouble helped the supply stay very strong in 2015 from Colombia and Russia. The fall in the coal Price made American coal definitively disappear. The market continues to have surplus supply.

A total of 9 million tons of coal were imported in 2015 for ENDESA’s power plants in Spain, 9% more than the previous year, of which 45% corresponded to Indonesian coal. Additionally, another 3 million tons were moved with the destination of other group companies and a trade of 0.78 million tons of pet-coke for Spain.

3.4. Freight market

In 2015, the fall of dry freight intensified with respect to the downward trend in 2014. In particular, for Capesize-type vessels (150 kt) the reference route BC C4 (South Africa/Rotterdam) was 45.5% cheaper, falling from 8.97 USD/t to 4.88 USD/t. Approximately 66% of this decrease can be explained by the plunging international price of the fuel used by these vessels, which, following the steep drop in the Brent Barrel, fell 48%. The remaining 33% of the decrease in freight measured by the BC C4 route was due to surplus supply of Capesize vessels over the demand to transport coal and iron mineral.
4.1. Main regulatory changes in Spain

Throughout 2015, the Government has completed the energy reform it started in 2013 with the approval of Spanish Electricity Industry Act 24/2013, of 26 December 2013, and derogation of the until-then valid Spanish Electricity Industry Act 54/1997, of 27 November 1997, establishing a new general framework for operation in the industry.

One of the most relevant events of 2015 has been the approval of the definitive liquidation of 2014 which generated a surplus of 550.3 million Euros, which meant reaching the tariff balance for the electricity system and its continuation over time since it is anticipated that 2015 also ends with a surplus.

As regards regulatory developments, the most relevant in the Spanish electricity industry have been Spanish Royal Decree 900/2015, of 9 October, regulating the administrative, technical and economic conditions of the modes of electricity supply with self-consumption and production with self-consumption; Spanish Royal Decree 738/2015, of 31 July, regulating electricity production and the dispatch procedure in the electricity systems of the non-mainland territories; Spanish Royal Decree 947/2015, of 16 October, establishing a notification for the granting of the specific remuneration system to new facilities to produce electricity from biomass in the Mainland electricity system and for wind power technology facilities and, finally, Spanish Royal Decree 198/2015, of 23 March, implementing article 112 bis of the codifying legislation of the Spanish Water Act, specifying that the charge shall only be applicable to inter-Community basins, i.e. those where the state preserves authority in tax matters.

It should also be highlighted that Spanish Royal Decree 1073/2015, of 27 November, amending different provisions in the grid remuneration Spanish Royal Decrees and Spanish Royal Decree 1074/2015, of 27 November, modifying different electricity industry provisions, where the legislation covering all areas of the sector has been amended.

With respect to regulation of the Spanish gas system, its most relevant development has been Act 8/2015, of 21 May, amending Hydrocarbon Industry Act 34/1998, of 7 October 1998, and regulating certain tax and non-tax measures in relation to exploration, research and exploitation of hydrocarbons; as well as Spanish Royal Decree 984/2015, of 30 October, regulating the organised gas market and third-party access to the natural gas system facilities. Circular 2/2015, of 22 July, of the National Markets and Competition Commission was also published, establishing the rules of balance in the gas system transport network, which will be applied from October 2016.

Finally, Spanish Royal Decree-Law 9/2015, of 10 July 2015, was published in July 2015 on urgent measures to reduce the tax load borne by the Income taxpayer and other economic measures, which reduced the unit price to finance payments for capacity and some reductions in tolls, charges and costs for some low-voltage consumers with self-consumption.

4.1.1. Regulated activities deficit

As previously indicated, Spanish Electricity Industry Act 24/2013, established the fundamental principle of the tariff balance of the electricity system; in this regard, 2014 ended with a surplus of 550.3 million Euros.
It is anticipated that 2015 shall also close with a surplus which, according to Ministry forecasts, will amount to 364 million Euros, also achieving tariff balance for the following years.

4.1.2. Generation

Domestic energy market

Throughout 2015, the coupling process of the daily European markets has continued and have incorporated Italy and Slovenia, which meant that the day-ahead electricity market operates on a coordinated basis for 25 countries, from Portugal to Finland.

Renewables, co-generation and waste

Spanish Electricity Industry Act 24/2013, December 2013 implements the principles of the remuneration system applicable to these facilities and establishes the Government regulations to approve a new legal and economic system for these facilities. Order 1045/2014 and Spanish Royal Decree 413/2014, of 6 June 2013, establish this new framework:

> The remuneration system is based on ensuring to the holders the recovery of the investment with a reasonable profitability rate based on 10-year government bonds plus a differential, which will be of 300 basis points in the first regulatory period, and will be reviewed every 6 years.

> The remuneration to be received for each facility, additionally to the revenues obtained in the market, is a fixed payment (return on investment) which means the annuity required to recover the net value of the investment. If the cost of operations exceeds the expected market price, the remuneration is complemented with a remuneration to the operation compensating for this difference.

> For new facilities, the remuneration system will be based on a mechanism of competitive concurrence.

Subsequently, Order IET/1459/2014 sets out the framework assigning the specific remuneration system for new wind and photovoltaic facilities in electricity 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.

Order IET/1953/2015, of 24 September was approved in 2015, amending the previous order establishing remuneration parameters of wind and photovoltaic power in the Canary Islands, also increasing the period for registration of wind power generation in the Canary Islands.

Spanish Royal Decree 947/2015, of 16 October, has been approved in relation to the incorporation of new renewable power, establishing a tender for the granting of the specific remuneration system to new facilities to produce electricity from biomass in the Mainland electricity system and for wind power technology facilities and, Order IET/2212/2015, of 23 October, regulating the procedure to assign the specific remuneration system in the tender for new facilities for producing electricity from biomass located in the mainland electricity system and for wind power technology facilities.

The auction, of 500 MW of wind power capacity and 200 MW of biomass, was held on 14 January 2016 and all the auctioned power was awarded with 100% over the investment cost proposed by the Ministry, i.e. all the power was awarded without specific remuneration.

Domestic Coal

The Ministry of Industry, Energy and Tourism has started processing a Ministerial Order proposal, which aims to regulate a mechanism which allows giving continuity to electricity production from domestic coal, guaranteeing compliance with the environmental legislation and favouring fuel diversification as a strategic support for supply security.

In accordance with the proposal, it recognises those facilities that use domestic coal and which make investments to environmental improvements to reduce nitrogen oxide emissions (necessary to comply with Directive 2010/75/EU) the right to receive a payment of 90,000 Euros/MW. In order to have the right to receive this payment, the companies...
holding these facilities must fulfil a series of requirements, including the obligation of buying a volume of domestic coal equal to an annual minimum amount of 6,000,000 therms PCS/MW until 31 December 2018, or be included in the Transitional National Plan. Application to receive this payment right must be made before 31 December 2016, accompanied with the request for administrative authorisation.

On 30 September 2015, the National Markets and Competition Commission issued its report on said proposal where it questions various aspects of the future regulation and advises notifying of the proposal to Brussels before approving it as it contains elements which may be considered State subsidy. The Ministry of Industry, Energy and Tourism continues to work with the European Commission, studying the possibility of assistance mechanisms to guarantee the burning of domestic coal by the power stations to not place at risk the supply security and compatibility with the European system.

4.1.3. Resale

Voluntary Price for the Small Consumer

On 29 March 2014, Spanish Royal Decree 216/2014 was published, establishing the methodology for calculating the voluntary prices for the small consumer of electricity (VPSC) and its legal contracting system, with the following main characteristics:

- The electricity production cost will be determined on the basis of the hourly price of the day-ahead and intraday markets during the billing period, the costs of system adjustment services and other costs associated with supply.

- Electricity Resellers are also obliged to make an offer to customers with right to the Voluntary Price for the Small Consumer (VPSC) as a fixed price for one year, formed by the revisable tolls and a fixed value for one year, in Euros/kWh, for the other items. those offer shall be valid during one month and uniform throughout Spain, and each Reseller may have one valid offer.

- The Spanish Royal Decree considers other issues, including that the Subsidised Rate shall be equivalent to a 25% discount over the Voluntary Price for the Small Consumer (VPSC).

On 4 June 2015, the operating procedures for hourly billing to consumers adhering to the Voluntary Price for the Small Consumer (VPSC) were published. By virtue of these procedures, from 1 July 2015 consumers who have remote measurement meter will be billed according to the actual consumption every hour, instead of using a consumption profile.

Subsidised Rate

Spanish Electricity Industry Act 24/2013, December 2013, establishes the Subsidised Rate as a public service duty and with the cost paid by the parent companies of the groups of companies, or where applicable companies, which simultaneously perform the activities of production, distribution and sale of electricity, according to a distribution percentage calculated considering the number of supplies connected to the distribution grids and the number of customers the resellers supply.

Spanish Royal Decree 968/2014, of 21 November, implements the methodology for fixing the distribution percentages of the quantities to finance regarding the Subsidised Rate, and as established in this Spanish Royal Decree, Order IET/2182/2015, of 15 October, fixed the distribution percentages of the quantities to assume relating to the 2015 Subsidised Rate, with 41.26% corresponding to ENDESA, S.A.

Interruptibility

The interruptibility service is an efficient demand management service that can be used by consumers that may 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 flexibilising system operation and giving fast, efficient responses in the event of possible emergency situations, minimising the impact on system security.
Order IET/2013/2013, of 31 October, and its subsequent amendments, 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.

The new competitive assignment mechanism of the interruptability service came into operation in 2015, so that in November and December 2014, two competitive auctions were, managed by the System Operator where the interruptible power requirements necessary for 2015 were assigned to the consumers qualifying for the service provision. The fixed cost of interruptibility for 2015 came to 508 million Euros and was financed through the acquisitions of customer power, no longer forming part of the regulated costs.

In addition, in August and September 2015, two competitive auctions have been performed, managed by the System Operator where the interruptible power requirements necessary for 2016 were assigned, with the aggregate fixed cost of the service coming to 503 million Euros for 2016.

**Self-consumption**

On 9 October, Spanish Royal Decree 900/2015 was approved, regulating the administrative, technical and economic conditions of the modes of electricity supply with self-consumption and production with self-consumption.

Self-consumption is defined as the consumption of electricity from generation facilities connected inside a consumer network or through a direct electricity line associated to a consumer. This means that, thanks to the installation of solar photovoltaic panels or another generation system, electricity is obtained which can be injected in the home’s internal network, without having to take it from the external grid.

The most relevant aspects of the Spanish Royal Decree on Self-consumption, which applies only to facilities connected to the grid, are as follows:

> Two self-consumption modes are defined: supply with self-consumption (one subject: consumer, with contract demand less than 100 kW) and production with self-consumption (two subjects: producer and consumer).

> The power of the facility must be less than the contract demand of the consumer, except in the case of existing cogenerations.

> In the case of a consumer, the surplus energy produced which is discharged into the grid shall not be remunerated; those surpluses are only remunerated in the event that the agent is a producer.

> It allows self-production of the consumers adhered to the Voluntary Price for the Small Consumer (VPSC).

> It does not allow the shared use of generation facilities between several consumers.

> Fixed and variable charges are defined which are associated to system costs. These shall be used to cover energy policy costs (deficit, renewable and cogeneration premiums...), and the backing the system requires (payments for capacity, cost of the interruptibility service and adjustment services).

The variable charges are applied to self-consumption, whilst the fixed charges are only applied to the cases where batteries are installed for the power that can be reduced from that demanded of the grid.

Various exemptions are defined to the charges:

> Supplies with contract demand less than 10 kW (most domestic consumers).

> Self-consumers located in the Canary Islands, Ibiza, Formentera, Ceuta or Melilla, whilst those located in Majorca or Menorca have reduced charges.

> Cogeneration facilities, until 31 December 2019.

> Consumers with contract demand less than 10 kW who prove they have a device which prevents discharge to the grid, shall be exempt from the payment of access and connection studies.
4.1.4. Non-mainland systems

On 30 October 2013, Act 17/2013, of 29 October was published in the Spanish Official State Gazette (BOE) to guarantee supply and the increase in competitiveness in Non-Mainland Electricity Systems (TNP). The main aspects contained in them are as follows:

> The Act sets out that the new facilities in these systems owned by a company or Company group which has a power generation percentage over 40% in that system, shall only receive the Price of the mainland market, with certain exceptions.

> Holders of pumps and regasification plans shall exclusively correspond to the System Operator and System Technical Manager, respectively, and the affected facilities must be transferred within a period of 6 months, at market price. In the case of pumps, the possibility is considered that the facilities in progress or processing may continue to be developed by their current holders, subject to compliance with a series of requirements.

Additionally, in the context of energy sector reform measures initiated in the Council of Ministers of 12 July 2013, the Government started processing the different regulatory developments, which make reference, among other aspects, to the generation activity in Non-Mainland Territories (TNP).

In this regard, on 1 August 2015, Spanish Royal Decree 738/2015, of 31 July was published, regulating the electricity production activity and the dispatch procedure in the Electricity Systems of Non-Mainland Territories (SENP).

This Spanish Royal Decree establishes a system similar to the current one, composed of a remuneration for fixed costs, which considers the investment, operation and maintenance costs of a fixed nature, and for variable costs, to compensate for the fuels and the variable operating and maintenance costs, also considering, within the costs of these Systems, the taxes arising from Act 15/2012, of 27 December, on tax measures for energy sustainability. Certain aspects of the methodology are modified with the purpose of improving system efficiency. The Spanish Royal Decree also implements aspects already contained in Act 17/2013, of 29 October, for supply guarantee and increase in competition in these Systems.

The coming into force of the Spanish Royal Decree is fixed from 1 September 2015, contemplating for certain measures a transitional period from 1 January 2012. In accordance with the eleventh additional provision, its full and definitive efficacy is subordinate to the non-existence of objections by the European Commission as regards compatibility with the Community legal system.

In compliance with Spanish Electricity Industry Act 24/2013, of 26 December, the financial remuneration of the net investment recognised shall be index-linked to the yield of the 10-year government bonds in the secondary market increased with a suitable differential. For the first regulatory period, which extends to 31 December 2019, said rate shall correspond to the mean yield of the listings on the secondary market of the 10-year government bonds of the months of April, May and June 2013 increased by 200 basis points.

For its part, Spanish Royal Decree 680/2014, of 1 August, regulates the procedure of budgeting, recognition, settlement and control of electricity production overruns in the isolated electricity systems of non-mainland territories charged to the General State Budget.

It complies with that established in the fifteenth additional provision of Spanish Electricity Industry Act 24/2013, of 26 December, regulating the intervention and procedures to be followed by the different ministry departments and the body in charge of settlements (the National Markets and Competition Commission), to fix the budget amount with charge for that purpose, calculated according to the established regulations, the procedures for settling these budget compensations, as well as their control.
4.1.5. Distribution

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

> The investment of assets in non-amortised services will be remunerated, considering the net value thereof and a financial remuneration rate index-linked to 10-year government bonds increased by 200 basis points, in addition to the operation and maintenance of assets.

> The necessary costs for fulfilling the distribution activities will be remunerated, such as reading meters, contracting, billing of access tolls and default management, telephone service for customers connected to its grids, rate of occupation of a public thoroughfare and structure costs.

> Incentives and penalties for supply quality improvement, reduction of losses in distribution grids, plus a new incentive for reducing fraud.

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

> The accrual and collection of remunerating the facilities commissioned in year “n” will be started on 1 January of year “n+2,” recognising it as 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 their annual and multiannual investment plants for approval, also requiring the favourable report from the affected Autonomous Communities. A limitation of deviations from the established standard is also set, only partially recognising the overrun, which should be duly justified and audited. In addition, the investment volume will be reduced should there be 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.

The scheme established in this Spanish Royal Decree shall be applicable once the first regulatory period commences, the transitional scheme established in Spanish Royal Decree-Law 9/2013, of 12 July, shall be applied until then.

On 28 November, Spanish Royal Decree 1073/2015, of 27 November, was published in those Official State Gazette (BOE) amending different provisions in the Spanish Royal Decrees regarding electricity grid remuneration (Spanish Royal Decree 1047/2013, of 27 December, for transmission, and Spanish Royal Decree 1048/2013, of 27 December, for distribution). Among other aspects, the Royal Decree eliminates the annual update of unitary values depending on the CPI in accordance with Act 2/2015, of 30 March, of de-indexation of the economy.

On 12 December, Order IET/2660/2015, of 11 December 2015, was published, which establishes for the distribution activity the unitary values of investment, operation and maintenance and of other tasks. It also defines the concepts of vegetative growth, relevant increase in power and the compensations for use and reservation of premises.

With the publication of this Ministerial Order, 1 January 2016 is set for the start of the first regulatory period which concludes on 31 December 2019. For this reason, during 2015 the remuneration of the distribution activity continued to be calculated, in a transitional manner, applying the remuneration policy stipulated in Annex II of Spanish Royal Decree-Law 9/2013, of 12 July 2013.

The remuneration of the distribution activity during the first regulatory period (2016-2019) shall be calculated according to Spanish Royal Decree 1048/2013, of 27 December 2013.

4.1.6. The electricity tariff

2015 Electricity tariff

Order IET/2444/2014, of 19 December, has approved the access tolls for 2015, maintaining the tolls established in Order IET/107/2014, of 31 January, and having incorporated the values of the new access tolls corresponding to the division of the voltage plateau between 1 and 36 kV, introduced in
the legal system by Spanish Royal Decree 1054/2014, of 12 December.

On 10 July, Spanish Royal Decree-Law 9/2015 was approved, of urgent measures for reducing the tax load borne by Income taxpayers and other economic measures. This Spanish Royal Decree-Law has introduced measures on the Electricity industry, among which we should highlight a 17% reduction in the unit price for the financing of payments by capacity, a reduction which shall be 40% as a transition between 1 August and 31 December 2015, not affecting, as indicated by the Government, the economic and financial sustainability of the Electricity System demanded in Act 24/2013, of 26 December.

2016 Electricity tariff

Order IET/2735/2015, of 17 December, establishing the electricity access tolls for 2016 and approving certain standard facilities and remuneration parameters of electricity production facilities from renewable energy, cogeneration and waste sources, maintains the tolls established by Order IET/2444/2014, of 19 December, with the exception of the prices for consumers connected to grids with voltage greater than or equal to 30 kV and less than 36 kV which reduces it to 6.7%, and reduces the unit prices paid by customers to finance capacity payments to 21% with respect to those valid at 31 December 2015.

4.1.7. Gas tariff

2015 Gas tariff

Order IET/2445/2014, of 19 December, establishing the access tolls and fees associated to third-party access to the gas facilities for 2015 and to update certain aspects relating to the remuneration of activities regulated by the gas industry, maintains for 2015 the tolls valid in 2014, with the exception of the variable term of the conduction toll of group 3 (P ≤ 4 bar), which is increased to recover the annual payment of the Sonatrach Award (32.8 million Euros). In particular, for groups 3.1 to 3.5 it is increased by 1.6%, 2.2%, 3%, 3.8% and 30.9% respectively.

2016 Gas tariff

Order IET/2736/2015, of 17 December, establishing the tolls and fees associated to third-party access to gas facilities and the remuneration of regulated activities for 2016, maintains the 2015 tolls for 2016, except the temporary toll for former users of the tariff for raw materials, which rises 10%.

4.1.8. Other regulatory changes

Act 18/2014, of 15 October, on urgent measures for growth, competitiveness, and efficiency that, among others, includes reforming the remuneration 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 Energy Efficiency Fund to meet the energy savings objective.

In the gas sector, the objective of the reform is to resolve the tariff deficit of that sector and guarantee an economically sustainable system in the future, with the following principles:

- Recognition of the deficit generated until 31 December, 2014, and payment in 15 years.
- Elimination of the structural deficit and adjustment of payments of the regulated activities.
- Rules of financial sustainability in the System to prevent generation of new deficits.
- Align remuneration of activities with demand evolution.

As regards energy efficiency, the Spanish Royal Decree-Law establishes a system of obligations for gas and electricity resellers, for wholesaler operators of gas products and for liquefied petroleum gas wholesale operators, since it came into force. An annual savings target and its share it for each taxpayer will be defined by Order of the Ministry of Industry, Energy and Tourism, by contribution to a National Energy Efficiency Fund.
> Alternatively, and in the terms regulated by the Government, a mechanism of accreditation of achieving an amount of energy savings equivalent to compliance with the System obligations may be established. This mechanism will be based on submitting negotiable Energy Savings Certificates (ESC).

> The term of the National System of Energy Efficiency obligations shall go from the coming into force of the Spanish Royal Decree-Law, i.e., 5 July 2014, until 31 December 2020.

Order IET/289/2015, of 20 February establishes the methodology used to assign savings obligations, in addition to the taxpayer, the respective shares of savings obligations and their economic equivalence for the application period corresponding to financial year 2015.

ENDESA must provide 30.2 million Euros to the Fund corresponding to the 2015 obligations and 1.9 million Euros due to adjustments of 2014.

Spanish Royal Decree-Law 13/2014, of 3 October, was published in 2014. It adopted urgent measures in relation to the gas system and the ownership of nuclear power stations, which introduces certain aspects which affect the gas industry and the ownership of nuclear power stations.

> In relation to the gas industry, the Royal Decree-Law has the object of hibernation of the Castor natural gas storage facilities, consolidating the shutdown of storage operations already approved by the Ministry of Industry; Energy and Tourism.

> In relation to nuclear power stations, the ownership of the nuclear power stations is adapted to the provisions of the law on nuclear power that sets out that the operation authorisation holder 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 2015, an intense regulatory activity continued in relation to the trading of commodities and derivative financial products. The Markets in Financial Instruments Directive (MIFID) and the corresponding regulations (MIFIR) as well as the Market Abuse Directive (MAD) and its regulations (MAR), establishing the practical conditions and the application details of this legislation.

On the other hand, advances have continued in the project to integrate gas and electricity markets on a European level: the coupling project of the day-ahead market on a European level now has 25 countries coupled, and in July, those official Journal of the European Union published Regulation (EU) 2015/1222 of the Commission establishing a guideline on capacity allocation and congestion management in the day-ahead and intraday markets.

In July 2015, the “summer package” was presented, based on strengthening the Domestic Energy Market. A consultation phase was opened on key aspects such as market design, the role of the consumer, self-consumption, energy efficiency labelling and reform of the ETS, based on a proposed Directive to adjust the EU emission rights trading system (ETS), aimed at recovering the price of carbon and accelerating the cut in CO₂ to fulfil the reduction target set by the EU in 2030.
Financial year results
1. Economic and financial results

1.1. Consolidated key figures\(^1\)

1.1.1. Net profit

ENDESA’s net profit was 1,086 million Euros in 2015, a figure 2,251 million Euros lower than that obtained in financial year 2014 (–67.5%) since the latter included the net capital gains generated by the divestment transaction of the Business in Latin America for an amount of 1,764 million Euros, in addition to the net result generated by said business until the date of materialisation of the transaction for an amount of 623 million Euros.

If the comparison between both periods is made in homogenous terms, i.e. only considering the Continuing operations, which exclusively include the result after tax of the business in Spain and Portugal, the increase in net result would have been 15.6%. The result after tax of the Continuing operations, amounted to 1,090 million Euros in 2015.

