ENDESA, S.A.

and Subsidiaries

Consolidated Management Report

for the nine-month period ended 30 September 2011

Madrid, 8 November 2011

ENDESA, S.A. AND SUBSIDIARIES

MANAGEMENT REPORT

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011

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Endesa reports net income of Euro 1,978 million for the period from January to September 2011

Endesa reported net income of Euro 1,978 million to September, Euro 744 million (-27.3%) lower than in the same period last year.

The drop in net income is explained by the fact that net income for 9M10 included an Euro 881 million after-tax gain generated by the merger of Endesa Cogeneración y Renovables, S.A.U. (now ENEL Green Power España, S.L., hereinafter "EGPE") with ENEL Green Power, S.p.A. (hereinafter, "EGP").

However, the only significant capital gain in the first nine months of 2011 came from the sale of Endesa's telecommunications and systems business to Enel Energy Europe, S.L.U. (hereinafter "EEE"). This generated a net gain of Euro 123 million.

Excluding the gains from the sale of assets in both periods, net income is up 2.8% in 9M11.

The table below shows the breakdown of net income by region and the year-on-year change:

Endesa's net income for January-September 2011			
	Euro million	% change 3Q10	% of total net income
Spain, Portugal and Other	1,465	(34.9)	74.1
Latin America	513	9.1	25.9
TOTAL	**1,978**	**(27.3)**	**100.0**

Electricity generation and sales

Endesa's power output in the first nine months of 2011 totalled 102,603 GWh, 4.9% higher than in the same period in 2010. Electricity sales stood at 132,467 GWh, up 1.2%.

Power output and sales: January-September 2011				
	Output		Sales	
	GWh	% change 3Q10	GWh	% change 3Q10
Spain, Portugal and Other	57,268	11.0	80,525	(0.4)
Latin America	45,335	(1.9)	51,942	3.8
TOTAL	**102,603**	**4.9**	**132,467**	**1.2**

EBITDA: Euro 5,449 million

EBITDA and EBIT for 9M11 fell by 6.2% and 8.4%, respectively, to Euro 5,449 million and Euro 3,843 million.

The Euro 361 million reduction in EBITDA and Euro 353 million drop in EBIT are the result of several factors, including the following:

- Recognition of a Euro 109 million expense in the first nine months of 2011 for the Colombian subsidiaries relating to the accrual of wealth tax at 1 January, which will be paid during the period 2011-2014.

- Euro 147 million fall in EBITDA in the Chilean generation business was mainly due to the severe drought in Chile in the first nine months of the year resulting in a 13.8% decline in hydroelectric power generation at Endesa's subsidiaries in this country.

- The sale of assets in 2010, that generated EBITDA of Euro 189 million in the first nine months of that year.

During the first nine months of 2011, revenues grew 7.1% to Euro 24,604 million, primarily due to higher sales prices. Variable costs rose by 12.9% as a result of a less favourable generation mix, with conventional thermal generation increasing relative to hydro and nuclear output, thereby hiking up fuel costs. The cost of energy acquired for re-sale also increased.

Fixed costs rose by 3.1% (Euro 85 million) due to the recognition of Euro 109 million relating to the aforementioned wealth tax in Colombia.

The table below shows the breakdown of EBITDA and EBIT by region and the year-on-year change:

	Revenues		EBITDA		EBIT	
	Euro million	**% change 3Q10**	**Euro million**	**% change 3Q10**	**Euro million**	**% change 3Q10**
Spain, Portugal and Other	17,074	8.5	3,124	(6.4)	1,993	(13.1)
Latin America	7,530	4.1	2,325	(6.0)	1,850	(2.7)
TOTAL	**24,604**	**7.1**	**5,449**	**(6.2)**	**3,843**	**(8.4)**

Net financial results improved by 32.1% to Euro 568 million

Endesa reported a net financial loss of Euro 568 million to 30 September 2011, an improvement of Euro 268 million year-on-year. Net finance expense totalled Euro 576 million, down 30.1% on the same period in the previous year, while net exchange gains were Euro 8 million, compared to the loss of Euro 12 million seen in January-September 2010.

The following factors should be taken into accounts in the comparison between the two periods:

- The net financial result for 9M11 included the Euro 77 million negative impact of adjusting interest relating to the financing of the revenue deficit for regulated activities in Spain pursuant to Royal Decree Law 6/2010 of 9 April.

- The net financial result for the nine-month period ended 30 September 2011 includes a positive impact of Euro 63 million relating to interest recognised as a result of the two rulings handed down by the Supreme Court partially recognising the appeals filed by Endesa in relation to the Corporate Income tax for the Endesa Group in 1998 and 1999. Of this amount, Euro 27 million corresponded to the business in Spain and Portugal and Other while Euro 36 million corresponded to the business in Latin America.

Cash flow from operating activities: Euro 3,005 million

Cash flow from operating activities totalled Euro 3,005 million compared to Euro 2,590 million in the first nine months of 2010.

Investment: Euro 1,726 million

Endesa invested Euro 1,726 million in the first nine months of 2011. Of this amount, Euro 1,536 million was capex and investment in intangible assets. The remaining Euro 190 million related to financial investments.

Investment				
	Millions of Euro			
	Capex and intangible assets	**Financial investments**	**TOTAL**	**% change**
Spain, Portugal and Other	773	64	837	(22.8)
Latin America	763	126	889	35.7
TOTAL (*)	**1,536**	**190**	**1,726**	(0.7)

(*) Excludes investments in non-current assets held for sale and in discontinued activities amounting to Euro 80 million.

Financial position

Endesa had net financial debt of Euro 13,149 million at 30 September 2011, a reduction of Euro 2,187 million compared to 31 December 2010.

Breakdown of Endesa's net debt by business line (*)				
	Millions of Euro			
	30 September 2011	31 December 2010	Difference	% change
Business in Spain, Portugal and Other	8,729	10,684	(1,955)	(18.3)
Business in Latin America	4,420	4,652	(232)	(5.0)
Enersis Group	4,205	4,188	17	0.4
Other	215	464	(249)	(53.7)
TOTAL	**13,149**	**15,336**	**(2,187)**	**(14.3)**

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

The average cost of Endesa's debt was 6.0% between January and September 2011. The average cost of debt corresponding to the Enersis Group was 9.3%. Excluding Enersis Group debt, the average cost of Endesa's debt was 4.2% in the period.

