ENDESA, S.A.

and Subsidiaries

Consolidated Management Report

for the six-month period ended 30 June 2012

Madrid, 27 July 2012

ENDESA, S.A. AND SUBSIDIARIES

MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

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ENDESA reported net income of Euros 1,146 million in the first half of 2012

ENDESA reported net income of Euros 1,146 million in the first half of 2012, 10.7% less than in the same period last year. This is largely due to lower remuneration in certain regulated activities in Spain, the write-down of the Group's assets in Ireland to adapt their carrying amount to the agreed-upon sale price and the impact on the comparison of the results for both periods of the positive one-off effects recorded in the first half of 2011 both in Spain and Latin America due to certain events that generated non-recurring income.

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

ENDESA net income, January-June 2012

	Millions of Euros	% change 1H 2011	% of total net income
Spain, Portugal and Other	893	(7.3%)	77.9
Latin America	253	(20.9%)	22.1
TOTAL	**1,146**	**(10.7%)**	**100.0**

Electricity generation and sales

ENDESA's generation in the first half of 2012 rose to 70,904 GWh, up 7.9% year-on-year while electricity sales climbed 0.7% to 87,854 GWh.

Power output and sales, January-June 2012

	Output		Sales (1)	
	GWh	% change 1H 2011	GWh	% change 1H 2011
Spain, Portugal and Other	40,518	12.7	51,951	(1.9)
Latin America	30,386	2.1	35,903	4.6
TOTAL	**70,904**	**7.9**	**87,854**	**0.7**

(1) Spain, Portugal and Other includes sales totalling 562 GWh. Latin America includes tolls and unbilled consumption totalling 6,531 GWh in the first half of 2012. Stripping out tolls and unbilled consumption, sales would have totalled 29,372 GWh (+4.4%).

EBITDA: Euros 3,547 million

EBITDA and EBIT in the first six months of 2012 rose by 1.5% and declined by 2.6%, respectively, to Euros 3,547 million and Euros 2,404 million.

EBITDA was affected by the decline in Spain resulting from the Government's measures to reduce regulated remuneration in place since the beginning of 2012. This caused EBITDA in the regulated business to decline although this was offset by growth in the same business in Latin America.

In the first half of 2012 revenues advanced 3.1% to Euros 16,696 million, primarily due to higher sales prices. Variable costs rose by 4.4% as a result of a less favourable generation mix, with conventional thermal generation increasing relative to hydro output, thereby hiking up fuel costs. The cost of energy acquired for re-sale also increased.

Fixed costs however fell by 2.6% (Euros 50 million), thanks to the implementation of the Synergy and Efficiency Plan rolled out within the ENDESA-Enel Group integration process. EBIT declined 2.6% in the first six months of 2012 to Euros 2,404 million. This is partly due, on one hand, to the write-down of the Group's assets in Ireland to adapt their carrying amount to the agreed-upon sale price and, on the other, to the reversal of provisions in the business in Latin America relating to the recovery of receivables for which provisions had previously been made.

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

	Revenues		**EBITDA**		**EBIT**	
	Millions of Euros	**% change 1H 2011**	**Millions of Euros**	**% change 1H 2011**	**Millions of Euros**	**% change 1H 2011**
Spain, Portugal and Other	11,445	1.9	2,040	(1.2)	1,269	(4.5)
Latin America	5,251	5.8	1,507	5.5	1,135	(0.4)
TOTAL	**16,696**	**3.1**	**3,547**	**1.5**	**2,404**	**(2.6)**

Net financial results stood at Euros 406 million

ENDESA reported a net financial loss for the first half of 2012 of Euros 406 million, a year-on year increase of Euros 106 million.

Net finance expense totalled Euros 378 million, Euros 45 million higher than for the same period in 2011, while exchange rate losses were Euros 28 million compared to a gain of Euros 33 million at 30 June 2011.

When analysing net finance expense, the following factors should be taken into account:

- The net financial result for 1H 2011 included a positive impact of Euros 63 million relating to interest recognised as a result of the two rulings handed down by the Spanish High Court in relation to Corporate Income Tax for the tax group headed by ENDESA in 1998 and 1999. Of this amount, Euros 27 million corresponded to the business in Spain and Portugal and Other, while Euros 36 million related to the business in Latin America.

- The trend of long-term interest rates in the first six months of 2012 and 2011 meant that provisions had to be adjusted to account for obligations from ongoing workforce restructuring plans for the sums of Euros 42 million (negative) and Euros 21 million (positive), respectively.

- The net financial result for 1H 2012 included the Euros 23 million positive impact of adjusting interest relating to financing the revenue deficit for regulated activities in Spain, generated in 2006, pursuant to Royal Decree Law 20/2012 of 13 July.