Below, we show the distribution of the net profit and of the result after tax of the Continuing operations between ENDESA’s businesses and their variation with respect to the same period of the previous year:

<table>
<thead>
<tr>
<th>Business</th>
<th>2015</th>
<th>2014</th>
<th>% Var. 2014</th>
<th>% Cont. to total</th>
<th>2015</th>
<th>2014</th>
<th>% Var. 2014</th>
<th>% Cont. to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business in Spain and Portugal</td>
<td>1,086</td>
<td>950</td>
<td>14.3</td>
<td>100.0</td>
<td>1,090</td>
<td>943</td>
<td>15.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Generation and Sale</td>
<td>506</td>
<td>363</td>
<td>39.4</td>
<td>46.6</td>
<td>506</td>
<td>363</td>
<td>39.4</td>
<td>46.4</td>
</tr>
<tr>
<td>Distribution</td>
<td>581</td>
<td>681</td>
<td>(14.7)</td>
<td>53.5</td>
<td>586</td>
<td>681</td>
<td>(14.1)</td>
<td>53.7</td>
</tr>
<tr>
<td>Structure and Other*</td>
<td>(1)</td>
<td>(94)</td>
<td>(98.9)</td>
<td>(0.1)</td>
<td>1</td>
<td>(101)</td>
<td>(99.0)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Business in Latin America</td>
<td>—</td>
<td>2,387</td>
<td>(100.0)</td>
<td>Na</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>1,086</td>
<td>3,337</td>
<td>(67.5)</td>
<td>100.0</td>
<td>1,090</td>
<td>943</td>
<td>15.6</td>
<td>100.0</td>
</tr>
</tbody>
</table>

\(^1\) For more information, see pages 402 to 412 of the Legal Report.

1.1.1.1. Net profit of continuing operations and revenue

ENDESA’s revenue came to 20,299 million Euros, a figure 5.6% less than that of 2014 (21,512 million Euros). From this amount, 19,281 million Euros (–5.8% compared with the previous year) correspond to the turnover and 1,018 million Euros to other operating revenues (–2% compared with the previous year).

The sales in the Spanish deregulated market were 8,425 million Euros, 260 million Euros higher than 2014 (+3.2%), due to an increase in the average sale price and customer number. In turn, the revenue due to sales to customers in the European deregulated market were 987 million Euros, 61 million Euros higher than that of financial year 2014 (+6.6%).

ENDESA sold 71,587 GWh to customers in the natural gas market in 2015, 3.7% less than 2014. In economic terms, revenues due to sale of gas were 2,378 million Euros, 484 million less (–16.9%) than that of 2014 due to the decrease in physical sales and average sale price.

In 2015, compensations for generation overruns of the Non-Mainland Territories (TNP) amounted to 1,044 million Euros, with a decrease of 710 million Euros (–40.5%) compared to 2014. In financial year 2014, the amount recorded in...
this heading also included a positive effect of 76 million Euros corresponding to the estimate of the impact on the revenue of the generation activity of Non-Mainland Territories (TNP) of financial years 2012 and 2013, based on the draft of the Spanish Royal Decree regulating the electricity production activity and the dispatch procedure in the Electricity Systems of the Non-Mainland Territories (TNP) available in January 2015. Considering the aforementioned aspects, the compensations for generation overruns of the Non-Mainland Territories (TNP) would have fallen by 786 million Euros in 2015 with respect to that recorded in the same period of 2014.

The fixed costs amounted to 2,544 million Euros in 2015, 17 million Euros (–0.7%) less than 2014. As regards the other “Fixed Operating Costs” they were 1,212 million Euros, a reduction of 104 million Euros (–7.9%) mainly due to the fall in repair and conservation costs (78 million Euros, equivalent to –17.8%), within the framework of the plans designed to improve operating efficiency, and to the cost reduction measures implemented.

Thus, ENDESA’s contribution margin obtained in financial year 2015 has amounted to 5,481 million Euros, 57 million Euros less than the previous year (–1.0%), which together with the evolution of the fixed costs, which have been reduced by 17 million Euros (–0.7%), has placed the EBITDA at 3,039 million Euros (–1.7%).

To analyse the evolution of the EBITDA during 2015, we should consider the following factors:

> In financial year 2015, the gross margin of the deregulated business has been normalised against the extraordinary positive conditions present in 2014. The gross margin of the deregulated electricity business has been reduced due to the greater electricity purchase price since the weighted average price in the wholesale electricity market was 51.7 Euros/MWh (+23.1%) in 2015. This has entailed a greater average cost in electricity purchase and a greater tax on electricity generation. Furthermore, in this financial year the gross margin of the deregulated gas business has also been negatively affected due to greater competitive price.

> Within the framework of various projects to optimise the workforce included in the Restructuring and reorganisation plan being developed in ENDESA, in financial year 2015 a provision for the amount of 380 million Euros (349 million Euros in financial year 2014) has been recorded.

> The unfavourable effects described in the previous paragraphs have been almost fully compensated by the combined effect of a greater underlying sales price to deregulated customers due to the recording of a positive result of 184 million Euros obtained by the forward sale materialised on 17 December 2015 regarding European Union Allowances (EUAs) obtained by virtue of the exchange process of Emission Reduction Units (ERUs) and Certified Emission Reductions (CERs) regulated in Regulation (EU) no. 389/2013, articles 58-61, and due to contention of other fixed costs.

The EBIT has increased by 126 million Euros (+8.6%) compared to 2014, standing at 1,598 million Euros due to the reduction in amortisations mainly due to extension of the useful life of nuclear power stations and of the combined cycle power plants since 1 October 2014 (129 million Euros).

1.1.2. Financial result

The net financial result of financial year 2015 was negative for an amount of 186 million Euros, +12.0% compared with the same period of the previous financial year. The net financial expenses amounted to 174 million Euros, i.e. 4 million Euros higher than that of the same period of the previous financial year.

The net exchange differences have been negative for an amount of 12 million Euros compared with 4 million Euros, positive, at the end of financial year 2014.

The evolution of the long-term interest rates in 2014 and 2015, meant an update in provisions to make compared with the obligations arising from collective dismissals in force and the provisions for contract suspensions for an amount of 47 million Euros, positive, and 2 million Euros, negative, respec-
tively. Likewise, in 2014 revenue was recognised associated with funding the revenue deficit of regulated activities in Spain for 24 million Euros. Without considering the indicated impacts, the net financial expenses increased by 25 million Euros (+12.8%).

1.1.3. Cash flows

On 31 December 2015, the amount of cash and other cash equivalents was 346 million Euros, a reduction of 302 million Euros –46.6% compared to 31 December 2014. On 31 December 2015 and 2014, the net cash flows of ENDESA, classified by operation, investment and financing activities, have been as follows:

<table>
<thead>
<tr>
<th>Statement of cash flow</th>
<th>31 December 2015</th>
<th>31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flows from Operating Activities</td>
<td>2,656</td>
<td>3,714</td>
</tr>
<tr>
<td>Net cash flows from Investment activities</td>
<td>(773)</td>
<td>6,241</td>
</tr>
<tr>
<td>Net cash flows from Financing activities</td>
<td>(2,185)</td>
<td>(901)</td>
</tr>
</tbody>
</table>

* Amount from the Latin America Business, finished with the divestment.

In 2015, the flows generated by the operating activities were sufficient to deal with the necessary investments to develop the business and pay dividends for an amount of 805 million Euros, additionally producing a reduction of 1,078 million Euros in the net financial debt.

The net cash flows from the operating activities of financial year 2015 amounted to 2,656 million Euros compared with 3,714 million Euros generated in financial year 2014, since the latter included the net cash flows generated by the Business in Latin America until the materialisation of the divestment operation for an amount of 845 million Euros.

In 2014, the net cash flows of the investment activities included a net collection of 6,358 million Euros corresponding to the divestment of the Business in Latin America.

In 2015, the net cash flows applied to financing activities have amounted to 2,185 million Euros (14,558 million Euros in 2014). In financial year 2014, the net cash flows of the financing activities included the payment of 16,686 million Euros as distribution of dividends and increase in financial debt for an amount of 2,128 million Euros.

1.1.4. Investments

In 2015, ENDESA’s gross investments amounted to 1,084 million Euros (1,155 million Euros in 2014), of which 1,025 million Euros correspond to tangible, intangible and real

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2 For more information, see pages 422 to 424 of the Legal Report.

3 For more information, see pages 422 to 424 of the Legal Report.
estate investments and the remaining 59 million Euros to financial investments, as detailed below:

<table>
<thead>
<tr>
<th>Millions of Euros</th>
<th>2015</th>
<th>2014*</th>
<th>% Var.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation and Sale</td>
<td>328</td>
<td>307</td>
<td>6.8</td>
</tr>
<tr>
<td>Distribution</td>
<td>585</td>
<td>619</td>
<td>(5.5)</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>2</td>
<td>—</td>
</tr>
<tr>
<td>Total Tangible</td>
<td>915</td>
<td>928</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Generation and Sale</td>
<td>47</td>
<td>39</td>
<td>20.5</td>
</tr>
<tr>
<td>Distribution</td>
<td>37</td>
<td>27</td>
<td>37.0</td>
</tr>
<tr>
<td>Other</td>
<td>26</td>
<td>33</td>
<td>(21.2)</td>
</tr>
<tr>
<td>Total Intangible</td>
<td>110</td>
<td>99</td>
<td>11.1</td>
</tr>
<tr>
<td>Financial</td>
<td>59</td>
<td>128</td>
<td>(53.9)</td>
</tr>
<tr>
<td>Total Investments</td>
<td>1,084</td>
<td>1,155</td>
<td>(6.1)</td>
</tr>
</tbody>
</table>

* Ongoing activities.

1.1.5. ENDESA’s net worth

On 31 December 2015, ENDESA’s net worth was 9,039 million Euros, 464 million higher than the 2014 figure.

At 2015 year-end, ENDESA, S.A.’s share capital amounted to 1,270,502,540.40 Euros and was represented by 1,058,752,117 shares of 1.2 Euros nominal value, totally subscribed and paid up which are fully admitted to be listed on the Spanish Stock exchanges (this figure did not undergo variations in 2014 and 2015).

The composition of ENDESA’S net worth at 31 December 2015 and 2014 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2015</th>
<th>31 December 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Net worth of the Parent Company</td>
<td>9,036</td>
<td>8,576</td>
</tr>
<tr>
<td>Share capital</td>
<td>1,271</td>
<td>1,271</td>
</tr>
<tr>
<td>Share Premium</td>
<td>89</td>
<td>89</td>
</tr>
<tr>
<td>Legal Reserve</td>
<td>254</td>
<td>254</td>
</tr>
<tr>
<td>Revaluation Reserve</td>
<td>404</td>
<td>404</td>
</tr>
<tr>
<td>Other Reserves</td>
<td>106</td>
<td>106</td>
</tr>
<tr>
<td>Adjustments for changes in value</td>
<td>(120)</td>
<td>(74)</td>
</tr>
<tr>
<td>Asset and Liability Revaluation Reserve</td>
<td>(120)</td>
<td>(74)</td>
</tr>
<tr>
<td>Reserve for actuarial gains and losses</td>
<td>(584)</td>
<td>(830)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>8,040</td>
<td>14,111</td>
</tr>
<tr>
<td>Interim dividend</td>
<td>(424)</td>
<td>(6,755)</td>
</tr>
<tr>
<td>Total Net worth of the Minority Interests</td>
<td>3</td>
<td>(1)</td>
</tr>
<tr>
<td>Total Net worth</td>
<td>9,039</td>
<td>8,575</td>
</tr>
</tbody>
</table>

* For more information, please read from pages 285 to 292 of the Legal Report.
1.2. Financial management

During 2015, the evolution of sovereign debt interest rates in Europe has been conditioned by the actions of the European Central Bank (ECB), which has made it possible to maintain minimum interest rates in Spanish public debt, stabilising in the year at levels below 2%. The Spanish differential compared with the German 10-year bond was 114 basis points at 2015 year-end compared with 107 at the end of the previous financial year. Other indebted economies in the Euro zone have also benefitted. Thus, the differential compared with the 10-year bond of Germany, Italy, Portugal and Greece fell during 2015 to 97, 189 and 766 basis points, respectively, at year-end, having improved by 38, 26 and 155 basis points, respectively, compared to 2014.

In 2015, the European Central Bank has maintained the interest rates of the Euro zone at the all-time low of 0.05% and has continued to implement a series of measures for monetary expansion and supervision of the banking system. The European Central Bank has increased the amounts of the sovereign bond purchase program and has increased financial assets on which it can act with the aim of increasing inflation expectations.

The long-term interest rate of the Euro (10-year Swap rate) increased during 2015, going from 0.81% at the start of the year to 1.00% at the end of 2015. The short-term interest rate (3-month Euribor) went from 0.08% to –0.13%. The long-term dollar interest rate (USD) also reduced during 2015 from 2.28% to 2.19%. For its part, the 3-month interest rate of the US dollar increased from 0.26% to 0.61% at the end of 2015.

The Euro depreciated 10% compared with the US dollar (USD) during 2015, with the Euro/US dollar (Euro/USD) exchange rate going from 1.21 at year-start to 1.09 at 2015 year-end, affected by the divergence between the monetary policies of the European Central Bank (ECB) and of the US Federal Reserve (FED). The Latin American currencies of Chile, Brazil, Colombia, Peru and Argentina strongly depreciated against the US dollar (USD) during 2015, in a context of lower raw material prices and uncertainty over growth in China. The currencies with greatest depreciation were the Argentinean peso (ARS), the Brazilian real (BRL) and the Colombian peso (COP), which lost, respectively, 53%, 49% and 34% against the US dollar (USD), respectively. The Chilean peso (CLP) and the new Peruvian sol (PEN) depreciated 17% and 15% against the US dollar (USD), respectively.

In the setting described, ENDESA maintains a solid financial situation and a comfortable level of liquidity and access to medium and long-term financial resources which allow it to guarantee availability of the necessary resources to deal with its commitments for future investments and debt maturities.

ENDESA maintains criteria of prudence similar to those applied up to now in the structure of its financing obtaining medium and long-term financing to adapt the maturity calendars to the cash generation capacity in the business plan. To do this, it resorts to external financing, especially through the banking market. Likewise, it obtains funds from public entities which offer advantageous conditions in very long-term operations. It also has short-term financing that contributes to optimising management of working capital requirements and improving the cost of the debt overall. This financing is instrumented through banking lines of credit with first-rate entities or by issue of “Euro-commercial Paper.” ENDESA also performs operations with Enel Group companies where the applicable regulations over transfer prices are observed.

The available liquidity is instrumented through cash volumes and lines of credit with first-rate institutions and with the Enel Group whose availability is unconditional and irrevocable.
1.2.1. Evolution of the debt level and average cost of the debt

ENDESA’s net financial debt was 4.323 million Euros at 31 December 2015, with a reduction of 1,097 million Euros with respect to the end of the previous financial year. The average cost of ENDESA’s debt amounted to 2.7% in financial year 2015.

At year-end, the gross financial debt was denominated in Euros 100%. The total volume of gross financial debt at fixed rate was 76% at 31 December 2015, whilst the remaining 24% was variable interest rate. The average life of the gross financial debt of ENDESA and its subsidiaries was equal to 8 years at 31 December 2015.

The liquidity was increased to 3,533 million Euros, of which, 3,187 million corresponded to amounts available in lines of credit, from which 1,000 million corresponded to a line of credit with Enel Finance International, N.V. This liquidity level allows having a coverage equal to 29 months in debt maturity.

Structure of ENDESA’s Gross financial debt (millions of Euros)

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Difference</th>
<th>%Var</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro</td>
<td>4,680</td>
<td>6,084</td>
<td>–1,404</td>
<td>(23.1)</td>
</tr>
<tr>
<td>Total</td>
<td>4,680</td>
<td>6,084</td>
<td>–1,404</td>
<td>(23.1)</td>
</tr>
<tr>
<td>Fixed rate</td>
<td>3,537</td>
<td>5,073</td>
<td>–1,536</td>
<td>(30.3)</td>
</tr>
<tr>
<td>Variable rate</td>
<td>1,143</td>
<td>1,011</td>
<td>132</td>
<td>13.1</td>
</tr>
<tr>
<td>Total</td>
<td>4,680</td>
<td>6,084</td>
<td>–1,404</td>
<td>(23.1)</td>
</tr>
<tr>
<td>Average Life (no. years)</td>
<td>8.0</td>
<td>8.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Cost (%)</td>
<td>2.7</td>
<td>3.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1.2.2. Credit rating

At the time of presenting the report, ENDESA’s long-term credit rating is «BBB» in Standard & Poor’s with positive outlook, «Baa2» in Moody’s and «BBB+» in Fitch Ratings, both with stable outlook.

1.2.3. Leverage ratio

ENDESA’s leverage ratio at 31 December 2015 came to 478% compared with 63.20% on 31 December 2014.

1.2.4. Main financial operations

The following stand out among the operations performed in 2015:

> In 2015, ENDESA has signed the renewal of part of its lines of credit for an amount of 300 million Euros with different credit institutions, with maturity in the first six months of 2018.

> On 30 June 2015, ENDESA, S.A. increased the limit of the intercompany credit line with Enel Finance International, N.V., going from 1,000 million Euros to 2,000 million Euros. Additionally, the applicable margin was reduced to 80 basis points and its maturity was extended to 30 June 2018.

> ENDESA, S.A. made on 30 June 2015 a partial amortisation for an amount of 1,500 million Euros of the long-term loan it has signed with Enel Finance International N.V. On 31 December 2015, the outstanding balance of said loan came to 3,000 million Euros.

> On 25 September 2015, ENDESA, S.A. drew down the loan granted by the European Investment Bank (EIB) signed in September 2014 for an amount of 300 million Euros, at variable rate, with maturity at 12 years amortisable from September 2019.

> On 23 December 2015, ENDESA S.A. signed an uncommitted intercompany credit line with Enel Finance International N.V., for an amount of 1,500 million Euros and maturity of 31 December 2016. The price to be applied to the draw-downs is index-linked at the cost of Enel commercial paper issue plus a margin of 6 basis points, and if said reference is not available, the profitability of the 1-year Enel curve adjusted with a formula defined until
On 31 December 2015, the drawn-down amount of said line of credit was 200 million Euros.

> On 29 December 2015, ENDESA S.A. decreased the limit of the intercompany credit line with Enel Finance International N.V. going from 2,000 million Euros to 1,000 million Euros, maintaining the other conditions unaltered. On 31 December 2015, no amount of this line was drawn-down.

> Additionally, during this period, ENDESA has maintained the emissions program in the short-term international capital markets, with the outstanding balance on 31 December 2015 being 117 million Euros.
2. Analysis by business-line

2.1. Business in Spain and Portugal and rest

2.1.1. Net profit

The net profit after tax and minority interests of the Continuing operations in financial year 2015 was 1,086 million Euros, 136 million Euros higher than that obtained in 2014 (+14.3%).

ENDESA contribution margin obtained in 2015 amounts to 5,481 million Euros, 57 million Euros less than the previous financial year (–1.0%), which together with evolution of the fixed costs, which have fallen by 17 million Euros (–0.7%), places the EBITDA at 3,039 million Euros (–1.7%).

The Earnings before Interest and Taxes (EBIT) has increased by 126 million Euros (+8.6%) compared to 2014, being 1,598 million Euros due to the reduction of the amortisations mainly due to extension of nuclear power stations and combined cycle plants, since 1 October 2014 (129 million Euros).

Below, we show the distribution of the EBITDA and of EBIT among ENDESA’s businesses and its variation with respect to the same period of the previous financial year:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>% Cont. to total</th>
<th>2015</th>
<th>2014</th>
<th>% Cont. to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation and Sale</td>
<td>1,570</td>
<td>1,550</td>
<td>51.7</td>
<td>814</td>
<td>692</td>
<td>50.9</td>
</tr>
<tr>
<td>Distribution</td>
<td>1,569</td>
<td>1,691</td>
<td>(72)</td>
<td>906</td>
<td>967</td>
<td>(6.3)</td>
</tr>
<tr>
<td>Structure and Others1</td>
<td>(100)</td>
<td>(151)</td>
<td>(33.8)</td>
<td>(122)</td>
<td>(187)</td>
<td>(34.8)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,039</strong></td>
<td><strong>3,090</strong></td>
<td><strong>100.0</strong></td>
<td><strong>1,598</strong></td>
<td><strong>1,472</strong></td>
<td><strong>8.6</strong></td>
</tr>
</tbody>
</table>

1 Structure, services and adjusts.

For more information, see pages 402 to 404 of the Legal Report.

2.1.2. Key aspects of the period

During 2015, the mainland electricity demand has increased 1.8% with respect to the previous year (+1.6% after correcting the industrial activity and temperature effect).

In this period, mainland electricity production in ordinary regime of ENDESA was 60,686 GWh, 5.5% higher than that of 2014 due to the increase in production of the combined cycle plants (+94.7%), of the coal power plants (+9.5%) and nuclear production (4.0%), which has compensated the reduction in hydroelectric production (–18.3%).

The nuclear and hydroelectric technologies represented 54.3% of ENDESA’s mainland generation mix in ordinary regime (58.3% in 2014), compared with 52.0% of the rest of the sector (58.7% in 2014).

ENDESA’s production in the Non-Mainland Territories (TNP) was 12,375 GWh, with an increase of 1.6% compared to 2014.

ENDESA achieved a market share of 38.8% in mainland generation in ordinary regime, 43.5% in distribution and 35.7% in sales to customers of the deregulated market.
2.1.3. Revenue

The revenue was 20,299 million Euros in 2015, in comparison with 21,512 million Euros obtained in financial year 2014. From this amount, 19,281 million Euros correspond to the turnover (–5.8%) and 1,018 million Euros to other operating revenues (–2.0%).

Sales to deregulated market customers

The number of ENDESA customers in the deregulated market was 5,082,457 at the end of financial year 2015 with an increase of 11.9% with respect to the number of existing customers at 31 December 2014: 4,212,300 (+11.6%) in the Spanish mainland market, 692,689 (+14.0%) in the Non-Mainland Territories market (TNP) and 117,468 (+11.3%) in deregulated markets outside of Spain.

ENDESA’s sales to all these customers have come to a total of 77,965 GWh in financial year 2015, with an increase of 0.8% compared to 2014. The sales in the Spanish deregulated market were 8,425 million Euros, higher by 260 million Euros than that of 2014 (+3.2%), due to the increase of the average sale price and customer number.

In turn, the revenue due to sales to European deregulated market customers outside of Spain was 987 million Euros, 61 million Euros higher than that of financial year 2014 (+6.6%).

Sales at regulated price

During financial year 2015, ENDESA has sold 14,934 GWh, through its Reference Reseller, to customers that the regulated price has been applied to, 9.8% less than during 2014.

These sales have meant a revenue of 2,885 million Euros in 2015, 5.3% less than that of 2014 since the drop in physical sales due to the reduction in the number of regulated price customers (–9.5%) and the increase in energy cost has not been compensated by the increase in average sales price.

Compensations of Non-Mainland Territories (TNP)

In 2015, compensations for generation overruns of the generation of the Non-Mainland Territories (TNP) have amounted to 1,044 million Euros, with a decrease of 710 million Euros (–40.5%) compared to 2014, having been estimated according to the Spanish Royal Decree regulating electricity production activity and the dispatch procedure and in the Electricity Systems of the Non-Mainland Territories (TNP) published on 1 August 2015.