When assessing Endesa's debt levels, it must be remembered that at 30 September 2011, the company had the recognised right to collect Euro 6,817 million in connection with several regulatory issues affecting the Spanish electricity business: Euro 3,939 million for financing the revenue shortfall from regulated activities and Euro 2,878 million in compensation for stranded costs in non-mainland generation. Stripping out these regulatory items, Endesa's net debt was Euro 6,332 million.

On 7 July 2010, Endesa informed the Deficit Securitisation Fund for the Electricity System (FADE) of its irrevocable commitment to transfer all deficit collection rights derived from the financing of the revenue shortfall from regulated activities and the compensation for stranded costs in non-mainland generation accumulated in the period 2001-2008. According to Royal Decree 437/2010 of 9 April, these rights must be securitised within a year from the notification date, as long as no exceptional circumstances arise in the markets.

As the committed rights had not been transferred to FADE before 7 July 2011 the Interministerial Commission issued a resolution stating that exceptional conditions had occurred in the markets that prevented FADE acquiring said rights in the stipulated timeframe. Endesa decided not to meet its commitment in this respect, postponing it by a further year, to 7 July 2012.

During the first nine months of 2011, the Deficit Securitisation Fund for the Electricity System issued a total of Euro 8,500 million, Euro 3,637 million of which was collected by Endesa during the period. The company collected a further Euro 781 million on 5 October.

Additionally, Endesa received Euro 256 million of the compensation for stranded costs in non-mainland generation directly from the Spanish government's budgets through the compensation mechanism established by Royal Decree Law 6/2009, of 30 April.

Moreover, the General Shareholders' Meeting held on 9 May 2011 resolved to distribute a total dividend against 2010 earnings of €1.017 (gross) per share, equivalent to a payment of Euro 1,076 million. Of this amount, Euro 529 million was paid via an interim dividend on 3 January, while a final dividend was paid out on 1 July for a total sum of Euro 547 million.

Below is a breakdown of Endesa's net financial debt at 30 September 2011 by currency, indicating whether the interest rate is fixed, hedged or variable.

Structure of Endesa's net financial debt at 30 September 2011 (Euro million)						
	Endesa and direct subsidiaries		**Enersis Group**		**Total Endesa Group**	
	Euro million	**% of total**	**Euro million**	**% of total**	**Euro million**	**% of total**
Euro	8,890	99	-	-	8,890	68
Dollar	52	1	1,528	36	1,580	12
Chilean Peso /UF	-	-	710	17	710	5
Brazilian real	-	-	577	14	577	4
Other currency	2	-	1,390	33	1,392	11
TOTAL	**8,944**	**100**	**4,205**	**100**	**13,149**	**100**
Fixed rate	4,928	55	2,507	60	7,435	57
Hedged	279	3	-	-	279	2
Variable	3,737	42	1,698	40	5,435	41
TOTAL	**8,944**	**100**	**4,205**	**100**	**13,149**	**100**
Avg. life (years)	2.9		5.4		3.9	

Endesa had liquidity of Euro 4,100 million in Spain at the close of 9M11, sufficient to meet the group's total debt repayments over the next six months. Euro 3,747 million of this amount comprised undrawn sums on unconditional credit lines.

Meanwhile, the Enersis Group held cash and cash equivalents totalling Euro 1,333 million and Euro 587 million in undrawn, unconditional credit lines, covering debt maturities for the next 24 months.

As of the date of release of 9M11 earnings, Endesa's long-term debt ratings are: Standard & Poor's: A-, with a negative outlook; Moody's: A3 with a negative outlook, and Fitch: A-, with a stable outlook.

Financial leverage

Endesa's consolidated equity was Euro 23,912 million at 30 September 2011, Euro 748 million higher than at 31 December 2010.

Of this amount, Euro 18,715 million corresponded to Endesa S.A. shareholders, and Euro 5,197 million to minority shareholders of group companies.

Changes in group equity and net debt resulted in leverage of 55% on 30 September 2011, compared to 66.2% on 31 December 2010.

Assets held for sale

At the end of 2010, Endesa started proceedings for the sale of its 100% stake in Endesa Ireland Ltd. (hereafter, "Endesa Ireland"). At 30 September 2011, the assets and liabilities which are likely to be included in this transaction were classified in the consolidated balance sheet under the headings "Non-current assets held for sale and discontinued operations" and "Liabilities associated with non-current assets held for sale and discontinued operations".

Net gains from asset disposals

The main divestments during 9M11 were as follows:

Compañía Americana de Multiservicios Ltda.

On 24 February 2011, Enersis sold to Graña y Montero S.A.A. the assets of the group headed by the Chilean company, Compañía Americana de Multiservicios Ltda. (hereafter, "CAM"). The agreed sale price was Euro 14 million (USD 20 million), generating an after-tax gain of Euro 8 million.

Synapsis Soluciones y Servicios IT Ltda.

On 1 March 2011, Enersis sold to Riverwood Capital L.P. the assets of the group headed by the Chilean company, Synapsis Soluciones y Servicios IT Ltda. (hereafter, "Synapsis"). This sale was made for Euro 37 million (USD 52 million), generating an after-tax gain of Euro 5 million.

Systems and telecommunications business

On 30 March 2011, Endesa entered into an agreement with its controlling shareholder EEE to transfer Endesa's telecommunications and systems line of activity to EEE for Euro 250 million. This transaction is intended to ensure all telecommunications and systems services are jointly managed for both the Endesa Group and the Enel Group, as part of the global business strategy aimed at generating synergies.

The sale was completed in July, generating an after-tax gain of Euro 176 million.

Results by business line

Business in Spain, Portugal and Other

Net income – Spain, Portugal and Other: Euro 1,465 million

Net income from Endesa's business in Spain, Portugal and Other was Euro 1,465 million for the period January-September 2011, Euro 787 million lower than the same period in 2010, contributing 74.1% of the company's total net income. Excluding the gain from asset disposals, net income in this business segment would have risen by 0.9%. EBITDA was Euro 3,124 million, down 6.4% year-on-year, and EBIT totalled Euro 1,993 million, down 13.1%.

The decline in EBITDA and EBIT is primarily due to the following factors:

- Disposals of electricity transmission and distribution and gas transport assets in the third quarter of 2011, which had a negative impact of Euro 157 million on EBITDA.

- The integration of renewable energy assets held by Endesa in Spain and Portugal in EGP, which meant they were no longer consolidated in the financial statements of Endesa using the full consolidation method after the second quarter of 2010, resulted in a Euro 32 million impact on EBITDA.

- The less favourable power generation mix due to the drop in hydro and nuclear output, and the increase in conventional thermal generation, leading to higher fuel costs.

- The higher average price on the electricity wholesale market during 9M11 compared to that prevailing in the same period in 2010. This price hike has bumped up the cost of electricity purchases required to cover the gap between sales and output, thereby leading to a shrinking of the margin on these sales.

Net finance expense improved Euro 183 million as a result of, among other factors, a reduction in debt during the first nine months of 2011.

Highlights

Demand in the period January-September 2011 declined 0.1% year-on-year (-1% not adjusted for working days and temperature).

Additionally, between January and September 2011, wholesale electricity prices rose by 32.3% compared to the same period in 2010.

During this period, Endesa obtained a market share in ordinary regime generation of 34.8%, a 42.9% share in distribution and a 39.9% share in sales to deregulated customers.

From a regulatory perspective, Ministerial Order ITC/3353/2010, of 28 December, established that access tariffs shall remain unchanged from 1 January 2011, while capacity payments payable by consumers have increased.

Resolution of 28 December 2010, establishing the LRT to be applied in the first quarter of 2011, stipulated an average increase of 9.8% in this tariff.

Ministerial Order ITC/688/2011, of 30 March, established the access tariffs and LRT applicable from 1 April 2011. The LRT remains unchanged while access tariffs have increased by 10.9%, equivalent to the reduction in energy prices. For the remaining low-voltage tariffs, access tariffs have gone up 7%, while medium- and high-voltage tariffs have increased 2%. This Order also set the provisional interest rate, pending enacting regulations, applicable to the 2010 deficit until it is securitised at 2%.

Additionally, the Resolution of 30 June 2011 set the LRT for the third quarter of 2011. LRT have increased by 1.5% on average as a result of the increase in energy costs following the CESUR (Contratos de Energía para el Suministro de Último Recurso) auction. However, access tariffs remained unchanged.

Ministerial Order ITC/2585/2011, of 29 September, established the access tariffs and LRT applicable from 1 October 2011. The LRT remains unchanged while access tariffs have decreased by 12%, equivalent to the increase in energy costs following the CESUR (Contratos de Energía para el Suministro de Último Recurso) auction. For the remaining low-voltage tariffs, access tariffs have remained unchanged. A new access tariff and a super off-peak LRT with time restraints have been introduced.

The shortfall between the access tariffs collected during the first nine months of 2011 and the system costs during the same period has led to a revenue deficit in regulated activities of approximately Euro 3,215 million for the sector as a whole. Of this amount, Endesa must finance 44.16%.

Royal Decree 1307/2011, of 26 September was enacted on 11 October, amending Royal Decree 437/2010, of 9 April, implementing the securitisation of the deficit in the electricity system, adapting its content to the amendments over deficit established in Royal Decree Law 14/2010, of 23 December. This introduces the possibility of private placements, which would increase the possibility of placing the deficit in the markets.

Furthermore, Royal Decree 302/2011, of 4 March was enacted on 5 March 2011, establishing a mechanism through which suppliers of last resort (hereafter, "SLR") must acquire financial contracts for a maximum amount of energy equivalent to the difference between the volumes they have applied for and those allocated to them through the CESUR auction. The selling agents are the special regime generators under the tariff option. The price of this energy will be equivalent to the difference between the CESUR price and the spot price.

Order ITC/2452/2011, of 13 September was enacted on 16 September, revising certain CHP/renewables tariffs and premiums. Among other aspects it stipulates the rental price for meters which can be used for remote management.

In relation to the mechanism to promote Spanish coal production (Royal Decree 134/2010, of 12 February, amended by Royal Decree 1221/2010, of 1 October), on 10 February 2011 a resolution was passed establishing the amounts of coal to be consumed in 2011, the maximum output covered by this mechanism, and the energy prices to be applied in this process. This mechanism began to be applied at the end of February 2011.

Other operations during the period

On 30 June 2011, Endesa closed an agreement with Gas Natural, SDG, S.A. according to which Endesa will acquire a portfolio of approximately 245,000 gas customers and other associated assets in the Madrid area for Euro 38 million. The agreement is subject to approval by the regulatory and competition authorities.

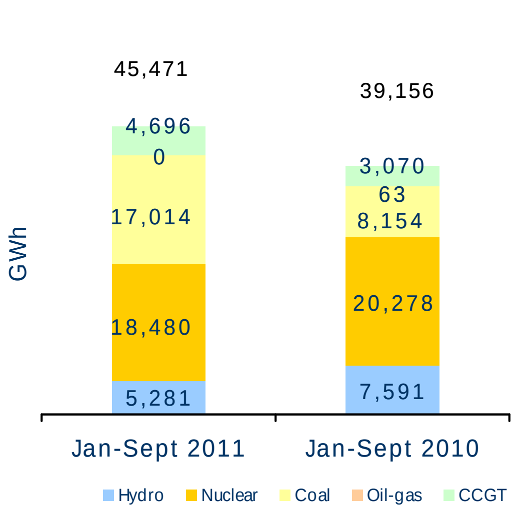
Revenues: Euro 17,074 million (+8.5%)

Endesa reported revenues of Euro 17,074 million from the business in Spain, Portugal and Other in January-September 2011, an increase of 8.5% compared to 9M11.

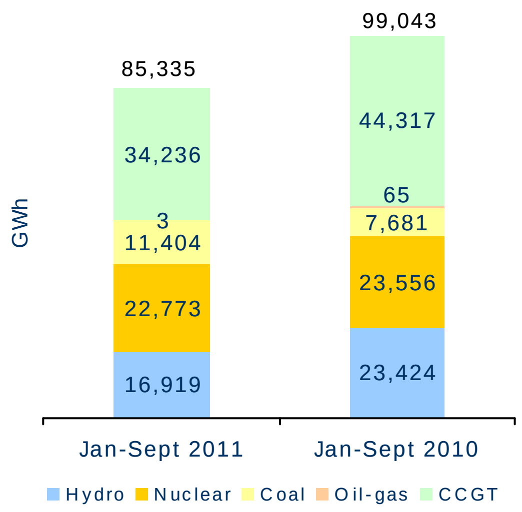
Of this amount, revenues from sales accounted for Euro 15,866 million, 5.6% higher than in the first nine months of 2010, as shown below:

Sales in Spain, Portugal and Other				
	Millions of Euro			**% change**
	Jan-Sept 2011	**Jan-Sept 2010**	**Difference**	
Electricity sales	12,622	12,059	563	4.7
Sales to the deregulated market	5,389	5,094	295	5.8
Sales to Suppliers of Last Resort	3,819	3,974	(155)	(3.9)
Wholesale market sales	1,015	460	555	120.7
CHP/renewables sales	-	29	(29)	n/a
Supply to deregulated customers outside Spain	482	273	209	76.6
Non-mainland compensation	1,309	1,309	-	-
Power trading	483	776	(293)	(37.8)
Other sales	125	144	(19)	(13.2)
Regulated revenue from electricity distribution	1,666	1,667	(1)	(0.1)
Gas supply	1,056	1,061	(5)	(0.5)
Other sales and services rendered	522	244	278	113.9
TOTAL	**15,866**	**15,031**	**835**	**5.6**

Endesa ordinary regime mainland generation:
Total: 45,471 GWh (16.1%)



Rest of the sector ordinary mainland generation
Total: 85,335 GWh (-13.8%)



Electricity sales

Endesa's output in Spain, Portugal and Other was 57,268 GWh in the first nine months of 2011, a 11.0% increase compared to the same period in 2010. Of this amount, 56,079 GWh corresponded to Spain (+11.3%), 572 GWh to Portugal (+9.8%) and 617 GWh to the rest of the segment (-11.0%).

Endesa's mainland output in the nine-month period ended 30 September 2011 stood at 45,471 GWh, 16.1% higher year-on-year. Nuclear and hydro energy accounted for 52.3% of Endesa's mainland generation mix under the ordinary regime (71.2% in 9M10), compared with 46.5% for the rest of the sector (47.4% in 9M10).

Endesa's output from non-mainland facilities was 10,608 GWh, a decrease of 1.4% compared to January-September 2010.

Supply to deregulated customers

Endesa had 2,225,649 customers in the deregulated market at the end of September 2011: 2,166,408 in the Spanish market and 59,241 in European deregulated markets other than Spain.

Endesa sold a total of 57,773 GWh to these customers in January-September 2011, an increase of 9.3%.

Sales in the Spanish deregulated market totalled Euro 5,389 million, up 5.8% on the period January to September 2010. In turn, revenues from sales to customers in deregulated European markets other than Spain rose 76.6% year-on-year to Euro 482 million.

Last resort supplier sales

Endesa sold 22,045 GWh through its LRS in the first nine months of the year, 19.3% lower year-on-year as a result of the transfer of LRT customers to the deregulated market.

These sales generated revenues of Euro 3,819 million, down 3.9% on the same period in 2010.

Electricity distribution

Endesa distributed 87,460 GWh of electricity in the Spanish market in 9M11, 1.5% lower year on year.

Despite the sale of power transmission assets in 2010, regulated revenue from distribution activities amounted to Euro 1,666 million, similar to the year-ago amount.

Gas supply

Endesa sold 35,380 GWh to customers on the deregulated Spanish natural gas market in the first nine months of 2011, a year-on-year increase of 24.0%.

Revenues from gas sales in the deregulated market rose 0.5% to Euros 1,056 million.

Operating expenses

The breakdown of operating expenses in Spain, Portugal and Other for January - September 2011 is provided below:

Operating expenses in Spain, Portugal and Other

	Millions of Euro			
	Jan-Sept 2011	**Jan-Sept 2010**	**Difference**	**% change**
Procurements and services	12,247	10,699	1,548	14.5
Power purchased	4,487	3,978	509	12.8
Fuel consumption	2,018	1,448	570	39.4
Transmission expenses	4,339	4,148	191	4.6
Other supplies and services	1,403	1,125	278	24.7
Personnel expenses	787	852	(65)	(7.6)
Other operating expenses	1,005	980	25	2.6
Depreciation & amortisation charges and impairment losses	1,131	1,043	88	8.4
TOTAL	**15,170**	**13,574**	**1,596**	**11.8**

Procurements and services (variable costs)

Power purchases stood at Euro 4,487 million, an increase of 12.8% on 9M10. This rise was mainly due to the higher unit cost of these purchases.

Fuel consumption totalled Euro 2,018 million in 9M11, a year-on-year rise of 39.4%, due to the higher thermal production during the period.

Personnel and other fixed operating expenses

Fixed costs in 9M11 totalled Euro 1,792 million, Euro 40 million lower (-2.2%) than in January-September 2010.

This change is due to a Euro 65 million reduction in “Personnel expenses” to Euro 787 million, and a Euro 25 million increase in “Other operating expenses” to Euro 1,005 million.

Depreciation & amortisation charges and impairment losses

Depreciation & amortisation charges and impairment losses totalled Euro 1,131 million, Euro 88 million higher than in 9M10.

Financial results: Euro 303 million (-37.7%)

The net financial result reported for January-September 2011 was Euro -303 million, Euro 183 million less than the same period in the previous year.

This was due to a Euro 150 million decline in net financial expenses and a Euro 33 million reduction in net exchange differences, which have moved from a loss of Euro 18 million in 9M10 to a gain of Euro 15 million in 2011.

The year-on-year comparison of net financial expense in the first nine months of 2011 should take into account the following factors:

- In 9M10, the net financial expense included the negative impact of the restatement of Euro 77 million of finance revenues recorded in previous years resulting from the accrual of interest on the shortfall between the effective contribution date and the start of the following year, in accordance with the provisions of Royal Decree Law 6/2010 of 9 April.

- In the first nine months of 2011 net financial revenues of Euro 27 million were recorded for this business, corresponding to interest associated with the rulings handed down by the National Court on companies belonging to the Endesa tax group in 1998 and 1999.

Net financial debt in the Spain, Portugal and Other business at 30 September 2011 stood at Euro 8,729 million, vs. Euro 10,684 million at year-end 2010.

Of this amount, Euro 6,817 million is financing regulatory receivables: Euro 3,939 million to finance the revenue shortfall from regulated activities and Euro 2,878 million to fund the non-mainland generation compensations.

Cash flow from operating activities: Euro 1,523 million

Cash flow from operating activities in the business in Spain, Portugal and Other totalled Euro 1,523 million in the first nine months of 2011 compared to Euro 1,397 in 9M10.

Investments: Euro 837 million

Investments in the Spain, Portugal and Other business in 9M11 totalled Euro 837 million, as detailed in the following table.

Total investment Business in Spain, Portugal and Other			
	Millions of Euro		**% change**
	Jan-Sept 2011	**Jan-Sept 2010**	
Capex	703	872	(19.4)
Intangible	70	80	(12.5)
Financial investments	64	132	(51.5)
TOTAL (*)	**837**	**1,084**	**(22.8)**

(*) Excludes investments in non-current assets held for sale and from interrupted activities amounting to Euro 80 million.