Sales

<table>
<thead>
<tr>
<th>Sales</th>
<th>Millions of Euros</th>
<th>2015</th>
<th>2014</th>
<th>Diff.</th>
<th>% var.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity sales</td>
<td>14,168</td>
<td>14,841</td>
<td>(673)</td>
<td>(4.5)</td>
<td></td>
</tr>
<tr>
<td>Deregulated market sales</td>
<td>8,425</td>
<td>8,165</td>
<td>260</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>Sale to Deregulated Market Customers outside of Spain</td>
<td>987</td>
<td>926</td>
<td>61</td>
<td>6.6</td>
<td></td>
</tr>
<tr>
<td>Regulated Market Sales</td>
<td>2,885</td>
<td>3,045</td>
<td>(160)</td>
<td>(5.3)</td>
<td></td>
</tr>
<tr>
<td>Wholesale market sales</td>
<td>815</td>
<td>939</td>
<td>(124)</td>
<td>(13.2)</td>
<td></td>
</tr>
<tr>
<td>Compensations of Non-Mainland Territories (TNP)</td>
<td>1,044</td>
<td>1,764</td>
<td>(710)</td>
<td>(40.5)</td>
<td></td>
</tr>
<tr>
<td>Other Electricity sales</td>
<td>12</td>
<td>12</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Gas sales</td>
<td>2,378</td>
<td>2,862</td>
<td>(484)</td>
<td>(16.9)</td>
<td></td>
</tr>
<tr>
<td>Regulated Revenue from Electricity Distribution</td>
<td>2,048</td>
<td>2,038</td>
<td>10</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Other Sales and Service Provision</td>
<td>687</td>
<td>732</td>
<td>(45)</td>
<td>(6.1)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>19,281</td>
<td>20,473</td>
<td>(1,192)</td>
<td>(5.8)</td>
<td></td>
</tr>
</tbody>
</table>
Electricity distribution

ENDESA distributed 114,190 GWh in the Spanish market during financial year 2015, 2.9% more than in 2014.

The regulated revenue of the distribution activity during financial year 2015 amounted to 2,048 million Euros, 10 million Euros (+0.5%) higher than that recorded in 2014.

Gas sales

ENDESA has sold 71,587 GWh to customers in the natural gas market in financial year 2015, a decrease of 3.7% with respect to financial year 2014.

In economic terms, the gas sales revenue was 2,378 million Euros, 484 million less (–16.9%) than that of 2014 due to the decrease in physical sales and the average sales price.

Other operating revenues

The other operating revenues have amounted to 1,018 million Euros with a decrease of 21 million Euros with respect to the amount recorded in 2014 (–2.0%). This item includes the positive impact for an amount of 184 million Euros generated by the forward sale of 25 million tons of European Union Allowances and the decrease of 258 million Euros (–37.7%) in the revenue due to valuation and settlement of energy material derivatives.

Operating costs

For more information, see pages 404 to 406 of the Legal Report.

2.1.4. Operating costs

The 2015 operating costs amounted to 18,803 million Euros, with a decrease of 6.7% with respect to the previous financial year.

Procurement and services

The 2015 procurement and services costs have amounted to 14,818 million Euros, with a decrease of 7.2% with respect to the previous financial year. The evolution of these costs has been as follows:

> The 2015 energy purchases have dropped by 331 million Euros (–6.5%) to 4,795 million Euros, since the impact of the increase in average purchase price of electricity acquired in the market (51.7 Euro/MWh, +23.1%) has been compensated by the decrease in gas volume acquired for its sale to the end customer

> Fuel consumption was 2,123 million Euros in 2015, with a decrease of 14.6% (363 million Euros) as the increase in thermal production of the financial year was compensated by reduction in the average fuel acquisition price.
The energy transmission costs have fallen 2.3% due to less energy marketed.

The item Other Procurement Variables and Services amounts to 2,119 million Euros, 325 million Euros less than 2014. This variation mainly includes the decrease of 341 million Euros (–43.4%) in the costs for energy material derivatives, partially compensated by a decrease of 258 million Euros (–37.7%) in revenue for this same item which are recorded in the heading Other Operating revenues, and the increase of 32 million Euros in carbon dioxide emission costs (CO2) due to greater thermal production.

Staff costs
and other operating costs
(fixed costs)

The fixed costs amounted to 2,544 million Euros in financial year 2015, with a reduction of 17 million Euros (–0.7%) compared to 2014.

The Staff costs in 2015 were 1,332 million Euros, with an increase of 87 million Euros (7.0%) compared to 2014. The Staff costs, both in 2015 and in 2014, have been affected by the variations in provisions and employment restructuring in both years, among which we can highlight the endowment of the provisions due to contract suspensions (380 million Euros in 2015 and 349 million Euros in 2014), the endowment of provisions to deal with compensations and occupational risks (net endowment of 42 million Euros in 2015 and net reversion of 25 million Euros for this item in 2014), and the largest costs recorded in 2015 due to update of the provisions for collective dismissal procedures and contract suspensions (27 million Euros). If we isolate these effects, the Staff costs would be reduced by 38 million Euros (–3.9%) mainly due to a 4.8% reduction in the average workforce.

As regards the Other Fixed Operating Costs, they were 1,212 million Euros, a decrease of 104 million Euros (–7.9%) mainly due to the fall in repair and conservation costs (78 million Euros, equivalent to –17.8%), within the framework of the plans aimed at improving operating efficiency and cost reduction measures implemented.

Amortisations and impairment losses

The amortisations and impairment losses amounted to 1,441 million Euros in financial year 2015, with a decrease of 177 million Euros (–10.9%) compared to 2014. This variation includes the effect of reduced amortisations due to the extension of the useful life of the nuclear power stations and the combined cycle plants since 1 October 2014, which has meant lower amortisations of 129 million Euros during 2015. In 2015, this heading also includes the endowment of provisions due to the impairment of tangible assets for an amount of 53 million Euros, of which 31 million Euros correspond to abandoning the project to expand the Moralets Hydroelectric Power plant and non-recoverable costs of the Girabolhos Hydroelectric Power plant project (Portugal), 8 million Euros to non-mainland generation assets which it is considered shall not be available in the System, and 7 million Euros correspond to feasibility studies of various electricity power plants which shall not be executed.

2.1.5. Net financial result

The net financial result of financial year 2015 was negative for an amount of 186 million Euros, which represents an increase of 20 million Euros (+12.0%) compared to the same period of the previous financial year. The net financial expenses amounted to 174 million Euros, i.e. 4 million Euros higher than that of the same period of the previous financial year, whilst the net exchange differences have been negative for an amount of 12 million Euros compared with 4 million Euros, positives, at the end of 2014.

The evolution of long-term interest rates, both in 2015 and 2014, has meant an update in the provisions to deal with the obligations arising from the collective dismissal procedures in force and contract suspension provisions. Without considering the indicated impacts, the net financial expenses would have increased by 25 million euros (+12.8%) due to the increase in net financial debt due to the releverage performed by ENDESA in the fourth quarter of 2014 by pay-
ment of an extraordinary dividend to its shareholders for an amount of 6,353 million Euros. For more information, see pages 406 to 410 of the Legal Report.

2.1.6. Financial situation

During 2015, the evolution of the interest rates of sovereign debt in Europe has been conditioned by the actions of the European Central Bank (ECB), which has made it possible to maintain minimum rates in Spanish public debt, stabilising in the year at levels below 2%.

On 31 December 2015, the conciliation of ENDESA’s gross and net financial debt is as follows:

<table>
<thead>
<tr>
<th>Millions of Euros</th>
<th>31 Dec 2015</th>
<th>31 Dec 2014</th>
<th>Diff.</th>
<th>% var.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current financial debt</td>
<td>4,680</td>
<td>6,083</td>
<td>(1,403)</td>
<td>(23.1)</td>
</tr>
<tr>
<td>Current financial debt</td>
<td>—</td>
<td>1</td>
<td>(1)</td>
<td>(100.0)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>4,680</strong></td>
<td><strong>6,084</strong></td>
<td><strong>(1,404)</strong></td>
<td><strong>(23.1)</strong></td>
</tr>
<tr>
<td>Cash and other Cash equivalents</td>
<td>(346)</td>
<td>(648)</td>
<td>302</td>
<td>(46.6)</td>
</tr>
<tr>
<td>Financial Derivatives recorded in Financial Assets</td>
<td>(11)</td>
<td>(16)</td>
<td>5</td>
<td>(31.3)</td>
</tr>
<tr>
<td><strong>Net Financial Debt</strong></td>
<td><strong>4,323</strong></td>
<td><strong>5,420</strong></td>
<td><strong>(1,097)</strong></td>
<td><strong>(20.2)</strong></td>
</tr>
</tbody>
</table>

On 31 December 2015, the gross financial debt at fixed rate was 76%, whilst the remaining 24% was variable rate. On that date, 100% of the gross financial debt was denominated in Euros.
3. Stock market performance and investor relations

3.1. ENDESA in the stock market

2015 was a complicated year for global variable income, since it is characterised by volatility, uncertainty and political instability. However, it should be highlighted that the year showed two clearly differentiated periods, since it started strongly encouraged by the financial injection made by the first debt purchase program of the European Central Bank, the rises accumulated by the indices in the first half, especially at the end of the first quarter, were moderated and even extinguished as the year reached its end.

One of the main reasons that explained this erratic behaviour, from April, is the continuous deterioration suffered by the price of crude oil, which ended the year around 37 dollars per barrel of Brent, its lowest value since 2004. Other also important factors were geopolitical tensions, the weakness of the raw materials markets faced with the doubts about the growth of the emerging countries, in particular the deceleration of China, the delicate situation of the Greek economy, and uncertainty about the actions of the two large central banks. In December, the European Central Bank (ECB) raised the rate that the banks must pay to leave their money in the ECB in order to contribute to the credit granting rate and extended the debt purchase program until March 2017. Additionally, the US Federal Reserve also approved the first interest rate rise since 2006 in December. The increase in 25 basis points of the price of money brought 7 years of zero interest rates to an end.

Despite these tensions, most stock markets closed the year up, although with considerable contrasts. Among the European markets we can highlight the Italian with a rise of 12.66%, followed by the German and the French with rises of 9.56% and 8.53%, respectively, favoured by depreciation of the Euro compared with the dollar, which helped the exportation companies. The Eurostoxx 50 Pan-European index also ended with gains of 4.5%, unlike the UK stock exchange (−4.93%) and the Spanish stock exchange (Ibex-35: −7.15%) which closed with losses. For the main Spanish indicator, 2015 was the first year since 2011 and the first negative one after two consecutive financial years of gains.

Of the remaining non-European markets, the US technological index Nasdaq stood out, with a rise of 8.43% and the Japanese Nikkei, with an advance of 9.07%, whilst the S&P 500 (−0.73%) and the industrial index Dow Jones (−2.23%) closed the year practically on a level despite the fact that both indicators reached all-time highs in the first half of the financial year.

The worse relative behaviour of the Spanish stock market was also justified by the aforementioned factors, due to the political uncertainty generated after the Catalan elections of 27 September and the fragmented result of the general elections of 20 December. Likewise, the stock market was affected by the high exposure of the main companies of the Ibex-35 to Latin America, in particular Brazil, where the Bovespa index closed with a fall of 13.31% because of the doubts about the country’s economic growth, in particular since the S&P rating agency placed its sovereign debt in high-yield debt.

For its part, the Peruvian IGBVL index lost 33.42% and the COLCAP was 23.74%. The best behaviour in the region was recorded by the IPSA index (Chile), with a fall of only 4.43%, the IPC (Mexico), with a slight fall of 0.38%, and the MERVAL (Argentina), which rose 36%.

The political tensions were also evident in the evolution of the Spanish risk premium. Despite the fact that in March it achieved its all-time low of 88 basis points, the differential with the German debt ended the year around 114 basis points, although far from the maximum reached in July in the midst of the Greek crisis, the time when it reached 164 basis points. At the end of 2015, the interest demanded of the Spanish 10-year bond at year-end was 1.78%.
The general evolution of the European electricity industry, summarised in the “Dow Jones Eurostoxx Utilities” sector index, was negative, since the indicator closed the year with a decrease of 5.08%, especially affecting the poor behaviour of the German and French companies, which reacted with strong losses faced with adverse regulatory changes for the conventional electricity business in its respective countries and the crash in raw materials prices, which dragged down the electricity prices.

In contrast, the Spanish electricity companies stood out in general for their positive behaviour, whilst the sector is starting to see the fruit of the energy reform undertaken by the Spanish government in the last two years and which has its main indicator in the generation of a surplus in the 2014 electricity tariff for the first time in the last 10 years. Additionally, the investors committed to the electricity companies as refuge securities since the defensive businesses and their recurrent income allowed them to ride out the uncertainty.

In this context, ENDESA was one of the best values in the sector, favoured by its high regulated component and by the sale of assets in Latin America at 2014-year end allowed it to avoid the turbulence generated this year in the region, but at the same time, due to its greater exposure to the Iberian market, the political instability in Spain at the end of the year conditioned the share behaviour.

All in all, ENDESA’s shares closed the year with a revaluation of 11.93%. To this positive stock market profitability, it is necessary to a dividend profitability of 4.59% provided by 0.76 Euros per share collected as ordinary dividend charged to the 2014 results in two equal payments in January and July, so that the total profitability for the shareholder rose 16.53% in 2015.

ENDESA’s price listing achieved the maximum year high on 17 November closing at 20.59 Euros per share, 24.4% higher than the start of the year. The closure low, 15.57 Euros per share, was recorded on 5 January, so that the security was listed at all times above 13.5 Euros per share that the shares of the company’s initial public offering carried out in November 2014. ENDESA’s shares ended the year at 18.525 Euros per share.

At the end of the year ENDESA’s stock market capitalisation was 19,613 million Euros placing it as 6th security with greatest capitalisation of the Ibex-35.

### 3.2. Dividend

ENDESA, S.A’s board of directors, in its session held on 7 October 2014, agreed to the distribution of an extraordinary interim dividend of the 2014 result of 6 Euros gross per share, which meant a total amount of 6,353 million Euros paid on 29 October 2014.

### Main statistical information of ENDESA’s share in 2015

<table>
<thead>
<tr>
<th>Continuous market</th>
<th>Maximum</th>
<th>Minimum</th>
<th>Mean</th>
<th>Closure</th>
<th>% Annual revaluation</th>
<th>% Total yield</th>
<th>Volume of shares negotiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENDESA (euro/share)</td>
<td>20.59</td>
<td>15.57</td>
<td>18.23</td>
<td>18.525</td>
<td>11.93</td>
<td>16.53</td>
<td>919,800,874</td>
</tr>
</tbody>
</table>

Source: BME
In addition to this extraordinary dividend, and in line with the dividend policy approved by the ENDESA board of directors on 8 October 2014 for the 2014-2016 period, the ENDESA General Shareholders’ Meeting held on 27 April agreed that the total ordinary dividend charged the closed results of 2014 were equal to 0.76 Euros per share, which represented an additional amount of approximately 805 million Euros which was paid to the shareholders in two equal cash payments in January and July 2015.

Considering all items, charged to the 2014 results, ENDESA paid its shareholders a total dividend of 6.76 Euros per share, quantity equivalent to 7,157 million Euros.

Additional to this cash dividend, it should be mentioned that the shareholders of the Minority Tranche that attended the Initial Public Offering of part of ENDESA’s shares carried out in November 2014, which fulfilled the conditions established by the Information Leaflet registered in the National Stock Exchange Commission, received on 10 December 2015 an additional free share for every 40 shares acquired in the offer. With this operation, Enel Iberoamérica, main ENDESA shareholder, submitted a total of 452,368 shares, reducing its investment in the Company from 70.144% to 70.101%.

With a view to the coming years, the Company Board of Directors, in its session held on 20 November 2015, approved the following Dividend policy:

- **Financial years 2015 and 2016:** the ordinary dividend per share agreed to be distributed charged to these financial years shall be equal to 100% of the ordinary net profit attributed to the Parent company in the consolidated annual accounts of the group headed by them.

It is the Board of Director’s intention that the payment of the ordinary dividend is made exclusively in cash by its crediting in two payments (January and July) on the specific date determined in each given case and which shall be subject to appropriate notification.

As regards ordinary dividends charged to the financial-year results 2015, the ENDESA, S.A. board of directors, in its meeting held on 21 December 2015, agreed to distribute and interim dividend to its shareholders for a gross amount of 0.40 Euros per share.

The payment of this dividend, which has meant an approximate disbursement of 424 million Euros was paid on 4 January 2016.

Likewise, the proposed distribution of the 2015 result, which will be presented by the ENDESA Board of Directors to the General Shareholders’ Meeting, shall be the distribution to its shareholders of a total dividend for the gross amount of 1.026 Euros per share. Taking into consideration the interim dividend mentioned in the previous paragraph, the complementary dividend charged to the 2015 result shall be equal to 0.626 Euros gross per share.

### 3.3. ENDESA in the main reference indices

#### 3.3.1. Total profitability for the shareholders

As indicated above, the total profitability for the ENDESA shareholder in financial year 2015 was 16.53%, 11.93% coming from the stock market profitability achieved by the share...
and the remaining 4.59% from the profitability provided by the dividends paid in the financial year.

In the last 5 years, the average total profitability for ENDESA shareholders has been 17.8% per annum.

3.3.2. ENDESA in the IBEX 35

After the Initial Public Offering of part of ENDESA shares ending 26 November 2014, ENDESA was again part of the IBEX 35 index one year after its exclusion.

It returned to the index on 22 December 2014 and since that date, ENDESA is weighted with a coefficient of 40% of the capital, since its freefloat is 29.9%, in the tranche between 20% and 30%.

With this weighting, ENDESA’s shares ended 2015 at number 25 of the Ibex 35 by capitalisation level adjusted by freefloat.

3.3.3. Liquidity

The mean daily share figure of ENDESA shares traded in 2015, considering trading in the Continuous Market and including the blocks and special operations, amounted to 3,592,972 actions, almost 50% greater than 2014, which was 2,418,968 shares.

The total volume traded in 2015 was a rotation 0.87 times the Company capital. However, this rotation was 2.9 times considering not only the number of real shares in circulation at year-end, 30% of the capital after the initial public offering carried out in November 2014.

3.3.4. ENDESA’s rating

There were three great milestones in the fixed income market in 2015. On the one hand, in the month of January the ECB announced the asset purchase program that had the twofold aim of avoiding deflation and reactivating the economic activity increasing liquidity. The program, which was approved in the monetary policy meeting of the ECB on 22 January with effects from the month of March, included the purchase of public and private assets for an amount of 60,000 million Euros monthly which will remain in force until the end of September 2016.

The acquisition of bonds was limited to the secondary market and instruments with maturities between 2 and 30 years with profitability less than that offered by the institution’s deposit facility, then set at –0.20%.

Another of the year’s milestones was the December meeting of the ECB. In it, the deposit facility was lowered to –0.3% with the aim of stimulating the credit business and reviving inflation, in addition to announcing the asset purchase program until the end of March 2017 or beyond if necessary.

The last of the year’s references in the fixed income market was the increase in US interest rates, an economy in clear expansive cycle. On 17 December, the Federal Reserve announced the increase in interest rates by a quarter of one point to 0.5% thus ending an extended period of monetary stimulus.

All of the above helps to understand the behaviour of the fixed income markets in Europe in 2015, a year characterised by great volatility.

Although the yields of the 10-year bonds of the main European countries ended 2015 at levels close to those recorded at the start of the year, volatility was present in the sovereign bond market. In that regard, the 10-year profitability lows were reached in March 2015, which in the case of the Spanish sovereign bond achieved 1.05% whilst the German bond touched 0.06%. Only three months later, the profitabilities reached the year ceiling, with a 10-year Spanish bond at 2.5% and its German equivalent achieved 1.1% profitability. Additional to the above, and based on the ECB asset purchase program, many tranches of the sovereign bond curve offered negative yields during a large part of the year.

Now in the strictly domestic ambit, the Spanish bond saw its credit rating improved by Standard & Poor’s to BBB+ with Stable outlook (from BBB, Stable outlook). Among other reasons, the US agency justified the improvement in the positive effects of the labour reform and access to financing in favourable conditions.
As for the Spanish electricity industry in 2015, this was characterised by the improvement of its fundamental aspects, with an electricity demand that grew for the first time in the last 4 years. The gross electricity demand increased 1.8% whilst that adjusted for industrial activity and temperature rose 1.6%.

In addition to the increase in demand, the Spanish electricity industry consolidated the tariff sufficiency resulting from the regulatory reforms undertaken in previous financial years.

As regards ENDESA, both Standard & Poor's and Moody's improved its credit rating outlook. In particular, Standard & Poor's placed its outlook as Positive (from Stable) keeping its long-term rating BBB unchanged whilst Moody's raised its outlook to Stable (from Negative) for the same long-term rating Baa2.

Standard & Poor's bases the Outlook improvement on normalisation of the regulatory context in Spain and the improvement of the financial ratios of the ENDESA parent company (Enel). For its part, Moody's sees reasons to improve its Outlook in the improvement of the macro and regulatory changes in Spain.

With these changes, ENDESA's long-term rating at the end of 2015 was «BBB/Positive Outlook» according to S&P, «Baa2/Stable Outlook» according to Moody's and «BBB+/Stable Outlook» according to the Fitch Ratings.

It should be highlighted that ENDESA held at 2015 year-end a credit rating positioned within the “investment grade” category according to all credit agencies. It should also be considered that ENDESA's rating is always limited to those of its parent company, Enel, in accordance with the methodologies used by the rating agencies.

ENDESA is interested in keeping a credit rating at “investment grade” levels in order to efficiently access the financial markets and the banking market products, in addition to obtaining preferential conditions from its main suppliers. In any case, the rating granted by the credit rating agencies would allow, if necessary, ENDESA to access the financial markets in stable conditions.

### 3.5. Relations with investors and activities of the Shareholders’ Office

ENDESA maintains a constant relationship with its shareholders, both with private and institutional investors, and with the main stock market analysts, to whom it provides constant, detailed information through the Investor Relations Office and the Shareholders’ Office located in Madrid.

On 11 November 2015, the ENDESA Board of Directors, in accordance with the Code of Good Governance of Listed Companies, approved the “Policy of communication and contact with shareholders, institutional investors and vote advisors.” The main objective of this Policy is that the Company maintains transparent, complete and truthful information, providing permanent attention to relations with its shareholders and institutional investors.

The general principles that govern this policy are transparency, immediacy, continuous information, equal treatment, affinity with social interest and regulatory compliance.

#### 3.5.1. Relations with investors

Among the activities performed by the Investor Relations Office in 2015, we can highlight making public presentations to analysts and investors on the Company’s quarterly results and its industrial plan.

In this respect, on 19 March 2015, ENDESA notified through a Relevant Event to the CNMV (Spanish Stock Exchange) the main lines of its strategic plan for the 2015-2019 period, which was then developed during an Investor Day held on 10 June in the Madrid head office. Finally, on 23 November of this same year, ENDESA presented an update of this plan for the 2016-2019 period to the market.

After these two events, ENDESA performed two Non Deal Roadshows for Europe and the USA, where it presented...
the plan in depth in one-on-one meetings to the Company’s main investors. In these two Roadshows, ENDESA visited a total of 20 cities, in which it met with 164 investors.

Likewise, ENDESA’s Investor Relations Office took part in a total of 5 international conferences in the sector, where it had the opportunity to meet with 68 investors.

Within its daily activity, it should also be highlighted that the Investor Relations Office attended through the telephone, email or in personal meetings a total of 792 consultations with analysts, investors and rating agencies.

On 27 April 2015, ENDESA held, in its Madrid head office, its Ordinary General Meetings, where all points of the Agenda were met, reaching an attendance quorum of 84.79% of the capital.

### 3.5.2. Shareholders’ Office

In 2015, it dealt with 3,003 telephone calls and received 96 visits, in addition to making 1,347 shipments of documentation.

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

![Type of information requested from the ENDESA Shareholder Information office in 2015](image_url)

Vilanova Building, Barcelona
On 10 June 2015, ENDESA presented the main guidelines of its Industrial Plan, which later had to be updated on 23 November, mainly due to the changes in scenario occurring as a result of price reductions in raw materials. The lines of actions of this Industrial Plan are detailed below, prepared considering the trends of the industry and market ENDESA operates in.