Capex Business in Spain, Portugal and Other			
	Millions of Euro		**% change**
	Jan-Sept 2011	**Jan-Sept 2010**	
Generation	259	380	(31.8)
Distribution	442	478	(7.5)
Other	2	14	85.7)
TOTAL	**703**	**872**	**(19.4)**

Capex in generation assets in the Spain, Portugal and Other business includes the usual maintenance investments and investments in new capacity (basically completion of the investments in the Besós 5, Ca's Tresorer II and Granadilla 2 CCGTs, and the increase in the capacity of the Almaraz nuclear power plant).

Capex in the distribution business relates to investment to expand and optimise the network, in order to improve efficiency and service quality. It also includes investment for the widespread installation of smart meters and their associated operating systems.

Business in Latin America

Net income in Latin America: Euro 513 million

In Latin America, Endesa's 9M11 net income rose 9.1% year-on-year to Euro 513 million.

Nonetheless, the impact of the net worth tax in Colombia should be considered when analysing net income in the Latin American business. In 2009, Law 1370 was passed in Colombia, resulting in the establishment of a 4.8% net worth tax on liquid assets held at 1 January 2011, payable in eight instalments between 2011 and 2014. Furthermore, Decree Law 4825 was enacted on 29 December 2010 establishing a 25% surcharge on the net worth tax calculated in accordance with Law 1370. This tax amounts to Euro 109 million for Endesa Group subsidiaries with registered offices in Colombia as a whole, and was accrued in full at 1 January 2011. It was therefore recognised in full during the first nine months of 2011.

Stripping out the impact of the Colombian net worth tax, net income in Latin America would have risen 17.2%.

EBITDA totalled Euro 2,325 million, a 6.0% decline on the first nine months of 2010 (-1.6% excluding the Colombian net worth tax) while EBIT was Euro 1,850 million, down 2.7% on 9M11 (+3.0% excluding the Colombian net worth tax).

Highlights

The economic environment in Endesa's Latin American operating markets was positive. Energy demand advanced in all countries during 9M11, with especially noteworthy increases in Peru (8.4%), Chile (SIC 7.3% and SING 3.5%), Argentina (5.4%) and Brazil (3.3%).

In this context, distribution sales by Endesa companies totalled 51,942 GWh, an increase of 3.8% on 9M10, with rises recorded in all countries: Peru (7.6%), Chile (4.9%), Argentina (3.5%), Colombia (3.1%) and Brazil (2.4%).

Output in Endesa's generation business declined 1.9% to 45,335 GWh. By countries, of particular note are the increases in Peru (9.0%) –due to higher thermal output-, Argentina (4.7%) and Colombia (1.1%), which partially offset the declines in Brazil (33.7%), due to lower hydro output and the replacement of gas production with purchases in the market; and Chile (6%), affected by the drought in the country's central-southern region.

Electricity generation and sales in Latin American business	Generation (GWh)		Distribution (GWh)	
	Jan-Sept 2011	% change Jan-Sept 2010	Jan-Sept 2011	% change Jan-Sept 2010
Chile	14,499	(6.0)	10,223	4.9
Argentina	12,518	4.7	13,064	3.5
Peru	7,307	9.0	4,895	7.6
Colombia	8,616	1.1	9,568	3.1
Brazil	2,395	(33.7)	14,192	2.4
TOTAL	**45,335**	**(1.9)**	**51,942**	**3.8**

Unit margins

The unit margin in the generation business declined by 5.6% to Euro 28.5/MWh. Improvements were seen in Colombia (10.7%), Brazil (7.3%), Peru (3.7%) and Argentina (1.0%), which partially offset the decline in Chile (17.9%).

The unit margin on distribution activities in 9M11 was Euro 33.3/MWh, a decline of 2.2% compared to 2010. This was mainly due to the better unit margins in Chile (8.1%), which failed to offset the falls in Argentina (11.7%), Peru (5.8%), Brazil (3.0%) and Colombia (0.5%).

New capacity development

In the first nine months of 2011 progress was made on the construction of the 370 MW Bocamina II coal-fired plant in Chile. Regarding El Quimbo hydro plant in Colombia (400 MW) works currently entail moving earth and lining the tunnel to redirect the Magdalena River in February 2012. The plant is slated to come on stream in 4Q14.

For the Talara thermal plant project in Peru (183 MW), the logistics for equipment is currently in progress and is due to end in June 2012. This dual open-cycle plant (diesel/natural gas) is due to come into operation in the first half of 2013.

Regulatory update

Chile

On 17 February 2011, and in light of the prevailing drought, Chile's National Energy Commission (the “NEC”) issued a Rationing Decree setting out a series of measures aimed at guaranteeing supply. This Rationing Decree, which has been extended until 30 April 2012, includes operational measures such as reducing voltage and maintaining hydro reserves, etc.

On 18 January 2011, Supreme Decree 13/2011 establishing emissions regulations for power plants was signed and subsequently published on 23 June. Highlights of the new text include the need for emissions convergence between new and existing plants by 2020, the recognition of plants under construction as existing assets and the extension of the timeframe for adjustments to be made at existing facilities.

In May, the country's president set up an advisory committee for electricity development (CADE) comprising renowned sector experts. The committee has been tasked to draw up proposals to reform the country's electricity sector to guarantee long-term sustainability. It must explore issues such as how to increase competition in the wholesale market, developing transmission networks and competition when selling to small-scale customers.

Brazil

As of the date of approval of this Management Report, the regulator has still not approved the procedures for the Third Cycle of Tariff Reviews for distribution companies. The delay in finalising the methodology for this third cycle of tariff reviews means that the review for Companhia Energética do Ceará, S.A. (hereinafter, "Coelce"), which should have been performed in April 2011, has not been carried out and the existing tariffs shall remain in force until the new methodology is defined.

On 15 March 2011 the annual Tariff Adjustment (IRT) for Ampla Energía e Serviços, S.A. (hereinafter, "Ampla") was completed, establishing a 10.04% increase for Parcel B (DAV).

On 5 April 2011 the Ministerial Directives 210/2011 and 211/2011 were published in the State Gazette, which adapt Compañía de Interconexión Energética, S.A (Cien) for connection to a regulated interconnection line, subject to payment of a regulated toll. The annual remuneration figure (RAP) totals Brazilian real 248 million. It will be adjusted in line with the Brazilian consumer price index (IPCA) in June of each year and is subject to tariff reviews every four years. The concession period runs until June 2020 for Line 1 and until July 2022 for Line 2, with compensation fixed for any investments that are not depreciated.

On 8 July the Government published Decree 7.520 rolling out a new "Power for All" programme for the 2011-2014 period. New operations manuals have been published outlining the rules and general framework under which this new scheme will be carried out. It is estimated that under this scheme Coelce and Ampla could attract 15,000 and 2,000 new customers respectively over the next three years.

In this regard, Decree 7.583, regulating the application of the electricity discount rate was approved on 13 October.

Peru

On 20 March 2011, the Ministry of Energy and Mines issued Supreme Decree 008-2011, which includes some amendments to previous Supreme Decree 003-2011, whereby the participation of private distribution companies in auctions is optional rather than mandatory.

Also, on 22 March 2011, Supreme Decree 012-2011 was approved, passing new regulation for power generation using renewable energies. The new regulation basically amends the rules for renewable energy auctions to improve its operations given the results seen in 2010. Based on this regulation, on 28 April 2011 a new auction to assign approximately 2,000 GWh of renewable energy power took place.

On 11 June 2011 Supreme Decree 027-2011-EM was enacted, passing the regulation for the short-term power market. This regulation, which will come into force on 1 January 2014, outlines the rules for the short-term market and marginal power sales as well as the requirements and guarantees needed to participate in the market for large customers and for generation and distribution companies.

Colombia

On 13 April 2011, the country's Electricity and Gas Regulatory Commission (the CREG) published the definitive model for quantifying the investment needed to reduce losses on the distribution grid.

The CREG also passed various regulations relating to amendments and/or improvements to reliability remuneration.

On 31 August, the CREG issued Resolution 118/11 defining the supply mechanism for natural gas during the transition period (2012-2013), differentiating between the treatment for firm and interruptible natural gas services. This resolution is in line with the decree governing gas procurement policy issued in June 2011.

Argentina

In accordance with the generation agreement signed by the government and Endesa, Sadesa and Duke, the generation companies submitted a joint project for the 800 MW "Vuelta de Obligado" combined cycle plant (hereinafter, "VOSA"). On 16 May 2011, the generation companies set up a financial trust including all the resources necessary for future investment.

In May, Empresa Distribuidora Sur, S.A. (hereinafter, "Edesur") requested that the Ente Regulador de Electricidad (hereinafter "ENRE") revise the tariff every six months for the period November 2010 to April 2011, estimated at 6.34%.

Other operations during the period

On 5 October 2011, Endesa Latinoamérica, S.A. (a wholly owned subsidiary of Endesa, S.A.) and EDP Energias de Portugal, S.A. entered into an agreement for Endesa Latinoamérica to acquire EDP's 7.70% stakes in Endesa's Brazilian subsidiaries Ampla Energia e Serviços S.A. (electricity distribution services concessionaire in the state of Rio de Janeiro) and Ampla Investimentos e Serviços S.A. (which owns a stake in Companhia Energetica do Ceara S.A., Coelce, the concession holder for electricity distribution services in the state of Ceará and a controlled by Endesa) for Euro 76 million and Euro 9 million, respectively.

Following these acquisitions, the Endesa Group controls 99.64% of the share capital of both companies, which are listed on the Sao Paulo stock exchange.

Also, and in compliance with securities market regulations in Brazil, Endesa launched tender offers, under the planned terms, for the remaining 0.36% stake held by the minority shareholders of both companies.

EBITDA: Euro 2,325 million

To 30 September, EBITDA for Endesa's Latin American business totalled Euro 2,325 million, a 6.0% decline on the first nine months of 2010 (-1.6% excluding the Colombian net worth tax while

EBIT was Euro 1,850 million, showing a 2.7% decrease on 9M10 (+3.0% excluding the effect of Colombian wealth tax).

EBITDA and EBIT in the Latin American business

	EBITDA (Euro million)			EBIT (Euro million)		
	Jan-Sept 2011	Jan-Sept 2010	% change	Jan-Sept 2011	Jan-Sept 2010	% change
Generation and transmission	1,309	1,403	(6.7)	1,104	1,123	(1.7)
Distribution	1,048	1,089	(3.8)	779	811	(3.9)
Other	(32)	(19)	n/a	(33)	(32)	n/a
TOTAL	**2,325**	**2,473**	**(6.0)**	**1,850**	**1,902**	**(2.7)**

The breakdown of these results by country is shown below:

EBITDA and EBIT in the Latin American business – Generation and Transmission

	EBITDA (Euro million)			EBIT (Euro million)		
	Jan-Sept 2011	Jan-Sept 2010	% change	Jan-Sept 2011	Jan-Sept 2010	% change
Chile	472	619	(23.7)	369	510	(27.6)
Colombia	301	327	(8.0)	261	282	(7.4)
Brazil	168	165	1.8	151	149	1.3
Peru	186	146	27.4	145	100	45.0
Argentina	99	95	4.2	75	69	8.7
TOTAL GENERATION	**1,226**	**1,352**	**(9.3)**	**1,001**	**1,110**	**(9.8)**
Brazil-Argentina interconnection	83	51	62.7	103	13	692.3
TOTAL GENERATION AND TRANSMISSION	**1,309**	**1,403**	**(6.7)**	**1,104**	**1,123**	**(1.7)**

EBITDA and EBIT in the Latin American business – Distribution

	EBITDA (Euro million)			EBIT (Euro million)		
	Jan-Sept 2011	Jan-Sept 2010	% change	Jan-Sept 2011	Jan-Sept 2010	% change
Chile	184	147	25.2	149	114	30.7
Colombia	261	296	(11.8)	189	225	(16.0)
Brazil	511	513	(0.4)	389	381	2.1
Peru	106	96	10.4	82	72	13.9
Argentina	(14)	37	(137.8)	(30)	19	(257.9)
TOTAL DISTRIBUTION	**1,048**	**1,089**	**(3.8)**	**779**	**811**	**(3.9)**

Generation and transmission

Chile

During the first nine months of the year Chile suffered one of the worst droughts in its history. This caused a huge reduction in hydroelectric output that was partially replaced by thermal power which has a much lower margin. Overall, Endesa's generation in Chile shrank 6.0% with unit margins declining 17.9%.

Against this backdrop, EBITDA for the generation business amounted to Euro 472 million in the first nine months of the year, down 23.7%, while EBIT totalled Euro 369 million, a 27.6% decline on the same period in the previous year.

Colombia

In Colombia, EBITDA (-8.0%) and EBIT(-7.4%) were affected by the introduction of the net worth tax.