1. Main lines of action of ENDESA’s industrial plan

ENDESA’s vision on the main trends observed in the industry and market in which it operates is focussed on the following aspects:

- Positioning of the industry towards a CO₂-emissions free economy in the long-term, supported by the agreements reached at a European Union level, with binding targets for 2030.

- Progressive deterioration of the raw materials markets, mainly in the oil, gas and coal markets.

- Regulatory stability, having reached tariff balance and sufficiency from 2014, which guarantees the financial stability of the industry.

- Growing interest in the revolution towards electrification of energy demand, as sole channel for reaching the demanding 2030 targets due to their efficiency and capacity for integrating renewable energy in the energy system. This transformation can only occur if economically feasible, so that the more immediate need is elimination from the electricity tariff of all costs not associated with electricity.

- Increase in consumer demand for added value products and services related to energy, with the aim of meeting their energy needs more efficiently and sustainably.

Bearing these trends in mind, ENDESA’s industrial plan is based on three key priorities, which are articulated through different actions.

Use of the whole potential of the new regulation

In the Distribution business, with the new regulatory framework and after the definitive Ministerial Order has been approved with the unitary remuneration values, ENDESA will be focussed on beating the standards, based on the synergy program created within Enel Group, and the implementation of measures to use the incentives related to service quality, fraud prevention and loss reduction.

As regards the mainland generation business, it shall be necessary to establish long-term signals that allow the feasibility of conventional and/or pumped thermal power plants, technologies necessary to develop renewable energies, providing supply security, at least until other supporting technologies are developed reliably and competitively. Furthermore, ENDESA shall promote the extension of the useful life of the nuclear power stations older than fifty years old, based on current technical studies, providing the consumer and electricity system, in addition to supply guarantee, with greater competitiveness. In Non-Mainland systems, ENDESA shall seek the efficiencies necessary to make the business profitable in the current regulatory framework, also requesting the raising of the restrictions imposed on new investments.
In the Supply business, ENDESA is promoting a redefinition and reduction of final tariff that the consumers pay, the adaptation of the Subsidised Rate to more social criteria and the revision of the supply regulation to make it less interventionist and more customer-oriented.

**Growth in regulated and deregulated businesses**

ENDESA’s growth strategy in the regulated and deregulated businesses is focussed on keeping the leadership position in each one of the businesses.

In the regulated business, the main initiatives are as follows:

> Acceleration of the digital meter installation program, which will serve as a basis for the future development of a digital grid.

> As regards the Quality Plan, increasing the grid automation level, increasing the number of remotely controlled units with the communication grid update.

> Starting, from 2017, with the integration of five control centres, a project which will report benefits in terms of costs and increased efficiency, thus improving the safety and quality of service.

In the deregulated business, the main lines of actuation are as follows:

> Continue with the integrated management of deregulated business, which was proven as a strategy which gave very positive and stable results, irrespective of the market conditions, thanks to the highly qualified team which manages the fuel and electricity purchase, together with a competitive generation portfolio and a leading supply business in the sector.

> Planned restructuring of the gas contract portfolio, so that it provides supply stability in the 2016-2019 period and allows keeping good balance between supply sources and the use of gas, as well as use the opportunity of growing in the retail market. All of this is possible thanks to ENDESA’s solid position in the gas market and its capacity to create added value by the integrated management of the procurement contract portfolio and supply to our customers, both of the retail market and generation and wholesale.

> Adapt the product sale strategy, with the aim of maximising the value provided to our customers, by the offer of an increasing portfolio of added value services, launching innovative products with a wide range of commercial offers, thanks to the gradual deregulation of energy markets, the greater degree of competition and new customer requirements.

> In Portugal grow in electricity and gas, despite competitive pressure, duplicating our presence in electricity in 2019 (from 4% to 9%) and achieving a significant share in the gas market in 2019 (6%). Likewise, growth in gas sales in France, with the aim of duplicating them at the end of the period (2019).

**Improvement of operating efficiency**

ENDESA maintains a constant focus towards costs efficiency in all its activities, extending and improving the management measures currently being developed, with the aim of reducing the Opex by 400 million Euros during the 2015-2019 period in comparison with the costs recorded at 2014-year end:

> In Distribution, cost reduction will come from a more simplified organisation, based on more simple processes and divisions, of the complete roll-out of smart meter and investments in efficiency-oriented innovative technologies.

> In Generation, the unit production costs shall be reduced thanks to (I) the use of best practices in each one of the technologies, (II) the continuous improvement program in hydroelectric plants, the renegotiation of operation and maintenance contracts and fuel optimisation in the
coal plants, (III) the virtual end of combined cycle power plants and (IV) the long-term operation plans of nuclear power stations.

In Supply, efficiency measures are planned to reduce service provision costs, based on specific review of the main processes, focusing on their digitisation and on products, and on call centre, customer service and back office processes optimisation.

2. Key economic-financial aspects

The economic-financial aspects associated to implementation of ENDESA’s industrial plan are indicated below.

2.1. Investment plan

The development of the ENDESA’s industrial plan is an investment plan aimed at profitable investments in line with market context. In the 2015-2019 period, it consists of net investments amounting to 4,400 million Euros:

- The Distribution business will be allocated 46% of the resources distributed in various projects, among which we can highlight grid improvement investments, the remote meter installation plan, with 600 million Euros, and the quality plans together with control centre integration, with 200 million Euros.

- The mainland Generation business will have 32% of the investments, allocating 400 million Euros to environmental investment projects in imported coal power plants. It will not consider investments for domestic coal power plants, given the current market conditions, although this is kept as a future option.

- In the non-mainland Generation business, approximately 500 million Euros will be allocated, mainly to environ-
mental investments, as well as maintenance and capacity replacement maintenance, to a lesser extent.

> In Supply, the investments shall amount to 400 million Euros, largely for added value services, which will contribute to achieving the future financial objectives.

### 2.2. Economic results

ENDESA’s board of directors, in its 10 November 2015 meeting, approved its new business plan, which will contain the profit forecast detailed below for financial years 2016 and 2017:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>3.2</td>
<td>3.1</td>
</tr>
<tr>
<td>Financial year result attributed to Parent Company</td>
<td>1.3</td>
<td>1.2</td>
</tr>
</tbody>
</table>

In compliance with these targets, the dividend policy is based approved by ENDESA’s Board of Directors which was made public on 23 November 2015.
Business
1. Business in Spain and Portugal

1.1. Business in Spain

1.1.1. Electricity generation

The total installed power of ENDESA in Spain at the end of 2015 amounted to 21,309 MW in ordinary regime. From this amount, 16,226 MW were found in the mainland electricity system and 5,083 MW in the island and non-mainland systems, i.e. Balearic Islands, Canary Islands, Ceuta and Melilla.

During 2015, the growth in electricity demand 1.8% (+1.6% corrected for the industrial activity and temperature effect) stood out in the Iberian Peninsula. Likewise, in generation there is a notable decrease in renewable energies and low hydroelectric production, which is compensated with coal production and cycle.

In this environment, ENDESA’s generation grid in Spain achieved a total production of 72,465 GWh in the year between the ordinary regime of the mainland and non-mainland, with a 4.0% increase compared to 2014.

ENDESA’s mainland production was 4.5% greater than that of the previous year.

There is principally considerable greater operation of the combined cycle plants (+61.8%) and imported coal (+18.4%), due to greater thermal gap compared with 2015. In contrast, lower hydroelectric production was recorded than the previous year (18.3%).

The non-mainland electricity system production amounted to 12,375 GWh, 1.6% higher than 2014.

1.1.2. New facilities and operating improvements

The main electrical infrastructures commenced, developed or completed during 2015 in Spain were the following:

Mainland system

> Start and development of the assembly work for the installation of NOx and SO2 emissions reduction systems in the two units of the Litoral Thermal power plant (Almeria).

Structure of the installed power capacity in ENDESA in ordinary regime in Spain on 31-12-2015

ENDESA’s electricity production in power plant busbars (GWh)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>% var</th>
<th>% s/total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydroelectric</td>
<td>7176</td>
<td>8,778</td>
<td>-18.3</td>
<td>9.9</td>
</tr>
<tr>
<td>Nuclear</td>
<td>25,756</td>
<td>24,762</td>
<td>-4.0</td>
<td>35.5</td>
</tr>
<tr>
<td>Domestic coal</td>
<td>8,984</td>
<td>9,257</td>
<td>-2.9</td>
<td>12.4</td>
</tr>
<tr>
<td>Imported coal</td>
<td>15,293</td>
<td>12,919</td>
<td>18.4</td>
<td>21.1</td>
</tr>
<tr>
<td>Combined cycle plants</td>
<td>2,881</td>
<td>1,781</td>
<td>61.8</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Total mainland</strong></td>
<td><strong>60,090</strong></td>
<td><strong>57,497</strong></td>
<td><strong>4.51</strong></td>
<td><strong>82.9</strong></td>
</tr>
<tr>
<td>Non-mainland</td>
<td>12,375</td>
<td>12,179</td>
<td>1.61</td>
<td>17.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>72,465</strong></td>
<td><strong>69,676</strong></td>
<td><strong>4.00</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
Finalisation of the construction for the vessel coal-loading project from the Ribera 2 Quay in the Litoral Thermal power plant (Almería).

Operation of the burner cooling system in all units of the Puentes Thermal power plant (La Coruña).

Finalisation of the construction and commissioning of the infrastructures to adapt the Saa coal facilities of Puentes Thermal power plant (La Coruña).

Finalisation of the project and commissioning of a coal sludge treatment and recovery plant in Puentes Thermal power plant (La Coruña).

Finalisation of the project and commissioning of a coal sludge treatment and recovery plant in Puentes Thermal power plant (La Coruña).

Adjustment of primary measures in Puentes Thermal power plant (La Coruña), balancing main combustion parameters and performing NOx remediation tests, with non-catalytic systems, verifying compliance with emissions limits with values below IED.

Sequential implementation of modifications of coal mills in the Andorra Thermal power plant (Teruel) which allow the use of new coals.

Installation of new foot valves in the Eume Hydroelectric power plant (La Coruña).

Modernisation and environmental improvement of unit 4 of Flix Hydroelectric power plant (Lerida), including installation of turbine roller with oil-free lubrication.

Finalisation of the integrated consolidation and improvement works of the Santa Marina channel (León).

Installation of a remote trigger system in the Besòs Combined Cycle Power Plant (Barcelona) which allows simultaneous operation of the Besòs 3 and Besòs 5 combined cycle power plants.

Continuation of the decommissioning work of the Sant Adrià de Besòs and Badalona thermal power plants. Start of soil treatment and decontamination activities.

Implementation of Phase 1 of the project to improve non-mainland generation, developing and executing 250 actions in mechanical and electrical equipment, lines and protections, control systems, maintenance and training plans in isolated grids and with generation solely dependent on the power plant.

Definition and start of the control room unification project of the Son Reus and Ca’s Tresorer combined cycle power plants, with 2016 end-date.

Pilot implementation of a zero-output simulator in the Guinchos power plant (La Palma) and development plan for the set of isolated grid power plants (2016-2018), with periodical training procedures of the operation and maintenance staff to come out of zero electricity quickly and reliably.

Launch of remaining life analysis process and repair of the rotor of a GE Frame 6B gas turbine remove from service due to cracked rotor and consumed life as per the manufacturer’s standards.

ENDESA’s coal mining activity in Spain takes place in four mining centres: As Pontes (La Coruña) and Andorra (Teruel) belonging to ENDESA Generación and Puertollano (Ciudad Real) and Peñarroya (Cordoba) via the company ENCASUR. During 2014, coal mining activities were only carried out in the Puertollano Mining Centre (Emma mine) as the others are not operational given that they are now in their restoration phase or close to definitive administrative closure.

Coal production was 184.5 thousand tons in 2015, equivalent to 698 million therms of lower calorific value (LCV), a reduction in comparison with 2014 production of 69% in tons and 71% in therms.

During 2015, coinciding with the finalisation in 2014 of the validity period of Spanish Royal Decree 134/2010 on restric-
tions to guarantee supply where the quantities of coal to purchase were fixed by decision of the Secretary of State for Energy, no sale of coal to our customers occurred, Elcogas (GICC Puertollano) and Viesgo (Puente Nuevo Thermal Power Plant), due to its lack of demand, which contrasts with 393 thousand tons of coal, equivalent to 1,597 million therms of LHV which were sold in 2014.

With this situation, Encasur made a considerable effort to maintain the activity of the Mining Centre throughout the year, combining the extraction of remnant coal from operation with the restoration works. The production achieved throughout the year went on the form part of the existing stock in our Puertollano facilities.

At year-end, the existing stock totalled 737 thousand tons. Conversations were started with our customers with a view to reaching an agreement for sale of this coal.

Current regulatory uncertainty, both in the mining industry and in the electricity industry means that there are no short and medium-term expectations for Encasur for the sale of coal to its customers; for this reason, it officially notified the competent body of the end of the Emma mine (Puertollano production unit) on 31 December 2015.

This closure is set out in the “Closure Plan for the Kingdom of Spain for non-competitive coal mining”, pending approval by the European Commission, that the Puertollano Production Unit forms part of. In any case, the end of activity must be undertaken before 31 December 2018.

After 1 January 2016, the Puertollano Mining Centre will perform work to restore and execute the activity closure plan, as with the other ENDESA mines, until reaching “stoppage of work.” In 2015, the restoration work undertaken, in parallel with coal production, affected a total surface area of 98.5 hectares, mainly in areas of slopes.

Furthermore, maintenance work continued in 2015 of the restoration and environmental surveillance in the Andorra mining centre obtaining stoppage of work (administrative closure) of the “Corta Barrabasa” mine, with the Mining Centre only having a single mine in restoration maintenance phase, “Corta Gargallo Oeste”. Also, in Peñarroya Mining Centre, maintenance and environmental surveillance work continued in “Corta Ballesta Este” and decommissioning work and sale of facilities and materials to third parties were performed.

Continuing with the processing of the administrative closure of the As Pontes mine, a series of works belonging to said effects was performed and it continued, as in 2014, with the revitalising of the mining equipment and remaining materials from the mining facilities by its sale to third parties.

1.1.4. Regulated market

ENDESA distributes electricity in 27 Spanish provinces in ten autonomous communities –Catalonia, Andalusia, Balearic Islands, Canary Islands, Aragon, Extremadura, Castile and Leon, Navarre, the Valencian Community and Galicia– covering a total area of 184,904 km² and a population somewhat larger than 22 million inhabitants.

The number of customers with access contracts to the Company’s distribution grids decreased by 0.05% in 2015 to 12,300,086 customers.

ENDESA supplied 101,320 GWh in 2015 to customers of its distribution grids, 1.9% more than in 2014.

The total energy distributed by the ENDESA grids was 114,190 GWh in 2015, measured in power plant busbars, representing 43.5% of total demand in Spain.

1.1.4.1. Development of distribution infrastructures

The length of the lines of ENDESA’s distribution grid in Spain was 317,675 kilometres, of which 39.5% were underground lines. At year-end, there were 1,237 substations.

Together with development of these infrastructures, numerous actions were performed aimed at improving supply quality, such as maintenance work, the upgrading of facilities or an increase in the degree of automation of the HV and MV grids. Regarding automation, in 2014, the Company’s Medium Voltage Automation Plan has continued to be implemented, with a total of 31,317 remotely-controlled elements.
Other actions focussed on reducing the environmental impact of the grids and developing different specific plans agreed with the Administrations.

Throughout 2015, ENDESA Distribución increased the remote management meter installation rate with a total of 1.8 million replacements in the year, reaching 6.8 million remote control meters installed. This is 59% of ENDESA’s meter stock with contract demand up to 15 kW.

The installation of concentrators also increased, with an activity of more than 31,000 facilities in the year, until reaching 77,000, a total of 56% of the concentrators installed in the Transformation Centres-Transformers. This allows immediacy in integrating equipment in the remote management system with their consequent remote operation.

ENDESA is complying with the legal obligations arising from the Decision of the Secretary of State for Energy of 2 June 2015 (PVPC), relating to customers with contract demand up to 15 kW which have a smart meter effectively integrated in the remote management system. The most relevant aspects are as follows:

> Since 1 July 2015, ENDESA is making the load curves of these customers available to the resellers. In December 2015, the load curve was published for practically 6 million supplies.

> In June, an internet portal was enabled where customers can graphically view the consumptions of their supply during a given period, measured on hourly basis, with the possibility of downloading the information in a file.

Supply continuity in Spain is measured by two main indicators: the System Average Interruption Duration Index (SAIDI) and the Number of Equivalent Interruptions of the Power Supply (NIEPI). The calculation procedure is regulated by Royal Decree 1955/2000. The SAIDI and NIEPI levels are audited annually by an independent external company.

During 2015, the own SAIDI in the markets supplied by ENDESA in Spain was 49 minutes. Service reliability has been 99.99% of hours throughout the year. The own NIEPI in 2015 was 1.1, one tenth better than the figure from the previous year.

The following table shows the supply continuity indicators of the main autonomous communities supplied by ENDESA. Aragon and the Balearic Islands increased their SAIDI being 61 and 36 minutes, respectively. The Canary Islands and Catalonia obtained excellent annual interruption indices with 30 and 44 minutes. Finally, Aragon, Andalusia and Extremadura increased their SAIDI with respect to the previous year, with values of 61, 55 and 53 minutes, respectively.

### Electricity distribution facilities in Spain and Portugal

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>% variation 2015-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-voltage overhead lines (km)</td>
<td>18,815</td>
<td>18,821</td>
<td>18,849</td>
<td>18,728</td>
<td>-0.6</td>
</tr>
<tr>
<td>High-voltage underground lines (km)</td>
<td>726</td>
<td>745</td>
<td>748</td>
<td>751</td>
<td>0.4</td>
</tr>
<tr>
<td>Medium-voltage overhead lines (km)</td>
<td>77,414</td>
<td>77,597</td>
<td>77,554</td>
<td>77,567</td>
<td>0.0</td>
</tr>
<tr>
<td>Medium-voltage underground lines (km)</td>
<td>39,434</td>
<td>39,946</td>
<td>40,324</td>
<td>40,869</td>
<td>1.4</td>
</tr>
<tr>
<td>Low-voltage overhead lines (km)</td>
<td>96,291</td>
<td>97,026</td>
<td>94,909</td>
<td>95,763</td>
<td>0.9</td>
</tr>
<tr>
<td>Low-voltage underground lines (km)</td>
<td>89,830</td>
<td>89,498</td>
<td>82,145</td>
<td>83,997</td>
<td>2.3</td>
</tr>
<tr>
<td>Substations (number)</td>
<td>1,255</td>
<td>1,244</td>
<td>1,240</td>
<td>1,237</td>
<td>-0.2</td>
</tr>
<tr>
<td>Substations (MVA)</td>
<td>83,569</td>
<td>84,890</td>
<td>86,783</td>
<td>85,854</td>
<td>0.1</td>
</tr>
<tr>
<td>Transformer centres (number)</td>
<td>131,166</td>
<td>131,491</td>
<td>131,636</td>
<td>132,307</td>
<td>0.5</td>
</tr>
</tbody>
</table>
1.1.5. Deregulated market

In 2015, ENDESA supplied deregulated electricity market customers with 83.1 TWh, to over 10.9 million supply points, reaching a 35.7% share in terms of energy and staying as absolute leader of the sector. The average sale share of the Company in the areas not covered by its distribution grid was higher than 24%.

1.1.5.1. Operative excellence and customer service excellence

In 2015, the ENDESA Customer Service Excellence Plan focussed its activities on the improvement of customer service (telephone and online), the management of open-market sales complaints, the flexibilisation of services billing and the behaviour analysis of the different customer types.

Among the most significant results of the plan in 2015 we can highlight: The improvement of over 3% in the percentage of mass market procedures resolved in the first customer call; 27% increase in the number of contracts registered in the e-invoice service; 9% increase in mass market customer satisfaction with complaint resolution; 43% reduction in the re-invoicing performed in the mass market.

1.1.6. ENDESA’s customer ombudsman

ENDESA’s Customer Ombudsman, the only one in the Spanish electricity market, works independently from the Company’s management teams and was appointed to provide customers with an additional means of dialogue in connection with the services provided in the market, listening to in-house and external liaisons and proposing recommendations to the Company for ascertaining customers’ needs and expectations and methods to improve service quality.

The Customer Ombudsman is an independent office and is the only one in the sector

José Luis Oller Ariño has been ENDESA’s Customer Ombudsman since 2005.

Complaints handled

ENDESA’s Customer Ombudsman received 1,363 complaints within the scope of his activity in 2015, 40% more than the same period of the previous year.

By type, most complaints concerned the commercial cycle of contracting, billing and collection (58% of the total). Of these, those related to sales and contracting have undergone greatest growth in 2015 and come to 25% of all cases.

Complaints concerning metering equipment and meter reading also considerably increased, representing 28% of the complaints received.

<table>
<thead>
<tr>
<th>Own SAIDI</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Variation % 2015-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andalusia</td>
<td>53</td>
<td>51</td>
<td>55</td>
<td>8</td>
</tr>
<tr>
<td>Aragon</td>
<td>54</td>
<td>57</td>
<td>61</td>
<td>7</td>
</tr>
<tr>
<td>Balearic Islands</td>
<td>31</td>
<td>32</td>
<td>36</td>
<td>13</td>
</tr>
<tr>
<td>Canary Islands</td>
<td>31</td>
<td>32</td>
<td>30</td>
<td>-6</td>
</tr>
<tr>
<td>Catalonia</td>
<td>43</td>
<td>50</td>
<td>44</td>
<td>-12</td>
</tr>
<tr>
<td>Extremadura</td>
<td>56</td>
<td>48</td>
<td>53</td>
<td>10</td>
</tr>
<tr>
<td>ENDESA</td>
<td>46</td>
<td>49</td>
<td>49</td>
<td>-1</td>
</tr>
</tbody>
</table>
Complaint type

Customer complaints resolved

Complaints concerning gas contracts and services remained steady, amounting to 20% of the total.

76% of the complaints were satisfactorily resolved

76% of the complaints dealt with were resolved with an outcome totally or partially in favour of the customer.

Likewise, the average time for complaint resolution remained stable at 56 days.

Perceived quality

Overall customer satisfaction with ENDESA’s Ombudsman remained stable at 7.3. The large majority of customers stated that they were satisfied or very satisfied with the service.

The treatment and the information received from the Ombudsman were the most highly-valued aspects. Customers also appreciated the assurance transmitted by the Ombudsman and most stated that they would recommend the service to other customers.

Other activities

In 2015, the Customer Ombudsman has implemented a new complaint handling procedure, Personalised Management. This is solely applied to “simple” cases, i.e. complaints which have been initially answered generically by the company without giving a response to the customer’s request.

The Personalised Management procedure is an online management process where contact with customers is performed by e-mail and where, after the preliminary analysis of the complaints, a solution to the complaint received is proposed right from the start, which allows customers to receive a much faster response.

It is a faster process, administrative tasks are eliminated, management is simplified as is the closure process by sending a personalised e-mail. From the customer standpoint, guarantees offered by the Ombudsman are upheld, since the customer is informed that in the event of disagreement with the Ombudsman, his complaint can again be reviewed.

In 2015, this new procedure has been used to resolve 388 cases (29% of the total). The handling time has been reduced to 40 days (compared to an average of 56). Only 3% of customers have requested a review of the response received.

In 2015, the Ombudsman issued 16 notifications of dysfunction with specific cases wherein the analysis of the Ombudsman Office has detected an error or dysfunction which it seeks to correct in relation to the Company’s different procedures or actions. The notifications issued have been particularly related to the collection processes, management of abnormal procedures and fraud and billing incidents.