Stripping out this effect, EBITDA and EBIT in 9M11 would have risen by 11.9% and 15.6%, respectively, primarily because of an improvement in output during the period (+1.1%) thanks to higher rainfall caused by the "Niña" climate phenomenon, lower energy purchase prices to cover sales commitments, and the favourable impact of greater revenues from frequency regulation services.

Brazil

Endesa's investees in Brazil generated a total of 2,395 GWh to 30 September, down 33.7% year-on-year, with decreases at the Fortaleza (thermal) plant primarily due to lack of demand by the system and the Cachoeira (hydro) plant as a result of lower rainfall levels.

Despite lower generation, the margin on sales covered by spot purchases made to cover contracted demand led to a slight improvement in EBITDA (+1.8 %) and EBIT (+1.3%) to Euro 168 million and Euro 151 million, respectively.

Peru

Endesa's investees in Peru generated total output in 9M11 of 7,307 GWh, 9.0% more than in the same period the previous year.

Higher spot prices due to the activation of new distribution tender contracts and higher sales to regulated customers, triggered a 27.4% rise in EBITDA, to Euro 186 million while EBIT climbed 45.0% to Euro 145 million.

Argentina

In the first nine months of the year, output rose 4.7%. Along with better sales margins achieved through the improvements negotiated by generation companies on 25 November 2010 through the Agreement with the Secretary of Energy, this increase drove EBITDA up 4.2% to Euro 99 million from 9M11, with EBIT rising by 8.7% to Euro 75 million.

Argentina - Brazil interconnection

As we have mentioned above, in April the two interconnections linking Brazil and Argentina began to receive regulated remuneration, putting Cien's EBITDA at 30 September 2011 at Euro 83 million, up 62.7% on the same period the previous year.

This, combined with the recovery of receivables from Argentina, for which provisions had previously been made, put EBIT at Euro 103 million for the period.

Distribution

Chile

The 4.9% rise in sales volumes, thanks to increased demand and higher prices due to improved indexing factors, pushed up EBITDA and EBIT in the Chilean distribution business by 25.2% and 30.7%, respectively, to Euro 184 million and Euro 149 million.

Colombia

EBITDA and EBIT in the Colombian distribution business declined by 11.8% and 16.0%, respectively, to Euro 261 million and Euro 189 million.

Stripping out the effect of the net worth tax, both indicators improved (3.0% and 3.6% respectively) due to higher demand and prices.

Brazil

EBITDA and EBIT for the nine-month period amounted to Euro 511 million (-0.4%) and Euro 389 million (+2.1%), respectively compared to the same period in 2010.

The decline in EBITDA is largely due to the lower electricity margin at Ampla which was affected by prices but which was partially offset by higher physical sales (+2.4%).

Peru

Financial indicators in the Peruvian distribution business performed well during the period on the back of a 7.6% rise in sales volumes.

EBITDA climbed 10.4% year-on-year, to Euro 106 million, while EBIT was 13.9% higher at Euro 82 million.

Argentina

EBITDA for the distribution business in Argentina was a negative Euro 14 million in the first nine months of the year compared to a positive Euro 37 million the previous year while EBIT amounted to a negative Euro 30 million, down Euro 49 million.

These declines are due to the company's higher fixed costs triggered by Argentina's rising inflation which it has not been possible to pass on to customers through tariffs.

Financial results: Euro 265 million (-24.3%)

Endesa's Latin American business generated a net financial expense of Euro 265 million in 9M11, a reduction of 24.3% compared to the first nine months of 2010. Net exchange differences moved from a gain of Euro 6 million in 9M10 to a loss of Euro 7 million in 9M11.

Net financial expense was Euro 258 million in 9M11, down Euro 98 million or 27.5%. Of this amount, Euro 36 million corresponds to the positive effect on this business of the National Court rulings on Corporate Income Tax for the Endesa Group.

Net debt at Endesa's Latin American business stood at Euro 4,420 million at 30 September 2011, a reduction of Euro 232 million since year-end 2010.

Cash flow from operating activities: Euro 1,482 million

Endesa's business in Latin America generated cash flow of Euro 1,482 million in 9M11, 24.2% higher than the same period in 2010.

Investment: Euro 889 million

Investment totalled Euro 889 million in 9M11,

Euro 126 million of which corresponded to financial investments and Euro 763 million to capex and investment in intangible assets, as shown in the table below:

Capex and investment in intangible assets in Latin American business	**Millions of Euro**		**% change**
	Jan-Sept 2011	**Jan-Sept 2010**	
Generation	337	143	135.7
Distribution and Transmission	220	184	19.6
Other	6	9	(33.3)
TOTAL CAPEX	**563**	**336**	**67.6**
Intangible assets (*)	**200**	**183**	**9.3**
TOTAL CAPEX AND INVESTMENT IN INTANGIBLE ASSETS	**763**	**519**	**47.0**

(*) Comprises investments in the Brazilian distribution business as, given the nature of the concession, the associated assets are classified partly as intangible and partly as financial under IFRIC 12.

Statistical appendix

Key figures

Electricity Generation Output (GWh)	**Jan-Sept 2011**	**Jan-Sept 2010**	**% change**
Business in Spain, Portugal and Other	57,268	51,592	11.0
Business in Latin America	45,335	46,220	(1.9)
TOTAL	**102,603**	**97,812**	**4.9**

Electricity Generation Output in Spain and Portugal and Other (GWh)	**Jan-Sept 2011**	**Jan-Sept 2010**	**% change**
Mainland	**45,471**	**39,615**	**14.8**
Nuclear	18,480	20,278	(8.9)
Coal	17,014	8,154	108.7
Hydroelectric	5,281	7,591	(30.4)
Combined cycle (CCGT)	4,696	3,070	53.0
Fuel oil	-	63	n/a
CHP/renewables	-	459	n/a
Non-mainland	**10,608**	**10,763**	**(1.4)**
Portugal	**572**	**521**	**9.8**
Other	**617**	**693**	**(11.0)**
TOTAL	**57,268**	**51,592**	**11.0**

Electricity Generation Output in Latin America (GWh)	**Jan-Sept 2011**	**Jan-Sept 2010**	**% change**
Chile	14,499	15,431	(6.0)
Argentina	12,518	11,956	4.7
Peru	7,307	6,703	9.0
Colombia	8,616	8,519	1.1
Brazil	2,395	3,611	(33.7)
TOTAL	**45,335**	**46,220**	**(1.9)**

Electricity sales (GWh)	**Jan-Sept 2011**	**Jan-Sept 2010**	**% change**
Business in Spain, Portugal and Other	**80,525**	**80,866**	**(0.4)**
LRS	22,045	27,330	(19.3)
Deregulated market	57,773	52,843	9.3
Other	707	693	2.0
Business in Latin America	**51,942**	**50,063**	**3.8**
Chile	10,223	9,749	4.9
Argentina	13,064	12,623	3.5
Peru	4,895	4,550	7.6
Colombia	9,568	9,277	3.1
Brazil	14,192	13,864	2.4
TOTAL	**132,467**	**130,929**	**1.2**

Gas sales (GWh)	Jan-Sept 2011	Jan-Sept 2010	% change
Regulated market	-	105	n/a
Deregulated market (*)	35,380	28,528	24.0
TOTAL	**35,380**	**28,633**	**23.6**

(*) Excluding own generation consumption.

Period-end headcount (number of employees)	30 Sept 2011	30 Sept 2010	% change
Business in Spain, Portugal and Other	11,988	12,782	(6.2)
Business in Latin America	11,016	12,275	(10.3)
TOTAL	**23,004**	**25,057**	**(8.2)**

Financial data

Key figures (Euro)	Jan-Sept 2011	Jan-Sept 2010	% change
EPS	1.87	2.57	(27.3)
BVPS (1)	17.68(1)	16.79(2)	5.3

(1) At 30/09/11
(2) At 31/12/10

Net financial debt (Euro million)	30 September 2011	31 December 2010	% change
Business in Spain, Portugal and Other	8,729	10,684	(18.3)
Business in Latin America	4,420	4,652	(5.0)
TOTAL	**13,149**	**15,336**	**(14.3)**
Financial leverage (%)	55.0	66.2	n/a

Ratings (8/11/11)	Long-term	Short-term	Outlook
Standard & Poor's	A-	A-2	Negative
Moody's	A3	P-2	Negative
Fitch	A-	F2	Stable

Endesa's main fixed-income issues	Spread over IRS (bp)	
	30 September 2011	31 December 2010
0.8Y GBP 400M 6.125% Mat. June 2012	186	128
1.4Y Euro 700M 5.375% Mat. February 2013	120	80

Stock market data	30 September 2011	31 December 2010	% change
Market cap (Euro million)	18,454	20,429	-9.7%
Number of shares outstanding	1,058,752,117	1,058,752,117	
Nominal share value (Euros)	1.2	1.2	

Stock market data (Shares)	Jan-Sept 2011	Jan-Sept 2010	% change
Trading volume			
Madrid stock exchange	131,092,468	120,661,528	8.6%
Average daily trading volume			
Madrid stock exchange	679,236	628,445	8.1%

Share price (Euro)	High Jan-Sept 2011	Low Jan-Sept 2011	30 September 2011	31 December 2010
Madrid stock exchange	24.05	16.17	17.43	19.295

Dividends (€/share)	Against 2010 earnings
Interim dividend (3 January 2011)	0.500
Final dividend (1 July 2011)	0.517
Total DPS	1.017
Pay-out (%)	26.1
Dividend yield (%)	5.3

Important legal disclaimer

This document contains certain "forward-looking" statements regarding anticipated financial and operating results and statistics and other future events. These statements are not guarantees of future performance and they are subject to material risks, uncertainties, changes and other factors that may be beyond ENDESA's control or may be difficult to predict.

Forward-looking statements include, but are not limited to, information regarding: estimated future earnings; anticipated increases in wind and CCGT generation and market share; expected increases in demand for gas and gas sourcing; management strategy and goals; estimated cost reductions; tariffs and pricing structure; estimated capital expenditures and other investments; estimated asset disposals; estimated increases in capacity and output and changes in capacity mix; repowering of capacity and macroeconomic conditions. The main assumptions on which these expectations and targets are based are related to the regulatory setting, exchange rates, divestments, increases in production and installed capacity in markets where ENDESA operates, increases in demand in these markets, assigning of production amongst different technologies, increases in costs associated with higher activity that do not exceed certain limits, electricity prices not below certain levels, the cost of CCGT plants, and the availability and cost of the gas, coal, fuel oil and emission rights necessary to run our business at the desired levels.

In these statements we avail ourselves of the protection provided by the Private Securities Litigation Reform Act of 1995 of the United States of America with respect to forward-looking statements.

The following important factors, in addition to those discussed elsewhere in this document, could cause actual financial and operating results and statistics to differ materially from those expressed in our forward-looking statements:

Economic and industry conditions: materially adverse changes in economic or industry conditions generally or in our markets; the effect of existing regulations and regulatory changes; tariff reductions; the impact of any fluctuations in interest rates; the impact of fluctuations in exchange rates; natural disasters; the impact of more stringent environmental regulations and the inherent environmental risks relating to our business operations; the potential liabilities relating to our nuclear facilities.

Transaction or commercial factors: any delays in or failure to obtain necessary regulatory, antitrust, internal and other approvals for our proposed acquisitions, investments or asset disposals, or any conditions imposed in connection with such approvals; our ability to integrate acquired businesses successfully; the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters during the process of integrating acquired businesses; the outcome of any negotiations with partners and governments. Delays in or impossibility of obtaining the pertinent permits and rezoning orders in relation to real estate assets. Any delays in or failure to obtain necessary regulatory approvals, including environmental approval, to construct new facilities, repowering or enhancement of existing facilities; shortages or changes in the price of equipment, materials or labour; opposition of political and ethnic groups; adverse changes in the political and regulatory environment in the countries where we and our related companies operate; adverse weather conditions, which may delay the completion of power plants or substations, or natural disasters, accidents or other unforeseen events; and the inability to obtain financing at rates that are satisfactory to us.

Political/governmental factors: political conditions in Latin America; changes in Spanish, European and foreign laws, regulations and taxes.

Operating factors: technical difficulties; changes in operating conditions and costs; the ability to implement cost reduction plans; the ability to maintain a stable supply of coal, fuel and gas and the impact of fluctuations on fuel and gas prices; acquisitions or restructurings; the ability to implement an international and diversification strategy successfully.

Competitive factors: the actions of competitors; changes in competition and pricing environments; the entry of new competitors in our markets.

Further details on the factors that may cause actual results and other developments to differ significantly from the expectations implied or explicitly contained in this document are given in the Risk Factors section of the current ENDESA Share Registration Statement filed with the Comisión Nacional del Mercado de Valores (the Spanish securities regulator or the "CNMV" for its initials in Spanish).

No assurance can be given that the forward-looking statements in this document will be realised. Except as may be required by applicable law, neither Endesa nor any of its subsidiaries intends to update these forward-looking statements.