During this year, ENDESA’s ombudsman has taken part in different seminars and symposiums related to the transposition of the European Directive on Alternative Dispute Resolution for Consumer Disputes, in order that persons such as ENDESA’s Customer Ombudsman may be considered to be an ADR in the current legislative bill.
1.1.7. ENDESA in the wholesale markets

1.1.7.1. The Spanish wholesale electricity market

The energy allocated in Spain, in 2015, for sales to electricity market end customers through distributors and resellers, to exports and coverage of the own consumptions of the system (losses in the network, auxiliary consumption of the plants and pumped consumptions) amounted to 248 TWh in the mainland. Pumped consumptions, export balance and Mainland-Balearic Islands link amounted to 6 TWh in the year when combined.

28.1% of the total energy was negotiated in the Day-ahead Market of the Electricity Market Operator (OMEL), 26.6% corresponds to bilateral contracts, 5.7% was negotiated in the Spanish Electricity Grid and the rest, 39.6%, to special regime.

During 2015, it is estimated that a volume of 169 TWh was traded in the electricity forward markets, 52% less than in 2014. Of the total volume negotiated, 16 TWh correspond to operations in the Organised Market (Continuous Trading of OMIP and EEX). Of the remaining 153 TWh (volume traded in OTC), 73 TWh were recorded in compensation chamber (28 TWh in OMIPclear, 23 TWh in MEFFPower and 22 TWh in EEX). The upward trading trend recorded in the compensation chamber is therefore confirmed: in all of 2015 53% was traded vs. 34% of the previous year.

Of the 169 TWh of 2015, ENDESA traded a total of 34 TWh.
## 1.1.7.2. Evolution of prices in the wholesale market

In 2015, the arithmetic mean of the day-ahead market was 50.32 Euros/MWh, compared with 42.13 Euros/MWh of the previous year (+19%). The average weighted prices were 51.75 Euros/MWh in 2015 and 41.99 Euros/MWh in 2014.

Since in 2015 revenue of the generators for downstream markets added 5.2 Euros/MWh to the day-ahead market price and capacity payments by 1.3 Euros/MWh, the price at year-end was 58.3 Euros/MWh.

The thermal gap in the MIBEL as a whole (Spain and Portugal) of 2015 was in the order of 95 TWh, higher than that of 2014 (80.3 TWh). The main causes of the significant difference were: in first place a hydroelectric production level much less than 2014 (32 TWh in 2015 compared with 47 TWh in 2014), followed by a greater demand of 6.3 TWh in MIBEL (+6.2 in Spain, +0.1 in Portugal) and of lower production with renewables (3.3 TWh less in 2015 compared to 2014). The increased thermal gap which has been partly compensated by the exchange balance with France and Morocco, since the MIBEL as a whole was more energy importer in 2015 (+4.6 TWh) than in 2014.

## 1.1.7.3. Average daily price

The day-ahead market price in Spain in 2015 was 50.32 Euros/MWh (arithmetic mean). This average price in 2015 was, despite the drop in variable production costs, slightly higher than in 2014 (42.13 Euros/MWh), mainly due to the increase in thermal gap of the MIBEL which has taken place, especially in the first months of the year. The thermal gap is the energy which must be supplied by conventional thermal power plants.
The year’s highest prices were in the summer months (July and August) especially due to an increased demand due to the high temperatures.

1.1.7.4. Purchases and sales in the wholesale market

In 2015, ENDESA sold 60,793 GWh in the wholesale market, 37% of the total offer of the Ordinary regime and importations.

Close to 60% of the total Company sales were made by bilateral contracts and the remaining 40% were sold in the OMEL and REE organised markets.

As regards energy purchases, ENDESA acquired 98,808 GWh in the wholesale market, of which 89% were allocated to sales and the rest to pumped consumptions and exports.

Sales and purchases of ENDESA (GWh)

1.1.7.5. CO₂ market: Compliance with ETS commitments

In 2015, CO₂ prices in the spot market ranged from 6.26 Euros/t to 8.66 Euros/t, ending the year at 8.22 Euros/t. Two fundamental events caused the rise in the CO₂ market, especially in the last months of the year: MSR (market stability reserve) implementation and the COP 21 held in Paris.

On 18 September, the EU Environment ministers adopted the Market Stability Reserve (MSR). The MSR consists of the dynamic adjustment of the total rights offer in the market depending on its demand through a rights reserve.

The main points of the mechanism are as follows:

> The MSR will come into operation in 2018, in 2017 previously performing the calculations corresponding to the emission surplus or deficit (EUA).

> In the case of surplus, the EUAs shall be introduced in the reserve from 1 January 2019 in accordance with the established limits and standards. The same will occur when the system detects emission rights deficit, which shall be withdrawn from the market following the same agreed proportionality standards.

> The volume from backloading (900 Mt) shall also be deposited in the reserve in the same period in which they were reintroduced in the market (2019-2020).

Furthermore, the 21st Conference of the Parties (COP) was held in Paris on 30 November to 11 December 2015. During it, the representatives from 195 countries agreed to a post-2020 global agreement. After 14 days of negotiations, the final text was agreed outside of the established period and some of its main points are as follows:

> 2°C reduction in global temperature, and reaching neutral emissions balance during the second half of the century.

> Greater cooperation through market approaches.

> Provide a mechanism for sustainable development available for all those that want to use it.

> Review of NDC (Nationally Determined Contributions) every 5 years.

> New voluntary market mechanism from 2020 called ITMO (Internationally Transferred Mitigation Outcomes) open to the public and private sector.

ENDESA maintained during 2015 its environmental policy within the framework of the EU emissions trading scheme—ETS—to meet the Kyoto Protocol targets.

The emissions resulting from ENDESA Group activity in Spain, reached the figure of 24.7 million tons in the Mainland and 9.2 million tons in the islands, covering almost the total amount with EUAs (European Union Allowances).
To deal with the annual compliance requirements, the Company has a CO₂ portfolio made up of rights acquired in the markets.

1.1.8. Fuel procurement

2015 was characterised by greater use of the thermal power plants than in 2014 mainly due to lower hydroelectric production, followed by a greater demand that breaks the downward trend of the last 4 years and less production with renewable sources.

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

ENDESA contracted 14.7 million tons of coal in the financial year, with a 2% increase compared to 2014. In liquid fuels, it managed 2.1 million tons with a 7% difference compared with 2014 also due to increase in the electricity demand of non-mainland systems.

The gas volume managed for own consumption was 1 bcm and that managed for supply was 6.2 bcm.

The volume of coal contracted for supply to third parties amounted to 3 million tons, 30% higher than the previous year.

1.1.9. Risk management in the electricity business

The results of ENDESA’s deregulated business are subjected to various risk factors: movements of commodities price (electricity, gas, coal, CO₂ emission rights) and Euro/dollar exchange rate (market risk), due to potential breaches of the counterparts (credit risk) or due to regulation and others associated with business operation (operating risk).

Fuel supplies to ENDESA, including own production

<table>
<thead>
<tr>
<th></th>
<th>Total 2015</th>
<th>Total 2014</th>
<th>Diff %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic coal (kt)</td>
<td>2,459</td>
<td>3,657</td>
<td>−32.8</td>
</tr>
<tr>
<td>Imported coal (kt)</td>
<td>12,254</td>
<td>10,765</td>
<td>13.8</td>
</tr>
<tr>
<td>Petroleum coke (kt)</td>
<td>777</td>
<td>214</td>
<td>263.0</td>
</tr>
<tr>
<td>Liquid fuel (kt)</td>
<td>2,070</td>
<td>1,942</td>
<td>6.6</td>
</tr>
<tr>
<td>Natural gas cycles (bcm)</td>
<td>1.0</td>
<td>0.7</td>
<td>49.1</td>
</tr>
<tr>
<td>Natural gas marketing (bcm)</td>
<td>6.2</td>
<td>6.4</td>
<td>−4.0</td>
</tr>
</tbody>
</table>

Note: including non-mainland.

The market coverage strategy applied in 2015, as in previous years considered the commercial sales activity, in which ENDESA sold electricity volumes higher than its own production. This strategy combined dynamic coverages for the thermal generation assets which minimised the risk and captured the optional value thereof, together with the energy purchase programs in the wholesale markets to cover the positions resulting from electricity sale. These strategies manage risk by actions in the forward markets of the different commodities.
As for electricity, the gas portfolio risk is managed through a coverage mechanism specific to this business.

As regards the CO₂ emission rights markets, the finalisation of the PNA in 2012 and the reduction of the MDL projects value entails management of ENDESA's exposure of these rights to a management similar to other commodities.

The application of the set of coverage and commercial strategies described allows maintaining an adequate risk coverage within the limits established for the markets.

### 1.2. Activities in the Portuguese electricity industry

The presence of ENDESA in the Portuguese electricity system is mainly concentrated on generation and supply of electricity in the deregulated market.

#### 1.2.1. Generation

The assets controlled by ENDESA in 2015 had an installed power capacity in ordinary regime of 1,483 MW distributed through its holdings in Tejo Energía (628 MW) and Elecgas (855 MW).

On 31 December 2015, ENDESA holds 38.9% in Tejo Energía, a company owning the coal thermal power plant, and 50% of Elecgas, a company owning the gas thermal power plant, both established in Pego. In turn, ENDESA owns 100% of the energy produced by Elecgas via the Tolling contract in force between both parties.

Pego’s coal and gas power plants generated 4,021 GWh and 596 GWh respectively (1,862 GWh corresponding to ENDESA’s stake), which meant a share of 9.4% of Portugal’s total electricity consumption.

Pego’s coal and combined cycle power plant is maintained by Pegop, a company controlled 50% by ENDESA. It is holds 50% control of Carbopego, a company which purchases coal for the power plant.

Furthermore, ENDESA received 8.7 million Euros as dividend, of all the controlled companies, during 2015.

#### 1.2.2. Deregulated market sale

The deregulation process continued advancing in Portugal in 2015 in the Large Customers (Medium Voltage) and Companies (Special Low Voltage) segments. The energy supplied in the deregulated market achieved 86% of the total consumption of the neighbouring country.

ENDESA remains second operator in the Portuguese deregulated electricity market, with a share of more than 18%. At year-end, ENDESA supplied 7.2 TWh, with an increase of 5.1% compared to 2014, to almost 177,000 supply points.

Aside from this important position in electricity resale, in the Portuguese gas market, ENDESA supplied the end customer with 2.7 TWh, 208% more than in 2014. Additionally, ENDESA continued committing to the sale of Value added products and services.

### 1.3. Natural gas business in Spain

#### 1.3.1. The Spanish natural gas market

Natural gas consumption in Spain amounted to 315.8 TWh, with a 4.4% increase compared to 2014. Excluding the consumption of the electricity generation power plants (19.4% of the total), the conventional demand of end customers increased 1.6% in comparison with 2014.
1.3.2. ENDESA in the Spanish natural gas market

1.3.2.1. Resale of gas

The total volume of gas sold in 2015 by ENDESA in Spain amounted to 60 TWh, 9.5% more than in 2014. Without including the consumption of the electricity generation power plants, the gas sold increased 3.2% compared to the previous financial year.

1.3.2.2. Conventional market

ENDESA's customer portfolio in the conventional natural gas market on 31 December 2015, excluding sales for electricity generation, was integrated by more than 1.4 million supply points, with consumption greater than 48 TWh/year.

ENDESA is the second gas retailer in Spain with an overall share of more than 16% in the conventional market.

1.3.2.3. Electricity generation market

The sales of natural gas to electricity generation power plants amounted to 11.9 TWh in 2015, an increase of 45.4% compared to 2014.

1.3.2.4. International market

The sale of natural gas in France, Portugal, Netherlands and Germany achieved a volume of 14.9 TWh, 57.2% more than in 2014.

1.3.3. ENDESA in the regulated gas market

1.3.3.1. Reception, storage and regassing

On 3 February 2015, ENDESA, through Unelco, S.A.U. (subsidiary of ENDESA Generación) formalised with Enagás Transporte, S.A.U. the sale of all shares of Compañía Transportista de Gas Canarias, S.A. (Gascan), a stake of 47.18% of the company. The total amount of the transaction, comprising the share price and those of the participative loan, included accrued interests amounting to 7 million Euros, having obtained a gross capital gains for an amount of 3 million Euros.

This complies with the provisions of article 6 of Act 17/2013, of 29 October, for guarantee and supply and increase in the power of island and non-mainland electricity systems (Official State Gazette (BOE) no. 260, of 30 October 2013), as the ownership of the natural gas regassing facilities in the Canary Islands passes to the business group of which the Technical System Manager forms part, which Enagás Transporte, S.A.U, belongs to.
2. Business in other countries

ENDESA is present in Morocco through a 32% stake in Energie Electrique de Tahaddart, a company that owns a 384 MW combined cycle plant located in to the north of Villa de Asilah, close to the Tahaddart river. In 2015, the plant produced 2,491 GWh (797 GWh corresponding to ENDESA’s 32% stake).

Energie Electrique de Tahaddart distributed in 2015 the dividend corresponding to the 2014 results, of which 5.1 million Euros corresponded to ENDESA.
2.2. Energy management and participation in European wholesale markets

ENDESA acts in different European electricity wholesale markets to optimise its positions outside of the Iberian market. Among other objectives this action makes it possible to have the necessary energy to supply to its European customers and optimise management of the generation portfolio through the France-Spain interconnection. Likewise, export is maintained of green certificates and other renewable energy products to different European countries, optimising management of renewable assets.

On 8 October 2015, the expansion of the Spain-France electricity interconnection capacity came into force. At year-end, the commercial capacity between both companies had doubled, going from 1,400 MW to 2,800 MW.

ENDESA continues participating in negotiation of the Spain-Portugal interconnection and takes positions in the forward market with delivery in Portugal through the auctions organised in the OMIP platform.

In 2015, the European electricity spot prices continue at low levels. Germany registered an average price of 31.62 Euros/MWh (32.76 in 2014), and France of 38.47 Euros/MWh (34.62 in 2014).
Other activities
In 2015, the ENDESA Purchases Department managed the contracting of materials, equipment, works and services for an amount of 1.443 million Euros. The savings achieved in procurement management was in the order of 13%.

### Contracting volume

<table>
<thead>
<tr>
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<th>MM EUR</th>
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<tr>
<td>Iberia</td>
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<tr>
<td>Global ICT</td>
<td>100</td>
</tr>
<tr>
<td>Global Inf &amp; Networks</td>
<td>50</td>
</tr>
<tr>
<td>Global Generation</td>
<td>200</td>
</tr>
</tbody>
</table>

### Saving

<table>
<thead>
<tr>
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<th>%</th>
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<tbody>
<tr>
<td>Iberia</td>
<td>15</td>
</tr>
<tr>
<td>Global ICT</td>
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<tr>
<td>Global Inf &amp; Networks</td>
<td>30</td>
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<tr>
<td>Global Generation</td>
<td>25</td>
</tr>
</tbody>
</table>

ENDESA contracted materials, equipment, works and services for the amount of 1,443 million Euros, with a saving in procurement management in the order of 13%.

### 1.1. Corporate actions

Corporate actions are transversal actions, between the businesses seeking use of economies of scale and process optimisation. In 2015, work was performed in the following spheres:

- Adaptation and improvement of the planning process in accordance with the organisational changes in the business, making it possible to advance the purchases plan and, thus, improve its results.

- Identification of synergies in the purchases area which allow achieving efficiencies per volume in the purchases made on a local level.

- As purchase performance monitoring measure, it carried out the Ex-post control to check the situation of the key points about Global Procurement (GP) activities. It analysed the information of all GP units on various critical points (correct assignment of purchase family classification “GM code,” linking the contract with the planning process, direct purchase, distribution of the regional-global purchase, delegated purchase, contract extensions, consulting services, participation of qualified providers), not showing significant problems.

- Global coordination of supply chain sustainability, making it possible to always adapt the best practices in all group companies.

- Approval and dissemination of the 3rd edition of the General Terms and Conditions of Contract of Enel Group, in force since 1st March 2014, adapting to different legislative changes and whose main novelty is
incorporation of an annex that sets down the special characteristics of Romania.

> Approval and dissemination of the 4th edition of the General Terms and Conditions of Contract of Enel Group, in force since 1 October 2014, adapting to different legislative changes and whose main novelty is incorporation of an annex that sets down the special characteristics of Slovakia.

> Implementation of the policies affecting Global Procurement. Among others, it has defined the Global Sourcing procedures (optimising and standardising, on a global level, all activity related to vendor selection) and “Design to Cost”. It also implemented the operating instruction no. 12, complementing “Policy 74 Tender”.

> Management, maintenance and update of the collaborative space of the Policies and Procedures unit, a space which provides the buyer with information that facilitates access, understanding and compliance with internal legislation.

> Training seminars with all purchase agents and certain business units in Spain, Italy, Eastern European countries and Latin America, informing of different aspects relating to internal legislation of Global Procurement, as well as application of the New General Terms and Conditions of Contract of Enel Group.

> Implementation of phase III of single vendor portal. As a follow-on to the commissioning of the single global portal for the registration and qualification of vendors, constituting their only access path to any of the Enel Group companies, in this third phase it moves towards simplification and standardisation of the registration process. The elimination of intermediate steps in this process allows applying a flexible, fast and more efficient management, facilitating activation of the vendor in our systems as well as the start of the business relationship with them.

> In relation to the global purchase planning system and giving service, above all, to the new global areas of Enel Group, new functionalities were developed that facilitate the preparation and management of purchase requirements. Likewise, the information base has been improved with respect to purchase planning, facilitating its monitoring and the distributed access to information.

> An important effort has been made in design and preparation of a single Global Procurement portal, which will be available for Iberia and Latin America throughout 2016, and the availability of which is in line with the implementation of the new Global Procurement Purchase system, whose definition and start took place in 2014. The new Global Procurement portal is multi-language and structured by purchase processes.

> Definition of the pilot Business Intelligence project with a view to integrating it with the Global Purchase Reporting system. Also making it possible to analyse the information at a high level, and specify the local situation.

> In occupational health and safety, execution of onsite audits of the occupational health and safety system to all felling and pruning services of high and medium voltage lines, performing a total of 38 audits.

> As regards the vendor rating system:

a. Implementation was continued with a 10% increase in the number of families in the rating system.

b. In December 2015, development commenced of new vendor rating models for sustainability, environment and OHS, which are expected to be implemented in the first half of 2016.

> The implementation continued of the vendor rating system, with 26% more assessments performed, passing the figure of 1,500 assessments performed during the year.
1.2. Actions in Spain and Portugal

The total contracting volume of ENDESA in Spain amounted to 1,174 million Euros in 2015. The main contracting includes:

The total contracting volume managed in Spain amounted to 1,174 million Euros in 2015.

- Framework agreement to the vendor Sociedad Estatal Correos y Telégrafos, S.A., for 86.6 million Euros. This service includes the correspondence distribution of the billing, collection and contracting centre and General Services of the companies of ENDESA Group.

- Framework agreement to the vendor CLECE S.A. for an amount of 39.4 million Euros for the Integrated Management of Cleaning, Maintenance and Space Management Services.

- Transformation of Portuguese commercial operations for an amount of 19.6 million Euros with the vendor CGITI Portugal, S.A.

- Active billing cycle tender “Composition + Printing + Document distribution” to the vendor Servinform, S.A. for an amount of 16 million.

- Contract corresponding to the ANAV training services during the 2016-2018 period for an amount of 15 million Euros to the vendor Tecnatom, S.A.

- Tender for the relationship model for Task Force and Telesale Services GP Portugal, PDS Grid and Alico of 1 April 2015, 31 March 2016 for an amount of 15 million Euros.

1.3. Systems and communications purchases

The contracting volume for systems and telecommunications purchase amounted to 140 million Euros in 2015. Among them, the following can be highlighted:

The contracting volume for systems and telecommunications purchase amounted to 140 million Euros.


- Framework contract to the vendor Vodafone Spain, S.A. for the Access Grid and National Backbone 2 Spain for an amount of 12 million Euros.

1.4. Global Generation in Spain

The annual contracting volumes for Global Generation purchases in ENDESA amounted to 17 million Euros in 2015. These include:

The annual contracting volumes for Global Generation purchases in ENDESA amounted to 17 million Euros in 2015.
The contracting volume for Global Generation purchases in Spain amounted to 17 million Euros.

> Framework agreement for the Supply of conveyer belts for solid movement systems (Coal and Desulfurising facilities) of ENDESA and Enel’s thermal power plants for an amount of 2 million Euros to the vendor Rema Tip Top Ibérica, S.A.

> Contract to the vendor General Electric International, Inc., Spain branch, for an amount of 2 million Euros for the change of wind turbine blades.

1.5. Global Distribution in Spain

The annual contracting volumes for Global Distribution purchases in ENDESA amounted to 112 million Euros in 2015. These include:

The contracting volume for Global Distribution purchases in Spain amounted to 112 million Euros.

> Framework contract to the vendor Grupo General Cable Sistemas, S.A. for an amount of 16.8 million for medium and low voltage line cable supply.

> Framework agreement to the vendor Cabelte Incasa Industria Navarre de Cables S.A.U. for an amount of 16 million for medium and low voltage cable supply.
2. Risk management


This policy seeks to guide and direct the set of strategic, organisational and operational actions that allow the Board of Directors to accurately delimit the acceptable risk level, with the aim that the managers of the different business lines can maximise profitability for the company, preserve or increase its equity and own funds and the certainty in its achievement above certain levels, avoiding that uncertain and future events may negatively influence achievement of profitability targets set by the company.

The Risk Management and Control Process obeys a model based, on the one hand, on the permanent study of the risk profile, applying the best current practices in the energy or reference sector in risk management, on homogeneity criteria of measurements in the separation between managers and risk controllers and, on the other hand, on guaranteeing the connection between the risk assumed and the necessary resources to operate the businesses always respecting appropriate balance between risk assumed and the targets set by the Board of Directors.

The Risk Management and Control Policy defines ENDESA’s Risk Control System as an interlinked system of standards, processes, controls and information systems, where the global risk is defined as the risk resulting from consolidation of all risks it is exposed to, considering the mitigation effects between their different exposures and categories, allows the consolidation of exposure to risk of the Company business units and areas and their assessment, as well as preparation of the relevant management information for decision making in terms of risk and suitable use of capital. The process is based on the following actions:

- **Identification.** The objective of risk identification is to maintain a prioritised and updated repository of all risks assumed by the corporation through the coordinated and efficient participation of all Company levels.

- **Measurement.** The objective of the measurement of parameters that allows an aggregation and comparison of risks is to obtain a global quantification of exposure to assumed risk, including all ENDESA positions.

- **Control.** The objective of risk control is to guarantee adaptation of the risks assumed by ENDESA to certain objectives, in last instance, by ENDESA’s Board of Directors.

- **Management.** The objective of risk management is execution of the actions aimed at adapting the levels of assumed risk at each level of the Company, to the predisposition and tolerance to fixed risk. The general guidelines of the Risk Management and Control Policy are performed and completed with other corporate risk policies specific to each business line, also with the limits established for optimum risk management.

ENDESA’s Board of Directors is responsible for determining the Risk Management and Control Policy, including fiscal, of supervision of internal information and control systems and fixing the acceptable risk level of the company at each given time.

The businesses, corporate areas, business lines and companies establish the necessary risk management controls to guarantee that the market transactions are performed in accordance with ENDESA’s policy, standards and procedures.

ENDESA’s regulatory system the internal controls, together with the supervision performed by Internal Audit, guarantee the controls to minimise the operational risk that may generate an economic, social, environmental and reputational
impact, as well as legal and fraud risk. In this regard, the Internal Audit function has the mission of:

> Systematically and independently assessing the efficacy and suitability of the company’s internal control system.

> Support the different company areas in risk supervision and identification of actions that mitigate it.

The party responsible for Internal Audit function periodically informs the Senior Management and Audit and Compliance Committee of the result of its work, gives support to this as regards internal control and ensure suitable supervision of the company compliance programs.

The body responsible for execution of the Risk Management and Control Policy is the ENDESA Risks Committee, which is based on the internal procedures of the different business and corporate areas and is supervised by the Audit and Compliance Committee of ENDESA’s Board of Directors. It is formed by the responsible parties of each of the Company’s business lines and corporate areas. It has the following functions:

> Periodically provide the Board of Directors with an overview of the exposure to current and foreseeable risk.

> Guarantee Senior Management participation in the strategic risk management and control decisions.

> Guarantee coordination between the risk management units and units responsible for its control and compliance with the risk management and control policy and its associated internal procedures.

> Ensure the good operation of the risk management and control systems and, in particular, that all important risks regarding its management are identified, managed and suitably quantified.

> Actively participate in the risk strategy preparation and in the important decisions regarding its management.

> Supervise that the risk management and control systems mitigate the risks suitably within the framework of the Risk Management and Control Policy.

Likewise, the quality and reliability of the financial information that the listed companies disseminate to the market is a vital element for company credibility, which significantly affects the value given to it by the market. Therefore, the dissemination of incorrect or low-quality information could cause a significant decrease in company value, with the consequent negative effect for its shareholders.

With the aim of mitigating this risk, ENDESA has implemented an Internal Control System of Financial Information (SCIIF), which has the purpose of establishing the procedures and controls deemed necessary to guarantee the quality of financial information published by ENDESA.

The information regarding ENDESA’s Internal Control System of Financial Information (SCIIF), summarising ENDESA’s internal control procedures in relation to the annual financial information, is included in detailed form every year in the Annual Corporate Governance Report and is reviewed by the Company’s accounts auditor.

Faced with the increase in interest for risk management and control that the company is exposed to and given the complexity its identification is taking on from an integral perspective, the participation of employees at all levels in this process is important. Hence, a risk mailbox has been created where employees can contribute to identifying market risks and propose mitigation measures, this complementing the top-down systems of management and control of existing risks and the mailboxes and specific procedure for sending communications related to ethical breaches, criminal risks and occupational health and safety.
The activities performed by ICT-Systems and Telecommunications throughout 2015 were aimed at contributing to achieving the strategic principles defined at the start of 2015.

In order to align the ICT actions to these priorities, the 2015 Strategic ICT Plan was defined around basic pillars, which were redefined due to the new valid organisational structure. The most relevant points of the 2015 strategic plan are stated below.

### 3.1. Strategy, Transformation and Service Model Design

The following actions are notable in the ICT area:

- **Remodelling of IBM Outsourcing Services to adapt them to the new ICT strategy**: revision of the IBM processes and procedures to orientate them towards the new ICT organisation and introduce Cloud Computing services.

- **Novation of Accenture-Ayesa Joint Venture contact for ENDESA’s commercial systems**: with the aim that the new contracts better respond to the evolution of information technologies in recent years.

- **Execution of the Digital Plan for ICT Iberia**: to define flexible integration architectures and a modular and adaptable systems map.

### 3.2. Internal ICT Initiatives

- **Innovation for competitive advantage - Innovation Laboratory**: definition of roles and methodologies that allow ICT to give support to Businesses with innovative solutions.

- **Digital & Personal Productivity Services**: approximation through various means to the better use of flexible, next-generation technology tools and services, such as Lync, Outlook, FileBox, myEcloud or SharePoint sites, with the aim of improving working efficiency.

- **Software Asset Management (SAM)**: encourage the use of standard software and reinforce the assignment of licences available to reduce the cost of software licences.

### 3.3. Infrastructure and Technological Services

Additional to participation in the main business projects developed by ICT, by the Infrastructures and Operations area throughout 2015 continuity was given to the projects started in previous years aimed at homogenisation of the Global Services provision for all Enel Group companies. The following can be highlighted:

#### Distributed Operations

- **Integration of Distributed Services**: convergence and integration of all the basic services provided by Distribut-
ed Operations globally. It includes: Global Management of mobile devices; Skype for Business; Migration to the eGlobal7 platform and domain@enel migration.

> **Global Enel tender for EndUser support**: the approach is to attend to all micro computing needs of the employees in a single contract throughout Enel Group. Among others, it includes, Service Desk, infrastructure support and base platform, Centralised and Onsite, VIP, multi-device, first-level applications, first level telephony for mobiles and storage. Tender awarded to ATOS.

### Telecommunications

> **Abraham I**: global award to implement a homogeneous fixed and mobile telephone services model in all geographies of Enel Group. Project completed.

> **Abraham II**: global award to implement a homogeneous fixed data services model in all geographies of Enel Group. Tender awarded for all lots. Migration plan started. This plan involves operator change.

> **Global Area Network**: construction of a Unified Packet Network connecting all countries where Enel is present.

> **Unified communications**: integration of the structures dedicated to the Communication and Collaboration services. It must allow access from mobile devices. Equipment installed by Italtel, prepared LAN infrastructure and configurations and commissioning in progress.

### Data Centre Operations

> **Data Centre Rationalisation**: Definition and roll-out of a single management model of the Enel Group Data Centre. Incorporation of new integrated-system type infrastructures which allow implementation of new Big Data or Business Intelligence systems.

> **Migration and evolution of the systems availability and output monitoring platforms** to give them greater proactive and reactive analysis capacity with respect to the business functionalities supported.

> **Operations transformation**: gradual applications migration from the current infrastructure to the cloud (simple applications) and own DPC in Milan (complex applications).

### 3.4. ICT Iberia

#### 3.4.1. Commercial systems

Projects related to the digitisation strategy were implemented in 2015 for Commercial Systems.

The most relevant projects in this period were:

> **ENDESA Customers Project**: development and implementation of a new ENDESA General Public online channel.

> **Ítaca project**: Iberia region multiservice platform for the supply of information, management and control of energy.

> **Zero paper**: aims to eliminate paper from the commercial processes performed in the offices and service points.

> **Electric Vehicle Developments-Balearic Islands Project**: preparation of a pilot in the Balearic Islands which serves as a base on e-mobility and interoperability between all possible agents in Spain.

> **Iberia Business Intelligence Area**: constitution of a BI technology services area which supports all Commercial Cycle requirements.

> **Hourly Load Curve Project (Metra)**: billing with hourly load curve, its display in the internet channel and CRM, and creation of new free-market products associated to hourly measurement.
3.4.2. Infrastructures and Networks

Regarding Distribution Systems —Infrastructure & Networks—, during 2015 the roll-out plan of solutions tending towards convergence of technical systems has continued. The projects’ main milestones include:

> **CUATRO-Complaints**: implementation of an efficient system model that supports the business processes of the ENDESA Grid, developing new solutions in services to customers and complaint management, consolidating activity separation (Supply and Distribution) to respect legal regulations.

> **Security in Metering Equipment 15 kW**: development focussing on metering equipment over 15 kW (approx. 380 k) to provide and maintain their encrypted access codes.

> **Customer Service Control and Monitoring Centre Project**: implement online monitoring that allows real-time monitoring of service channels.

3.4.3. Generation, Trading, Renewable and Upstream Gas

**Iberia. Global Trading**

> **OOPSS**: implementation of tools to generate reports, monitoring and analysis of information in real time of the Energy Management Control Centre.

> **MIBGAS**: production start-up of the automatic loading and representation process of the natural gas import program via Medgaz allowing the complete assessment of the long-term gas portfolio.

> **FUELFO**: production start-up of the Global Fuel Program, which speeds up and optimises the recording of coal shipping programs and operations in Enel Group.

Evolution of Trading systems (Aligne, Sirtge, Trayport, Efetnet, LIM) making it possible to give support to new business needs and continuity to already existing activities. The relevant activities include:

> **REMIT PHASE 1**: Adaptation of trading systems to guarantee compliance with regulatory reporting obligations.

> **OMIP Solar Auction**: Support to the business for recording and management in Aligne of the operations derived from solar auctions organised by Omip (September 2015).

> **Credit risk management**: Optimisation of credit risk calculation process by Contraparte, improving process calculation times.

**Iberia. Global Generation**

In Iberia the main actions have aimed to increase system security, reliability and availability, and continue with the roll-out of applications in new facilities.

> **Implementation of the Alternator Monitoring** in the Litoral and Teruel Power Plants.

> **Commissioning project of the Gorona del Viento Pumped Hydroelectric Power Plant** (El Hierro) within the AGC (Automatic Generation Control) of the Spectrum 3.9 Control System of the UPT Canarias.
ENDESA Group’s Asset Unit performs the asset management of its own and leased properties, and promotes maximising the value of its real estate from the sale of assets not necessary for operation of the main businesses, urban land transformation and implementation of sustainable development models with third parties in lands with great environmental value.

Most actions are channelled through ENDESA Servicios S.L.U, a company which during 2015 took over the former real estate management company of the Group, Bolonia Real Estate S.L.U. ENDESA Servicios, which is a company controlled 100% by ENDESA, has a team specialising in technical and urban development management to give asset service to the ENDESA Group companies. This company has a portfolio of 10 properties, all disaffected from their industrial use, and two owned office buildings, rented to Group company staff. The market value of these properties amounts to approximately 20 million Euros. Furthermore, as lessee, it channels the rental of 5 administrative offices and 8 commercial offices occupied by Group employees in Spain.

Furthermore, ENDESA has a financial stake in the real estate development company Nueva Marina Real Estate S.L., a company which owns the land of the former central power plant in the city of Malaga, located in Playa de la Misericordia, with a total surface area of 156,000 m² with development potential of 115,944 m². It should be highlighted that the Malaga City Council owns 40% of the urban development rights of the whole of this area. ENDESA has a 60% stake in the capital of this company together with 2 reference partners: Banca Mare Nostrum and Companía Europea de Finanzas.

In relation to the urban development transformation activities, we can highlight the actions carried out regarding the land occupying the former thermal power plants of Sant Adrià in Barcelona, Térmica in Malaga and Alcudia in Palma de Mallorca. In the first of the actions, it is a plot located on the seafront of Barcelona with a surface area of 119,080 m² land, included in a transformation area of 300,000 m² and potential development of 450,000 m² ceiling, over which approximately 40% corresponds to ENDESA. During 2015, the decommissioning works of industrial facilities and land cleaning works continued to maximise their value.

In the case of the actions performed in the Térmica of Malaga, through the subsidiary Nueva Marina Real Estate, it includes the urban development works performed together with Malaga City Council to define the reparceling of the area after the recent approval of the Internal Reform Plan (PERI). In parallel, its sale process started in the last quarter of the year.

During 2015, ENDESA also worked in the planning of the works to demolish and reconvert the facilities and land corresponding to the former Alcudia thermal power plant.

Furthermore, the sales of unused properties of ENDESA group during this financial year reached an amount of 6.4 million Euros in Spain. This was despite the recession in the European real estate market, which seems that its trend will change from the coming year.

ENDESA has 180 offices to perform its activity, 40 of which are rented, with an annual cost of 29.4 million Euros in 2015. In relation to the rented offices, 33 are found in Spain and the remainder distributed internationally, 4 in Portugal and 1 in France, Germany and the Netherlands, all corresponding to the commercial business line. The mean period until maturity of the lease contracts weighted in accordance with the amount of rent of all the property portfolio is 6.94 years.

The most relevant rental contracts (81% of the total cost) are concentrated in 5 properties including the ENDESA head office in Madrid (Ribera del Loira), Barcelona (Vilanova), Seville (Borbolla), Seville (Pabellón de México) and Zaragoza (San Miguel). The mean period until maturity of these contracts is 6.5 years.

Likewise, the office rationalisation processes have continued during 2015, obtaining significant costs savings in rental and space costs.

Regarding construction, we can highlight the start of rehabilitation of the Aznar Molina building in Zaragoza to concentrate most of ENDESA’s personnel in the city. Likewise, 2015 saw continuation of the project to adapt the Cordoba offices which is forecast for completion during 2016.
An event occurred in 2015, which has a special significance for ENDESA regarding sustainability. In the month of December, the company approved a new Sustainability Policy which tackled the opportunities for improvements identified due to evolution of the sustainability concept in ENDESA throughout the last decade, and which strengthens the commitment to sustainable development with the new challenges that the energy sector must face.

This new policy is aligned with the new strategic positioning of Enel Group, Open Power, based on opening of the company to society and its challenges, spanning all industrial and commercial processes of the company and serving as a guide for investments and relations with stakeholders.

ENDESA’s sustainability strategy is part of the Company’s general strategy, and is included and systemised in ENDESA’s Sustainability Plan, which is constructed from a thorough materiality study, of stakeholders’ expectations and the Company’s industrial plan.


### Materiality study

On an annual basis, ENDESA performs a process to identify priority matters, through which it assesses and selects the economic, ethical, environmental and social aspects that are relevant for the stakeholders and which form part of the company’s strategic priorities. The results obtained in this process contribute to strategic planning of the business and design of ENDESA’s sustainability plans.

Therefore, Enel Group previously performs an in-depth study to identify the sustainability issues that, due to their degree
of maturity and relevance, could be determining factors for the business. This study is performed from an extensive analysis of the information received through the different internal and external sources.

Once the set of sustainability issues had been identified for Enel Group, at the end of 2013 ENDESA performed a specific materiality study to classify these aspects depending on their priority level within the business strategy and their relevance for shareholders. The combination between both variables analysed, gave the result that the more priority matters were as follows:

> **Economical and ethical dimension**: economic and financial growth; non-financial management risk; quality for customers; ethical conduct.

> **Environmental dimension**: fight against climate change, advanced environmental management; water resource management.

> **Social dimension**: equality and diversity; management and development of human capital; occupational health and safety.

The results of this study were the basis for the preparation of ENDESA’s 2015-2019 Stability Plan.

**ENDESA’s Sustainability Plan**

The overall objective of ENDESA’s 2015-2019 Sustainability Plan was to lay the foundations for implementation of a new energy culture, which contributes to promoting long-term sustainability and value. Likewise, this plan was aimed at contributing to the targets established in the 2015-2019 Industrial Plan.

Therefore, ENDESA proposed to tackle 2 main challenges and develop 10 basic lines which served to promote the responsible management of the business. With a total of 46 goals to fulfil in 2019, 72 specific targets for 2015 and 108 tracking indicators, the plan has achieved overall compliance higher than 95%.

**New energy culture**

**Challenge 1. Electricity, society’s energy vector**

The macrotrends of demographic growth, housing development, lack of resources, citizen empowerment and preservation of the environment are causing the city to become a key element of sustainability. The efficient, sustainable management of electricity generation and consumption in cities, and the electrification of urban power demands are essential elements to guarantee sustainability.

For this model, and in line with European policies for the reduction of greenhouse gas emissions, the electrification of energy demand is a unique opportunity, making protection of the environment compatible with economic development, enabling an improvement in the environmental quality of cities.

It is in this context where ENDESA launches the City and Energy Initiative as an integrated, multi-disciplinary strategy to lead the transition to a new energy model, focused on the sustainable generation of electricity and its efficient con-
This initiative forms part of the Company’s industrial activity, its targets and priority actions for the 2015-2019 period, so that it makes it possible to be configured as the engine for real change to sustainability and, therefore, it is translated into creating new markets where the evolution of the electro-business becomes tangible.

Likewise, ENDESA wants to promote e-mobility as one of the main drivers towards a new zero-emission energy model, responding to the new requirements and expectations that society is increasingly demanding. The Company is, therefore, working on different lines of action. Once of them is promoting e-mobility among employees by developing a project through which 158 electric vehicles were acquired by Company employees, which is a 10% market share of electric cars in Spain. This project allows avoiding annual emissions of more than 300 tons of CO₂ in Spain and shows that e-mobility is already possible.

Another of the lines of action on which ENDESA has continued to make progress in 2015 to promote e-mobility has been the development and installation of a smart charging infrastructure incorporating smart meter technology created by Enel Group and which is today used by millions of customers in Europe, including ENDESA customers.

Furthermore, ENDESA has continued developing sustainable energy models of low CO₂ emissions in the sphere of remote management and smart grids. Thus in 2015, the Company had installed 6.8 million smart meters, exceeding 59% of the 15 kW meter stock. Furthermore, ENDESA is developing the SmartGrid concepts in the SmartCity programs, which leads with several projects. In Spain, five years have passed since the commissioning of Barcelona SmartCity and the seven years since Malaga SmartCity. In this last case, an energy saving higher than 20% has been noted, as has a 20% reduction in CO₂ emissions per year and a considerable increase in energy from renewable sources.

ENDESA also continues to participate in promoting renewable energies through its participation in Enel Green Power Spain, S.L., controlled 40% by ENDESA and which controls the renewable assets of ENDESA and Enel in Spain. In 2015, the total net installed power capacity of Enel Green Power Spain was 1,704.5 MW renewable and its production was 4,383.4 GWh.

Promoted by the new strategic positioning of Open Power, ENDESA promotes among its employees and its value chain an open innovation culture to participation and collaboration with different stakeholders. In this way, in 2015 ENDESA launched ENDESA Energy Challenges, a new collaborative platform to seek efficient energy services together with entrepreneurs. The initiative forms part of ENDESA’s open innovation model with the aim of challenging the most brilliant minds to seek solutions in the energy world that make it possible to transform the current model. The two first challenges have been the ENDESA Datathon (encouraging value proposals based on the anonymous data of hourly reading, aimed at big data experts) and the ENDESA Hackathon (commitment to talent to optimise energy use). Furthermore, ENDESA, together with Enel, forms part of the consortium that it has created and managed by the INCENSe accelerator. Through this, ENDESA participates in the startup selection and acceleration process of the ITC sector applied to energy efficiency.

Challenge 2. Economic development and social trust

ENDESA's commitment to the socioeconomic development of the communities in which it operates is one of the two strategic priorities that the Company faces within the framework of ENDESA’s 2015-2019 Sustainability Plan. One of the fundamental tools to achieve this, included in this same Plan, is the integration of the social perspective in business processes, through creating shared value (CSV) approach, which makes it possible to legitimise the business and consolidate its stability, generating roots in the community and promoting social progress.

The aim is to promote programs and operations which improve the company's competitiveness whilst helping to improve the economic and social conditions of the communities they operate in. To do this, it is necessary to efficiently use and optimise the capacities and skills the company has, from an integrated perspective and generate measurable benefits in
society responding to its current or future requirements. In 2015, ENDESA has developed and implemented a methodology for application of this CSV approach, aligned with the Group’s guidelines, for the identification, analysis, management and monitoring of the impacts of company operations in the communities from an environmental, economic and social perspective.

ENDESA has belonged to the workgroup of the London Benchmarking Group (LBG) Spain since 2008. This methodology enables the measurement, management, assessment and communication of the contributions, achievements and impacts of the Company’s investment in social development in society.

In 2015, and according to LBG methodology, ENDESA contributed to the social development of the communities where it operates with 11.6 million Euros, of which 8.2 million were either monetary contributions or in kind.

In 2015, it has collaborated with a total of 1,047 public and private institutions to develop 224 social development projects which it has managed. 65% have been primary and secondary centres, 14% public institutions and 8% NGO and social foundations.

This year it has adopted an action framework of the social development projects, throughout Enel Group, with three main areas:

> Access to the electricity.
> Socioeconomic development of communities.
> Support to local communities.

ENDESA’s main focus in social development is the development of projects in line with the company’s core business, with initiatives which favour access to energy. In this sense, it includes all those energy-related projects which minimise economic barriers of vulnerable groups, offer education and training in the sphere of energy, ensure technological or infrastructure accessibility and encourage energy efficiency. In 2015, ENDESA has invested more than 1.9 million Euros in projects in this sphere, with management of 35 initiatives which have benefitted more than 178,000 people.

ENDESA is aware of the serious problem of energy poverty in many Spanish homes, which has been particularly aggravated by the recent financial crisis and precisely due to its commitment to society it understands that it should respond to this social problem within the framework of the energy sphere. The Company has been a pioneer in signing agreements with local and regional governments and public bodies to avoid the supply disconnection of financially vulnerable families. During 2015, there are 90 agreements in force, which have avoided the supply disconnection of 31,662 families favourably managing 55,000 invoices. In addition to maintaining the Subsidised Rate for those customers with power supplies less than 3 kW, pensioners, large families or with all those members in working age in a situation of unemployment.

Likewise, in relation to the second line of management, ENDESA has developed 37 projects aimed at the social and economic development of the communities where it is present with initiatives for job development, infrastructure development, skill transfer and support to local business activities.

Finally, and with respect to the third line, more than 5.4 million Euros have been allocated to 144 initiatives to support local communities, which include actions to improve the welfare of people and communities, maintenance of their cultural identity, heritage conservation, improvement of the environment and local biodiversity, sport, promotion of healthy habits and the support to allow covering basic needs. Among these we can highlight projects to mitigate critical situations of vulnerable groups or scholarship programs and awards.

In total, there have been more than 730 thousand beneficiaries in 224 social development projects performed in 2015 by ENDESA.

**Responsible business management**

**Ethical conduct**

ENDESA is fully committed to compliance with ethical standards and principles and with current legislation, both internally and externally. To this end, the Company has an Ethics Code and a Zero Tolerance to Corruption Plan. These docu-
ments oblige Board members, executives and employees to carry out with integrity their activities and relationships with the stakeholders.

Furthermore, within the framework of ethical standards and compliance, ENDESA has specific protocols establishing particular criteria and procedures with which ENDESA’s collaborators must comply in their dealings with State officials and authorities, concerning the giving and accepting of gifts and courtesies, and also in cases of conflicts of interest, exclusive dedication and market competition.

ENDESA has a Criminal Risk Prevention Model which provides the Company with a control system with the aim of preventing or significantly reducing the risk of criminal occurrences in its business activity, complying with the provisions of the Criminal Code concerning the criminal liability of a legal entity, a regime included in the Spanish legal system in 2010.

ENDESA places an Ethics Channel at the disposal of all its stakeholders, available via its website (www.endesa.com) and its intranet, for the secure and anonymous reporting of any irregular, unethical or illegal conduct which, in their opinion, may have occurred in the course of the Company’s activities.

ENDESA complies with tax regulations as a part of the principles inspiring the corporate responsibility of the Company, applying responsible tax policies and promoting a cooperative, transparent relationship with the Tax Authorities.

**Attraction of socially responsible investment**

In its 2015-2019 Sustainability Plan, ENDESA has identified the attraction of socially responsible investment as one of the basic lines of its sustainability strategy. To this end, ENDESA actively works in order to become a benchmark company for those investors who take into account social, environmental and ethical considerations in their investment policies, generating a long-term relationship with them. In 2015, ENDESA carried out a shareholder identification study, focusing in particular on those foreign institutional investors with a responsible investment policy and who are active in non-financial matters. Said study revealed that this type of investors represents at least 12.54% of ENDESA’s share capital and 42% of its floating capital.

In addition, ENDESA is aware that a prominent presence in the main socially responsible investment indices boosts the attraction of this type of investors and, for this reason, the Company plays a prominent role in this regard. Likewise, its presence in these indices highlights ENDESA’s genuine, strict commitment to the integration of social, environmental, ethical and good governance aspects into business management and into decision-making processes, achieving a high performance level.

Thus, ENDESA forms part of the Dow Jones Sustainability Index, Euronext Vigeo, Carbon Disclosure Project and ECPI.

**Operative excellence**

ENDESA considers guaranteeing access to the electricity supply, as well as its continuity, safety, efficiency and quality, to be a priority. It is, therefore, of vital importance to develop the necessary infrastructures that make this possible, especially in those areas of more difficult access.

For ENDESA, excellence in customer service is the main value in its relationship with its customers, always seeking maximum efficiency in the operation of its customer service channels, tools and platforms through a constant innovation and improvement processes.

ENDESA has had a Customer Service Excellence Plan since 2003, with the aim of offering its customers the best possible service and to improve the main customer satisfaction indicators year-on-year.

In 2015, ENDESA’s Customer Service Excellence Plan focused its activities on the improvement of customer service (telephone and online), the management of open-market sales complaints, the flexibilisation of services billing and the behaviour analysis of the different customer types.

In 2015, ENDESA continues to be leader during 6 consecutive years in mass customer satisfaction in the electricity industry with a 4% advantage over the competition.
At ENDESA, complaints are managed centrally by the Complaints Unit (UAR) and via the persons who work at the six existing Regional Complaints Units (UTR). The number of complaints logged in 2015 increased 61% compared with 2014.

ENDESA’s Customer Ombudsman, the only one in the Spanish electricity industry, works independently from the Company’s management teams and was appointed to provide customers with an additional means of dialogue in connection with the services provided by ENDESA in the market, listening to in-house and external representatives and proposing to the Company recommendations for ascertaining customers’ needs and expectations and methods to improve service quality.

In 2015, ENDESA continued to consolidate its portfolio of Value Added Products and Services (VAPs), progressing in new business models and sales channels. This enables it to sell customers (households, small enterprises and medium and large companies) a series of products and services that contribute to their sustainability, offering cost savings, reducing emissions and offering improvements in operational and/or energy efficiency.

Regarding medium-sized and large companies, ENDESA has consolidated its position as an Energy Service Company (ESCO), proposing to its customers to invest in improving their installations and comprehensively manage them. This enables customers to receive savings in their energy bills, through which it is possible to remunerate the improvements made by ENDESA to their installations. With respect to homes, during 2015 ENDESA has continued to develop its portfolio of Comprehensive Solutions projects. Under this concept of “Comprehensive Solution” ENDESA gives the small consumer the possibility of paying for energy equipment for his home in convenient instalments, with an associated preventive and/or corrective maintenance service and with ENDESA’s maximum guarantee during the term of the contract.

Furthermore, ENDESA constantly performs communication actions to raise awareness on efficient energy use. Among them, we can highlight Infoenergía, a free information and advice service so that customers can control and manage the energy consumption of their homes, based on a digital and easily customised service. Another successful initiative is Twenergy, the most important online community worldwide for sustainability and energy efficiency.

A large part of the products and services (VAPs) marketed by ENDESA directly contribute to the fight against climate change (efficient lighting, energy audits, vehicular natural gas, photovoltaic installations, etc.) promoting a reduction in customer emissions and an improvement in energy efficiency. These products and services have allowed the company to generate an additional profit over 9 million Euros.

ENDESA has always been firmly committed to the safe management of its nuclear activity, and this is shown in its nuclear policy, approved by the Board of Directors in 2011 and published on the website of the Companies that operate in this activity.

Furthermore, ENDESA’s Resource Department, within the framework of the Company’s corporate strategy and ENDESA’s Sustainability Plan, defined a Sustainability Framework Document, and a specific Plan with the aim of providing the area with guidelines that enable promoting sustainability in General Services, Assets, Safety and Contractor Control.

Development, merit and talent

ENDESA continually seeks to identify and develop personal potential so that their performance can contribute to making the Company a benchmark in the sector. In this light, ENDESA’s values and conduct, the Management Model and the Objective-based Management Systems ensure personal development based on recognition of merit and their contribution.

ENDESA has implemented different professional development actions amongst which we can highlight individual development interviews, knowledge interviews, coaching, consulting for team development, skills development workshops, business development seminars and definition of succession plans.
2,706 training events have been performed in ENDESA in 2015. 8,652 employees took part in these events. 401,296 training hours have been given, reaching an average of 40.1 hours per employee, higher than the previous year which was 39.

The Training Plan has concentrated its investments on the strategic foci of the Company and has the main objective of achieving the challenges set for 2015. A backbone in 2015, across all business and staff areas, has been occupational health and safety training, where 27% of the total has been invested.

In order to attract the best talent, ENDESA has carried out Employer Branding initiatives to position the company as an attractive place to work in all markets where it operates, aiming its efforts at the most in-demand profiles. To achieve this, in 2015 the Company attended both traditional and virtual employment fairs, giving workshops which help to improve employability in young people. Innovative events have been staged aimed at talent attraction, the Company website has been renovated aimed at potential candidates, and the Scholarship Plan has been reinforced with actions which improve competitiveness.

ENDESA encourages employees to participate in its hiring processes, promoting internal mobility and providing opportunities for people looking for new learning and professional development opportunities according to their interests and personal motivation. Hence, priority is given to internal publication of job offers.

ENDESA does not have a specific policy for hiring senior management from the local community, but it does not lose sight of the fact that it is a Company belonging to a leading group in the sector on a global scale and always maintains the presence of senior management from other countries, in favour of diversity, multiculturalism and globalisation.

ENDESA facilitates and encourages corporate volunteering among its employees. It is committed to the development of the communities in which it operates and contributes to their social, environmental, educational, and cultural development.

### Diversity and conciliation

ENDESA is firmly committed to the principles of gender equality and non-discrimination in the workplace. The aim is to be a company which respects and manages differences among its employees, guaranteeing equal treatment and opportunities. We should stress that, as in previous years, in 2015 no incidents of discrimination occurred at the Company.

In 2015 in Spain, the number of women in executive and middle-management posts with respect to the total stood at 28.7%, thus achieving the objective established in the ENDESA Sustainability Plan 2015-2019 relating to increasing the participation of women in posts of responsibility with respect to 2014 (an increase of 2% in 2015 compared with 2014). In total, the percentage of female employees represented 21.5%.

In line with ENDESA’s impetus and desire to advance in the field of gender diversity, in 2014 ENDESA signed an agreement with the Spanish Ministry of Health, Social Policy and Equality, with the aim of promoting and increasing the presence of women in posts of responsibility. Pursuant to this agreement, ENDESA has made a commitment to the Ministry through 21 actions concerning selection, training, promotion, gender pay gap, conciliation and communication. During 2015, the actions stipulated in this agreement have been implemented in the fields of hiring, promotion and conciliation, among others.

Likewise, ENDESA, certified as a Family-friendly company since 2007, continues to promote a number of lines of action which consolidate the flexible work culture and which facilitate the personal, family and professional balance of employees. In this sense, a total of 867 employees benefited from some line of action directed at the conciliation of their professional, personal and family lives in Spain and Portugal. Among them, we can highlight the “work at home” project in which 119 employees have taken part, reaching very high satisfaction levels (9.48 out of 10) among participating employees.
ENDESA carries out various initiatives to integrate staff with disabilities. Specifically, in Spain the workforce contains a total of 78 disabled people.

**Occupational health and safety**

For ENDESA, safety is understood to mean “zero accidents,” and Health to mean personal well-being. The Company is fully aware that both objectives are a standard which cannot be renounced and should be within the reach of all persons who work for the Company.

The integration in the Group’s OHS strategy is focussed on implementing the One Safety project in two aspects:

> The consolidation of a leadership model in safe conduct of the leader.

> The application, always using “no blame culture” criteria, of a single, comprehensive system of workplace conduct observation.

All of the work and effort carried out by ENDESA regarding occupational health and safety has led to a significant reduction in accidents in recent years. This downward trend has been upheld in 2015.

> The combined frequency rate in Spain (for Endesa employees and contractor staff without including Enel Green Power, Enel Energy Europe or ENDESA Foundation) has decreased to a value of 1.28, a value which had never been achieved before now.

> The combined severity rate in Spain has stayed at 0.08.

Likewise, the Company promotes initiatives which contribute to reducing accidents and promoting an Occupational Health and Safety culture, mainly through prevention activity in different areas such as; respiratory diseases, stress prevention, sedentary lifestyle, healthy diet, osteo-muscular disorders, alcohol, smoking and other substances, cancer, cardio-vascular diseases. These programs have helped towards considerably reducing the absenteeism rate due to disease and accidents in recent years, going from 3.23% in 2009 to 2.59% in 2015. It is estimated that in 2015 these programs have enabled reducing costs due to absenteeism by more than 216,000 Euros.

**Operational eco-efficiency**

Through this commitment, ENDESA aims to minimise the impact of its industrial activities on the natural environment where it operates. Fundamentally, it encompasses aspects related to combating climate change, proper management of waste, atmospheric emissions, discharges, soil pollution, and other potentially negative impacts.

ENDESA invests heavily to achieve excellence in environmental management. Thus, during 2015, it invested 84 million Euros in environmental activities, bringing cumulative investment at year-end 2015 to 1,441 million Euros.

The 2015-2019 Sustainability Plan established a set of targets for reducing the main environmental indicators, which are aimed at achieving the global objectives defined in Enel Group, and which have been completely fulfilled in 2015:

<table>
<thead>
<tr>
<th>Environmental indicator</th>
<th>2015 target</th>
<th>2019 target</th>
<th>2 015 performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific and direct CO₂ emissions (kg/kWh)</td>
<td>0.46</td>
<td>0.44</td>
<td>0.46</td>
</tr>
<tr>
<td>Specific SO₂ emissions (kg/kWh)</td>
<td>1.25</td>
<td>1.1</td>
<td>1.23</td>
</tr>
<tr>
<td>Specific NOₓ emissions (kg/kWh)</td>
<td>1.4</td>
<td>1.1</td>
<td>1.28</td>
</tr>
<tr>
<td>Specific PM₁₀ emissions (g/kWh)</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
</tr>
<tr>
<td>Specific water consumption for generation business (m³/GWh)</td>
<td>1,000</td>
<td>900</td>
<td>928.11</td>
</tr>
</tbody>
</table>

In this sense, the 2019 targets are:

> CO₂ emissions reduction greater than 37% with respect to 1990 (reference year for the Kyoto protocol and for the EU Climate & Energy Program of 18.5% respect to 2005 (reference year for the ETS sectors in the Climate & Energy program) and of 4.3% with respect to the 2015 results.
> A 10% reduction of specific SO2 emissions in 2019, compared with 2015.

> A 14% reduction of specific NOx emissions in 2019, compared with 2015.

> Maintain the particle emissions in the same values in 2019, compared with 2015.

> A 3.4% reduction in specific water consumption in the generation business in 2019, compared with 2015.

ENDESA has yet again got ahead of regulation, as already happened with its carbon footprint, and it has designed its own method to calculate its environmental footprint based on European benchmarks that make it possible to show the “pressure” exerted on the environment by all its businesses.

Integrated water management is one of ENDESA’s greatest concerns. The main lines of action in this area focus on efficient consumption, water quality by controlling discharges and waste water, and reservoir management, assessing their ecological potential to provide shelter for birdlife, the possibilities to control invasive species and prevent the existence of dried up sections of regulated rivers.

In 2015, ISO 14001 certifications for the environmental management systems (EMS) implemented in all ENDESA’s facilities in Spain and Portugal were maintained.

At year-end 2015, 100% of ENDESA’s installed capacity in Spain and Portugal was ISO 14001 certified, and all of its port terminals, mining operations and energy and transmission and distribution activities.

Likewise, 54.4% of the power is produced in plants registered with the Eco-Management and Audit Scheme (EMAS). Additionally, 67% of the port terminals are registered in EMAS.

75% of the total office surface area is included in the Integrated Environmental, Energy and Indoor Environmental Quality Management System, (SIGAEC).

It should be highlighted that in 2015, ENDESA saved 23,074.96 GJ of energy thanks to the development of energy-efficiency improvement programs. These include programs focusing on process redesign or conservation and adaptation of equipment, as well as due to changes in the behaviour of employees during the execution of their duties. This energy saving implies a reduction in the Company’s carbon footprint and contribute to reducing business operating costs (achieving potential savings of up to 400,000 Euros, considering the average final price of energy in the wholesale market in 2015).

ENDESA has waste management and reduction systems which are constantly reviewed to detect and promote improvements. ENDESA recovers the waste ash and slag produced in its coal-fired plants, mainly located in the Iberian Peninsula, as raw material for other industrial uses. In this way, the Company generates additional income arising from the sale of these by-products, which have been over 946,000 Euros in 2015.

The fight against climate change is, for ENDESA, one of the main environmental challenges. This strategy is integrated in the Company’s strategic management and within the framework of the 2015-2019 ENDESA Sustainability Plan.

Through the sustainability plan, ENDESA establishes a set of lines of action aimed at promoting electrification of the demand as a way to reduce emissions and increase efficiency in energy consumption.

Likewise, the sustainability plan includes a set of objectives and actions aimed at promoting reduction of greenhouse gas emissions during the electricity generation process, in order to minimise its carbon footprint and achieve a sustainable generation model.

In this sense, the decisions in the fight against climate change are adopted at the Company’s highest level, with the Management Executive Committee being the body responsible for creating the Company’s policies, lines of action and objectives as regards climate change.

ENDESA is taking part in three initiatives of the Carbon Disclosure Project (CDP): an independent not-for-profit body working to achieve a reduction in GHG emissions and the
sustainable use of water by businesses and cities. These initiatives are: CDP Climate Change, CDP Supply Chain and CDP Water.

ENDESA has been awarded a leading position in the CDP Disclosure Leadership Index due to its commitment to transparency when reporting its emissions, and its actions to reduce carbon emissions and mitigate the business risks that involve climate change. This confirms ENDESA’s commitment to offer its stakeholders reliable and high quality information. For this reason, ENDESA has been included in the “2015 Climate Change CDP, Iberia Edition” report together with the organisations rated within the top 10% of the CDP Disclosure Leadership Index (CDLI). This index only includes those companies that comply with the maximum score criteria defined by CDP.

For the fourth consecutive year, ENDESA has published its carbon footprint report, corresponding to 2015. ENDESA’s carbon footprint is, in short, a tool that provides complete information about all the organisation’s businesses with regard to greenhouse gas emissions associated with its activity.

As part of its strategy to combat climate change, ENDESA encourages sustainable mobility through the ENDESA 2014-2016 Sustainable and Safe Mobility Plan. The plan involves the integration of the economic, social and environmental opportunities and challenges, of transport and mobility in ENDESA’s strategy. Its scope includes all employees, vendors and customers.

Target-achievement percentages were 72% in 2014 and 80% in 2015. The plan is structured in two strategic priorities: promotion of modal change, efficient and safe use of energy, and the promotion and impetus of transport electrification, each one of them with their specific targets.

Biodiversity

ENDESA’s Biodiversity Conservation Plan is the culmination of the Company’s extensive experience in this area. In 2012, it designed a Biodiversity Conservation Plan and, in 2013, began to put it into practice, with the result of notable efficiency and a high degree of achievement of the first milestones.

ENDESA’s Biodiversity Conservation Plan provides a structure which enables selecting and assessing, in first place and following criteria of scientific, social and applied interest, all initiatives received, both internal and external, as regards biodiversity conservation. Then, each initiative is typified and classified within the Plan. Finally, it is entered in a database to monitor it until project conclusion.

ENDESA’s biodiversity website (https://endesabiodiversidad.com/es/) provides the public with all of ENDESA’s activity as regards study, management and conservation of biodiversity, in addition to other information and useful tools.

Supply chain

ENDESA has consolidated its commitment to promote sustainability among its collaborators.

In order to promote constant improvement in the responsible management of the supply chain, different annual targets have been set aimed at promoting the consideration and integration of environmental, social and ethical aspects in the vendor rating processes, and in control of its management. Therefore, ENDESA has set the target that 100% of the direct vendors are certified according to ISO 9001, ISO 14001 and OHSAS 18001, which is a rating requirement when this activity has a relevant impact on quality, the environment or safety. Likewise, in 2015 ENDESA set and met the target of performing safety audits on 100% of the vendors for felling and pruning services of HV and MV grids.

100% of ENDESA vendors (including new vendors) are examined on human rights criteria. This requirement is included in the ENDESA General Conditions of Contract, and there are no negative impacts in this regard. Furthermore, 38% were examined on their employment practices criteria and 59% of new vendors were assessed on their environmental criteria.
In the Fifth Edition of Enel Group Global General Conditions of Contract (GCC), vendors pledge to adopt and fully respect the 10 principles of the Global Compact when work is carried out by both own employees or subcontractors. As regards the Code of Ethics, vendors undertake to apply the same ENDESA principles or other equivalent ones when managing their business. Additionally, through the General Conditions of Contract 100% of the contracts included Human Rights clauses.

Through the rating system (started in 2010 with the Safety Action Plan), ENDESA identifies all contractors and partners performing risk activities in Company facilities.

In 2015, 100% of ENDESA’s contractors and subcontractors received OHS training to perform their activity. Before starting the work activity, all employees are checked to verify that they have been trained and informed about occupational health and safety connected to the risks of the activity to be performed. In addition, they must have the appropriate medical fitness to perform the job, and acknowledge receipt of the appropriate Personal Protection Equipment for the activity.

Looking to the future: ENDESA’s new 2016-2020 Sustainability Plan

During the second half of 2015, ENDESA performed a new materiality study to identify the economic, environmental, social and ethical issues which will be high-priority for the stakeholders and for the Company in order to define ENDESA’s new 2016-2020 Sustainability Plan and to contribute to the Company’s new industrial plan.

By means of this study, ENDESA has been able to identify an array of sustainability issues of considerable importance to stakeholders, and which are either high-priority in the current business strategy, or should be included at a higher proactive level to satisfy the expectations of said stakeholder groups.

ENDESA aims to respond to these material matters identified through development of the new 2016-2020 SSP. Built on the previous plan’s achievements, it attempts to respond to the opportunities for improvement identified, and including some of the most significant events of 2015 in the field of sustainability, such as the passing of the United Nations Sustainable Development Goals. In this sense, ENDESA is committed to contributing to the same via its sustainability and business strategies, and to this end, this new universally accepted framework represents a benchmark to define the focus of the new SSP.

The new 2016-2020 SSP seeks to further sustainable economic growth within the Company, attracting socially responsible investment, by means of the promotion of a sustainable, responsible value creation chain. To achieve this, two main areas of action have been identified:

- **Sustainable generation.** The new SSP includes objectives and lines of action oriented toward the furtherance of a balanced, sustainable energy mix in which the weight of fossil technology is progressively reduced, thus contributing to the fight against climate change.

- **Sustainable cities.** ENDESA continues with its commitment to sustainable urban development as the linchpin of its differentiation and leadership. In this context, ENDESA’s distribution grid plays an essential role in achieving an energy model which can cover the demand.

The new 2016-2020 SSP includes 5 pillars which are transversal to all the business lines and whose compliance will ensure a high level of excellence in responsible business management:

1. **Integrity:** actions are performed to encourage ethical conduct, good governance and transparency, aspiring to maintain a high level of excellence in compliance with its ethical responsibilities and commitments.
2. **Human Capital**: for ENDESA, its people are the Company’s main asset. The Company will therefore continue to perform actions to encourage, on the one hand, diversity, conciliation and volunteering, and, on the other, training development and talent. Likewise, ENDESA will continue working to promote occupational health and safety.

3. **Environment**: ENDESA will continue making progress in reducing environmental impacts inherent to its activity, also promoting a corporate culture characterised by an environmental sensitivity common to all Company processes, systems and people.

4. **Sustainable Supply Chain**: ENDESA wants to be the industry benchmark due to the sophistication and excellence in its procurement processes and management of its vendor and contractor relations. To do this it will perform vendor rating actions following sustainability criteria, and assessing compliance with environmental, social and ethical obligations.

5. **Social commitment**: ENDESA will continue to make process in developing its creating shared value approach in order to develop innovative solutions that are beneficial for society and, at the same time, generate value for the company. It will also work to encourage responsible relations with local communities and sustainable access to vulnerable groups.

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### Management of environmental, social and ethical risks

ENDESA is exposed to certain risks of this nature, which it manages with the application of identification, measurement, supervision and minimisation systems. In this sense, together with the traditional financial variables, when managing risk ENDESA considers the environmental, social, ethical and corporate governance aspects. In 2015, the Company gave a new boost in its commitment to integrating this type of aspects in risk management by attributing the supervision of non-financial risks to the Audit and Compliance Committee of the Board of Directors.

Likewise, ENDESA has commenced a reflection and analysis process to identify the emerging risks that may have a medium and long-term impact and which are related to any of the dimensions that form part of sustainability. The objective of this process to identify potential risks is of being able to analyse their impact on the business and establish the necessary measures for their control and prevention. To do this, ENDESA is analysing the different trends and risks identified globally by different institutions and, for example, the World Economic Forum or socially responsible investment analysts.

As part of this process, some of the emerging risks that the company is identifying are cybersecurity and those related to climate change, among others. During 2016, ENDESA will complete an identification process of the main emerging risks for sustainability it may be exposed to in the medium and long-term.
Cybersecurity

ENDESA currently has more than one million customers registered online, 80% of which have e-invoices. Through its digitisation plan, ENDESA aims to continue to increase these figures and be at the forefront of digitisation in the electricity industry. Hence, the Company is developing different digital initiatives and is also redesigning internal processes to make this transformation a reality.

This transformation also entails ENDESA’s exposure to potential cyber-attacks which may endanger its system security and the databases of its customers, which may affect the Company’s results account and the trust placed in the Company by customers. The Company’s critical infrastructures, understood as those vital for operation and which do not allow alternative solutions, may also be exposed to this type of attacks which could cause a serious impact on essential services provided (e.g. nuclear power stations). Therefore, the risks associated to cybersecurity have been identified by the Company as an emerging risk that the Company must manage and control.

For this reason, ENDESA, as part of the Enel Group, has developed a cybersecurity strategy that is based on a management framework and is aligned with international standards and governmental initiatives. As part of this strategy, ENDESA performs an assessment process of the main risks and identification of vulnerabilities, plus a thorough digital surveillance through which it analyses the information and implements corrective actions to mitigate risks. Likewise, Enel Group has a cybersecurity area which develops and manages all these activities, supervising compliance with current legislation in critical infrastructure security.

Climate change

Due to its activity, ENDESA is exposed to different risks arising from climate change, such as the increase in frequency of extreme weather phenomena. These adverse phenomena may cause a negative impact due to the cost increase in the electricity distribution business due to power cuts and material supply.
Likewise, another of the related risks is greater exposure to water stress situations. The electricity generation business may be negatively affected by a decrease in hydroelectric power plant production in the medium and long-term. There may also be limitations established regularly or in isolated cases for water consumption for its industrial use, with human and agricultural use prevailing, negatively affecting electricity production levels of the power plants located in areas of water stress and, therefore, affecting the generation business’ results account.

To control and minimise these risks, ENDESA is performing a climate change adaptation study in collaboration with the Spanish Climate Change Office through which vulnerability to climate change of certain hydroelectric power plants is measured. As part of this study, the Company performs a cost-benefit study on the power plant adaptation measures.
Research, technological development and innovation
ENDESA has an open innovation model, incorporating the contributions of internal and external players, promoting the development of an international industrial fabric based on knowledge, through which to promote a new citizen-based energy model, in line with European directives.

ENDESA’s Innovation activities are driven in close coordination with the rest of Enel Group, under a structured model, with common project-selection criteria, capture of technological knowledge and development, always considering the regulatory and local business characteristics.

During 2015, ENDESA has consolidated its commitment to open innovation with the launch of the ENDESA Energy Challenges initiative (www.endesaenergychallenges.com), ENDESA’s open innovation platform for programs, employers, entrepreneurs and designers, who want to create solutions to improve our world.

The first two initiatives: ENDESA Datathon and ENDESA Hackaton have been launched in 2015.

**ENDESA Datathon** aims to develop new value proposals for the Spanish market from the analysis of millions of data contained in the dataset provided to participants with simulated information on hourly consumption.

The new Big Data methodologies allow those developers to give us a new perspective on our customers’ behaviour in order to better understand and anticipate their needs.

The ENDESA Datathon competition will be performed between November 2015 and June 2016 and is a pioneering experience in the energy sector.

**ENDESA Hackaton** was an event with the participation of 40 developers, programmers and designers in search of mobile solutions to change the future of energy. It was held on 27 and 28 November in the Madrid Association of Architects.

40 participants were divided in 10 working groups with the mission of generating an innovative solution to optimise energy use in Spain.

**Team A** is a program to generate innovative proposals for ENDESA’s current and future challenges. For this, it has chosen, in collaboration with Pangea, a team of 8 young talents recognised internationally as leaders within the energy and digital sector, who will work during three months to propose solutions to ENDESA’s great challenges.

ENDESA, together with Enel and another 2 European partners, has participated in the INCENSe accelerator (www.incense-accelerator.com), collaborating in the process to select and accelerate startups in the ITC sector applied to energy efficiency.

In total, the INCENSe program, which has a budget of approximately 8 million Euros cofinanced by the European Commission, has offered its support to 42 startups with sink fund contribution of 150,000 Euros for each one of them.

**Endesa2244** (www.endesa2244.com), is a channel permanently open to entrepreneurs so that they can present their projects and ideas to ENDESA through a short questionnaire.

Technological innovation has also been used to provide better customer service. There has been a substantial improvement of processes and the development of new value solutions for our customers in the marketing area.

**INFOENERGÍA** is ENDESA’s new online tool that provides information and technical advice on domestic electricity consumption to all customers.

**SUNBATT**, where a test platform has been developed to find out and estimate the feasibility of a second useful life for used batteries from electric cars and to determine for what type of uses it will be viable.
HYDRA is a pilot hybrid heating and cooling solutions project in the hotel industry.

FLEXICIENCY, this project will demonstrate on a large scale new services for European electricity market agents based on meter data accessibility in almost real time.

GROWSMARTER has the aim of the development and demonstration of 12 innovative solutions in the energy industry, mobility and ITC in 5 European cities, including industrial and suburban areas as well as the centres of these cities.

The following projects stand out in the sphere of e-mobility:

ULTRAFAST has the aim of development of an ultra-fast charger (up to 500 kW) to offer this service to all heavy electric vehicles in Barcelona, testing the technology and operating systems associated with the first fleet of 18-metre buses.

VICTORIA is a technology-development project of charging by dynamic induction for buses, which will allow building the first dynamic inductive lane in the city of Malaga.

VEHICLE TO GRID (V2G) is aimed at developing systems that not only allow charging the electric vehicle but also discharging it to the grid, making use of the energy stored in electric vehicles.

ZEM2ALL (Zero Emissions Mobility to All) is an e-mobility demo project, in real conditions developed in Malaga with a fleet of more than 200 electric vehicles.

ZeEUS is a project developed within a European consortium to demonstrate the economic, environmental and social feasibility of urban electric buses.
People
ENDESA directly employed 10,000 people on 31 December 2015, 4.8% lower than the previous year.

<table>
<thead>
<tr>
<th>Final workforce</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>% Var. 2014/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain and Portugal*</td>
<td>11,145</td>
<td>10,500</td>
<td>10,000</td>
<td>-4.8%</td>
</tr>
<tr>
<td>Latin America</td>
<td>11,850</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>22,995</td>
<td>10,500</td>
<td>10,000</td>
<td>-4.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mean workforce</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>% Var. 2014/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain and Portugal*</td>
<td>11,315</td>
<td>10,760</td>
<td>10,243</td>
<td>-4.8%</td>
</tr>
<tr>
<td>Latin America</td>
<td>11,574</td>
<td>9,413</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>22,889</td>
<td>20,173</td>
<td>10,243</td>
<td>-49.2%</td>
</tr>
</tbody>
</table>

* The 2013 Spain and Portugal workforce from 2013 includes the Morocco workforce.

ENDESA has a varied workforce. Most are between 45 and 54 years of age and have been in the company longer than 20 years. By gender, men represent 78.5% of the workforce and women 21.5%.

<table>
<thead>
<tr>
<th>Age</th>
<th>% Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 28</td>
<td>1.6</td>
</tr>
<tr>
<td>28 to 34</td>
<td>10.2</td>
</tr>
<tr>
<td>35 to 44</td>
<td>31.3</td>
</tr>
<tr>
<td>45 to 54</td>
<td>34.3</td>
</tr>
<tr>
<td>55 to 59</td>
<td>21.6</td>
</tr>
<tr>
<td>Over 60</td>
<td>1.0</td>
</tr>
</tbody>
</table>

ENDESA offers its employees competitive job conditions, above the average in the markets where it is present. Proof of this is that 97.8% of contracts were permanent and practically the entire workforce worked full time, 99.9%.

As a measure to promote employment and facilitate the access of young people to the job market, a total of 101 interns joined in 2015.

> **Contractors**: during 2015, the average number of people working in ENDESA through contractors was 18,264.
2. Management of leadership and of talent

ENDESA continually seeks to identify and develop people’s potential so that their performance can contribute to making the Company a benchmark in the sector.

In this light, there are various tools to ensure people’s development based on recognition of merit and ability.

2.1. Leadership Model

ENDESA continually seeks to identify and develop personal potential so that their performance can contribute to making the Company a benchmark in the sector. In this light, the Leadership Model, the Management Model and the Objective-based Management Systems ensure personal development based on recognition of merit and ability.

In 2015, ENDESA has worked on revising its Leadership Model with the aim of adapting it to the business’ current environment and adjusting the factors and behaviours forming part of it to the Company’s new challenges. The result is a Group brand identity which expresses the determination to transform ENDESA into an open platform and to define the Group’s new vision, the mission and which has chosen 4 values (Responsibility, Innovation, Trust and Proactivity) which are expressed in 10 conducts that will be assessed for all employees in the coming year.

> Adopts and promotes safe behaviour and acts proactively to improve health, safety and well-being conditions.

> Takes decisions in the working activity and assumes them with responsibility.

> Reaches results seeking excellence.

> Proposes new solutions, overcoming obstacles and failures.

> Quickly modifies working priorities in the event of a change in context.

> Shares information and shows himself to be collaborative and open to his colleagues’ contributions.

> Recognises the merit of his colleagues, offering feedback which helps to improve their work.

> In his work he ensures customer and/or colleague satisfaction, acting effectively and efficiently in time and form.

> He is committed to the integration of others, recognising and valuing individual differences (cultures, gender, age, disability, personality, etc.)

> He fulfils his commitments, performing activities with determination and dedication.

In 2015, 32.73% of ENDESA employees in Spain received regular performance and professional development appraisals through any of the Company’s appraisal systems.

2.2. Actions for the development of talent

ENDESA has implemented different professional development initiatives. These actions have made it possible to increase the amount of employees involved in this type of programs. From the 505 employees who took part in this type of programs in 2014, it rose to 7,615 employees who have taken part in at least one of the programs in 2015.

In this way, ENDESA has fulfilled the objective in the SSP (Strategic Sustainability Plan) 2015/2019 of increasing the
employees that benefit from the development programmes by at least 5%.

> **Knowledge interviews.** In 2015, ENDESA has implemented an initiative, carried out throughout the Enel Group, which consists of an interview performed by Human Resources experts with each one of the employees. The purpose is to know, first hand, their interests, aspirations and motivations. Before the interview, a self-profile is completed designed to discover, at that time, the profile of the individual interests. At the end of 2015, 7,058 people from the Company have had this interview.

> **Coaching.** ENDESA continues to make a strong commitment to coaching. During 2015, 178 people have benefited from this type of individual or group actions. ENDESA has an internal coaching network which performs these processes. Additionally, 127 people managers have taken part in manager-coach workshops. The subject matters covered have been, among others, feedback, communication, listening, creation of trust within the team, and coordination of actions, among others, which offer the managers coaching tools to transform the manager profile in ENDESA.

> **Succession plans.** ENDESA, as part of Enel Group, has reviewed the Management Model adapting it to the requirements necessary in the new business context. This model includes the identification of the management members with greatest level of responsibility (TOP 200) for which a succession plan has been defined.

The people identified as successors have a development plan which allows them to assume, with guaranteed success, those positions for which they have been identified.

> **Business knowledge seminars.** During 2015, almost 900 people have taken part in the Business Knowledge Seminars, an innovative development initiative which has a twofold objective: increasing the participants’ knowledge and giving them a global and integrated view of the company’s different areas of activity.

This initiative is structured in 2 phases. During the first, under the title of Business Knowledge Seminar, the participants attend 9 lectures on 2 consecutive mornings, given by internal experts of reference, centred on the most relevant aspects of ENDESA’s activity. In the second phase, “Business Simulator,” the participants face the challenge of managing an electricity production and supply company in a deregulated market.

### 2.3. Training

The 2015 Training Plan has concentrated its investments on the strategic foci of the Company and has the main objective of achieving the challenges set for 2015.

A backbone in 2015, across all business and staff areas, has been occupational health and safety training, where 27% of the total has been invested. Efficiency has been sought in the training programmes relating to risks common to the different businesses, with a transversal management and based on online methodology. Additionally, specific actions have been carried out in this area, as is the case of Occupational Health and Safety Delegates, which have performed specific courses which update knowledge both of current legislation and ENDESA’s own procedures. As a complement to this training awareness-raising actions have been performed in this area. This is the communication campaign aimed at all employees “If we are 100% Aware we are 100% Safe”.

In 2015 it is important to highlight the launch of a program relating to the Prevention of Criminal Risks Model prescribed by the Internal Audit Area. This online course aims to inform of and raise awareness in Company employees about the risks and responsibilities in this regard in order to prevent criminal offences. 76% of the workforce has performed the course.

Technical training, both of business and staff functions has meant an investment of 34% of the total.

One of ENDESA’s objectives is to improve customer service. For this reason, different areas have taken part in a training programme designed to improve complaint management and to familiarise them with the new tool that supports complaint management.

Additionally, during this year, as regards the Environment, the requirements stipulated have been fulfilled.
and training has been given which has contributed to the renewal of the different ISO 14001 and the Integrated Energy Environmental Management System and Environmental Quality Indoors (SIGAEC) certifications that the Company has.

Relating to skills development and with the aim of improving the performance and the skills of the professionals of the different professional categories, training has been increased in social, management and leadership skills.

ENDESA clearly commits to innovation and, for this reason, it has implemented initiatives relating to skills improvement. The aim is to promote the knowledge of tools and methodologies and contribute to cultural change to have a more innovative approach, improve efficiency through the search for alternatives and new ways of doing things.

Since ENDESA forms part of Enel Group, a multinational which operates in different countries, it has increased language training activities, mainly English and Italian.
In order to attract the best talent, ENDESA has carried out Employer Branding initiatives to position the company as an attractive place to work in all markets where it operates, aiming its efforts at the most in-demand profiles. To achieve this, in 2015 the Company attended both traditional and virtual employment fairs, and collaborated with various institutions to boost the scholarship and intern plans. The hiring formulas were adapted to the new social context in which the presence and activity in social networks takes on great relevance.

3.1. Hiring

In 2015, ENDESA has performed 189 published internal selection processes were performed, involving close to 2,000 employees.

Where internal promotion is not possible the Company advertises on the job market. In 2015, 139 external processes were carried out in Spain and Portugal, with knowledge and skill profiles associated to the digital and technical/commercial context.

3.2. International Mobility

During 2015, an international mobility plan has been designed and implemented for young talent with the aim of promoting the development of this group on the international stage, allowing its overall business vision to be expanded, their technical knowledge, increasing their commitment, networking and, in this way, preparing them to be able to perform responsibilities on a greater level in the future.

3.3. Remuneration policy

In 2015, ENDESA'S Remuneration Policy has maintained the line of homogenisation of its compensation tools.

In this way, ENDESA's Remuneration Policy, regulated in the 4th Framework Agreement, establishes remuneration conditions for employees much greater than the basic salary established in Spain and Portugal and also includes the commitment of increasing the annual salary by 1% in 2016 and 2017. Additional mechanisms are also established for salary

3. Attracting and retaining talent
increase related to the Company’s increase in EBITDA, of the Company which may involve salary rises up to 2%, as well as an increase in efficiency payment.

In this regard, aligning with the merit remuneration policy that started in 2014 for employees part of the Collective Agreement and leaving behind salary contention measures of recent years, merit rewarding processes were carried out for the Executives and Pre-executives groups. These processes have the main purpose of rewarding the effort of people and their commitment to the company.

3.4. Pensions

In 2015, as in the previous year, the meritocracy policy was applied for staff of the collective agreement thus consolidating the company’s commitment to recognising the work of the people linked to the 4th Framework Agreement.

In line with the new organisation of Enel Group, the previous collective management model of Executives was replaced by a new one. Related to this change, the people whose duties have been identified as of “Special Responsibility” have been included in the Executives Group on 1 August 2015.

The system was simplified since the structure has been lightened as have the procedures in favour of speed and efficiency required by the Company to respond to the new challenges.

All employees of ENDESA Group companies are members of the Pension Plan unless they expressly renounce this. After signing the first Framework Agreement, on 25 October 2000, a defined-contribution pension system was defined for retirement, and defined benefits for death or incapacity.

A shared company-employee contribution system was established, with a maximum of 6% of the pensionable salary by the company and 3% of this same salary by the employee.

The administration of ENDESA's pension plans is carried out in accordance with the general limits of management and risk assumption laid down in the respective current legislations applicable in Spain.

ENDESA’s pension plan is operated by a management company that takes into account socially responsible investment criteria.
ENDESA facilitates and encourages corporate volunteering among its employees. It is committed to the development of the communities in which it operates and contributes to their social, environmental, educational, and cultural development.

ENDESA is a founding member of Voluntare, the first international initiative to promote corporate volunteering, comprising third-sector companies and entities. It is a meeting point for all institutions interested in corporate volunteering, offering access to information and value-added resources to facilitate and/or improve their corporate programmes.

In 2015, the corporate volunteering initiatives have been promoted given the good acceptance among employees and the return generated in the community where ENDESA operates. The food collection, energy volunteering, companies’ solidarity day initiatives are some, to give an example, of the actions performed in Spain with the participation of ENDESA employees.

ENDESA also seeks to provide a healthy and balanced working environment in which personal respect and consideration prevail and professional development opportunities are offered based on merit and ability. To do this, ENDESA has a Corporate Social Responsibility Plan for Human Resources, known as Senda Plan. The aim of this plan is to progress in the area of HR management based on the integration of different groups, employee satisfaction, respect and development.

This Plan performs initiatives in each one of the following dimensions:

> Diversity and equal opportunities: ENDESA remains firmly commitment to the principles of gender equality and non-discrimination, working to be a company that respects and manages the differences between people and which guarantees equal treatment and opportunities. In 2015, the initiatives set down in the Agreement signed with the Ministry of Health, Social Services and Equality on promotion of women to posts of responsibility have been implemented.

> Conciliation and flexibility: ENDESA promotes various lines of action that consolidate flexible working culture and which facilitate the personal, family and professional balance of employees. In 2015, ENDESA has been certified as Global Family-friendly Company. With this certificate, ENDESA undertakes to maintain and promote its commitment to conciliation, equality and responsible people management through monitoring the family-friendly management model.

> Integration of people with disabilities and at risk of social exclusion: ENDESA performs initiatives to integrate people with disabilities which are focussed on directly hiring disabled people and indirect contracting through the purchase of goods and services from special employment centres.

> Promotion of volunteering: ENDESA facilitates and supports corporate volunteering among its employees and is committed to development of the communities where it is present. It contributes to the social, environmental, educational and cultural development of the community. In 2015, 361 employees have taken part in volunteering activities benefitting 712 people.

> Socially responsible investment.
In Spain and Portugal there are 5 collective agreements in force on 31 December 2015, which affect 9,265 people and cover 92.73% of the workforce.

In accordance with Spanish employment legislation in force, as well as ENDESA’s labour legislation in Spain (ENDESA’s 4th Collective Framework Agreement, Framework Agreement of Guarantees for ENDESA and its electricity subsidiaries domiciled in Spain, Voluntary Suspension Agreement), the criteria are established that must operate in the event that corporate reorganisation operations occur (Chapter III of the Framework Agreement of Guarantees). It also contemplates that the Company Representation will be notified with at least 30 days’ notice before the efficacy of the corporate reorganisation operations.

The most relevant activities within the area of collective bargaining in 2015 have been:

> Negotiation and Agreement on allowances and geographic mobility within the framework of the implementation of the 4th Collective Framework Agreement.

> Negotiation and Agreement on the transfer of workers between different companies.

> Negotiation and Agreement on the reorganisation of the Distribution Control Centres.

> Information on various name changes of companies.

> Agreement for the application to staff excluded from the Collective Agreement of Conduct and Disciplinary Regime stipulated in the 4th Collective Agreement.

In ENDESA in Spain, the Company Representation has held trade union elections in the months of February and March 2015 in which the UGT obtained absolute majority (55.71%).

Spain has formed part of the ILO since it was established in 1919. ENDESA’s conventional legislation complies with the Agreements in force ratified by Spain.
ENDESA’s generation facilities in Spain 31/12/2015 (Ordinary R.) MW B. A.

<table>
<thead>
<tr>
<th>Company of origin</th>
<th>Municipality</th>
<th>Type of fuel</th>
<th>No. of units</th>
<th>Total power (MW)</th>
<th>% ENDESA Power consolidable in ENDESA (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MAINLAND SYSTEM</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Conventional thermal power plants</strong></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>
</tr>
<tr>
<td>Compostilla 1</td>
<td>ENDESA</td>
<td>H-A</td>
<td>4</td>
<td>1,200</td>
<td>100.0</td>
</tr>
<tr>
<td>Anllares</td>
<td>33.33% ENDESA</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>CI</td>
<td>4</td>
<td>1,469</td>
<td>100.0</td>
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<tr>
<td>Teruel</td>
<td>ENDESA</td>
<td>LN</td>
<td>3</td>
<td>1,101</td>
<td>100.0</td>
</tr>
<tr>
<td>Litoral</td>
<td>66.66% ENMr-33.33% Sev.</td>
<td>CI</td>
<td>2</td>
<td>1,159</td>
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<tr>
<td><strong>Total Coal</strong></td>
<td>14</td>
<td></td>
<td></td>
<td>5,294</td>
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<tr>
<td><strong>Conventional Fuel-Gas</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foix x Terbesa (G. Enher)</td>
<td>Cubelles-Barcelona</td>
<td>F-GN</td>
<td>0</td>
<td>0</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Gas Ciclo Combinado</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>San Roque 2</td>
<td>San Roque-Cádiz</td>
<td>CCTG</td>
<td>1</td>
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<tr>
<td>Besós 3</td>
<td>Besós-Barcelona</td>
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<td>1</td>
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<tr>
<td>Besós 5</td>
<td>Besós-Barcelona</td>
<td>CCTG</td>
<td>3</td>
<td>873</td>
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<tr>
<td>Colón 4</td>
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<td>398</td>
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<tr>
<td>As Pontes</td>
<td>As Pontes-La Coruña</td>
<td>CCTG</td>
<td>3</td>
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<tr>
<td><strong>Total Fuel-Gas</strong></td>
<td>9</td>
<td></td>
<td></td>
<td>2,969</td>
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<tr>
<td><strong>Total Térmica Convencional</strong></td>
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<td></td>
<td></td>
<td>8,263</td>
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<tr>
<td><strong>Nuclear</strong></td>
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</tr>
<tr>
<td>Ascó I</td>
<td>40% ENMr-60% FEC.</td>
<td>Ascó-Tarragona</td>
<td>N</td>
<td>1</td>
<td>1,033</td>
</tr>
<tr>
<td>Ascó II</td>
<td>40% ENMr-45% FEC.</td>
<td>Ascó-Tarragona</td>
<td>N</td>
<td>1</td>
<td>1,027</td>
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<tr>
<td>Vandellós II</td>
<td>72% ENDESA</td>
<td>Vandellós-Tarragona</td>
<td>N</td>
<td>1</td>
<td>1,087</td>
</tr>
<tr>
<td>Garoña 3</td>
<td>100% Nuclenor</td>
<td>Stª Mª Garoña-Burgos</td>
<td>N</td>
<td>1</td>
<td>466</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>
</tr>
<tr>
<td>Almaraz II</td>
<td>36% Sevillana</td>
<td>Almaraz-Cáceres</td>
<td>N</td>
<td>1</td>
<td>1,044</td>
</tr>
<tr>
<td>Trillo 2</td>
<td>2% Nuclenor</td>
<td>Trillo-Guadalajara</td>
<td>N</td>
<td>1</td>
<td>1,066</td>
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<tr>
<td><strong>Total Thermal Nuclear</strong></td>
<td>7</td>
<td></td>
<td></td>
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<tr>
<td><strong>Hydroelectric</strong></td>
<td></td>
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<tr>
<td>U. of Prod. Hidr. Noroeste</td>
<td>H</td>
<td>749</td>
<td>100.0</td>
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<td>U. of Prod. Hidr. Ebro-Pirineos</td>
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<td>1,992</td>
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<td>1,992</td>
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<tr>
<td>U. of Prod. Hidr. Sur</td>
<td>H</td>
<td>673</td>
<td>100.0</td>
<td>673</td>
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<tr>
<td><strong>Pumped Generation</strong></td>
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<tr>
<td>U. of Prod. Hidr. Ebro-Pirineos</td>
<td>H</td>
<td>760</td>
<td>100.0</td>
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<td>U. of Prod. Hidr. Sur</td>
<td>H</td>
<td>590</td>
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<td><strong>Total Hydroelectric</strong></td>
<td>4,764</td>
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<td></td>
<td>4,764</td>
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</tr>
<tr>
<td><strong>TOTAL MAINLAND</strong></td>
<td>19,800</td>
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<td></td>
<td>16,226</td>
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<tr>
<td>Company of origin</td>
<td>Municipality</td>
<td>Type of fuel</td>
<td>No. of units</td>
<td>Total power (MW)</td>
<td>% ENDESA</td>
</tr>
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</tr>
<tr>
<td><strong>NON-MAINLAND SYSTEMS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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2. Fox: end date according to Decision of the Ministry 27/03/2015; Certificate of Closure 10/06/2015.
3. ENDESA Generación has 50% of Nuclenor, a company which holds the stake in Garoña and Trillo. Consolidated under the equity method.
5. Granadilla includes the Arona facilities (GT1+GT2: 2*24.3 MW).

Fuels:
- H: coal.
- F: fuel-oil.
- D: diesel.
- A: coal.
- LP: brown lignite.
- LN: black lignite.
- CI: imported coal.
- G: gas oil.
- GN: natural gas.
- CCTG: combined cycle-gas turbine.
- H: hydroelectric.
- H+E: pumped hydroelectric + wind.
### Parque de generación de ENDESA en Portugal a 31/12/2015 (R. Ordinario) MW B. A.

**PORTUGAL**

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<th>Company of origin</th>
<th>Municipality</th>
<th>Type of fuel</th>
<th>No. of units</th>
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<th>% ENDESA</th>
<th>Power consolidable in ENDESA (MW)</th>
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¹ Tejo Energy consolidated under the equity method.
² ENDESA has a 50% stake in Elecgas, but holds 100% of the Tolling contract.

### Morocco

<table>
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<th>% ENDESA</th>
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¹ Tahaddart consolidated under the equity method.
Endesa
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