Excluding the impacts mentioned above, net finance expenses would have declined by Euros 58 million (13.9%), due to the debt reduction over both periods and lower financing costs.

Assets held for sale

At the end of 2010 ENDESA started proceedings for the sale of its 100% stake in ENDESA Ireland, Limited. In June 2012 the Company signed a sales agreement with Scottish and Southern Energy plc for an estimated sale price of Euros 270 million, including an estimated valuation of CO2 rights and fuel inventories of the company as of the moment of the signature, which is subject of several predefined adjustments as a function of determined parameters. The closure of the deal is subordinated to the approval by the relevant regulatory and anti-trust authorities.

During the first six months of 2012, ENDESA wrote down Euros 67 million to adjust the carrying amount of these assets, under the “Depreciations and Amortizations” note, in the Consolidated Income Statement, in order to adequate the book value of Endesa Ireland’s assets, to the best estimated selling price.

Cash flow from operating activities: Euros 2,251 million

Cash flow from operating activities in 1H 2012 amounted to Euros 2,251 million, compared to Euros 2,385 million in the same period in 2011, representing a decline of 5.6%, as a consequence of higher tax payments and claimed provisions.

Investment: Euros 1,012 million

Investments totalled Euros 1,012 million in the first six months of 2012.

Of this amount, Euros 904 million related to capex and investment in intangible assets and the remaining Euros 108 million to financial investments.

Total investment in January-June 2012				
	Millions of Euros			% change 1H 2011
	Capex and intangible assets	Financial investments	TOTAL	
Spain, Portugal and Other	462	35	497	(6.6)
Latin America	442	73	515	(11.7)
TOTAL (*)	**904**	**108**	**1,012**	(9.2)

(*) Excludes investments in non-current assets held for sale and in discontinued activities amounting to Euros 43 million, and the acquisition of the portfolio of gas customers in the Autonomous Community of Madrid for Euros 34 million.

Financial position

ENDESA had net financial debt of Euros 10,467 million at 30 June 2012, a reduction of Euros 535 million compared to 31 December 2011.

Breakdown of ENDESA'S net financial debt by business line (*)				
	Millions of Euros			
	30 June 2012	31 December 2011	Difference	% change
Business in Spain, Portugal and Other	5,508	6,841	(1,333)	(19.5)
Business in Latin America	4,959	4,161	798	19.2
Enersis Group	4,567	3,883	684	17.6
Other	392	278	114	41.0
TOTAL	**10,467**	**11,002**	**(535)**	**(4.9)**

(*) 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 total debt was 6.2% in 1H 2012, while the cost of debt corresponding to the Enersis Group was an average of 8.8%. Excluding Enersis Group debt, the average cost of ENDESA's debt was 4.3% in the period. This is 0.2 percentage points lower than the average for 1H 2011. However this decline is the result of a 0.7 percentage point decrease in the average cost of the Enersis Group's debt and a 0.3 percentage point increase in the rest of ENDESA due the disparate performance of the financial markets in Europe and Latin America.

When assessing the debt level, it is important to note that at 30 June 2012, ENDESA had the recognised right to collect Euros 4,896 million in connection with several Spanish regulatory matters: Euros 3,708 million for financing the revenue shortfall from regulated activities and Euros 1,188 million in compensation for stranded costs in non-mainland generation.

Stripping out these regulatory items, ENDESA's net debt at 30 June 2012 was Euros 5,571 million, Euros 51 million less than at 31 December 2011.

In the first half of 2012, the ENDESA Group ceded deficit collection rights to the Deficit Securitisation Fund for the Electricity System (hereinafter "FADE") for a total amount of Euros 1,705 million.

As of the date of this earnings release, ENDESA has informed the FADE of its irrevocable commitment to transfer all its collection rights for 2010, 2011 and 2012,amounting to a total Euros 2,982 million. The National Energy Commission has duly issued a certificate stating its compliance with these notifications.

The table below shows the structure of the Group's net financial debt at 30 June 2012:

Structure of ENDESA'S net financial debt at 30 June 2012 (Millions of Euros)

	ENDESA and direct subsidiaries		Enersis Group		Total ENDESA Group	
	Millions of Euros	**% of total**	**Millions of Euros**	**% of total**	**Millions of Euros**	**% of total**
Euro	5,838	99	-	-	5,838	56
US Dollar	69	1	1,731	38	1,800	17
Chilean Peso/Unidades de Fomento	-	-	689	15	689	7
Brazilian real	-	-	518	11	518	5
Other currency	(7)	-	1,629	36	1,622	15
TOTAL	**5,900**	**100**	**4,567**	**100**	**10,467**	**100**
Fixed rate	3,285	56	2,386	52	5,671	54
Variable rate	2,615	44	2,181	48	4,796	46
TOTAL	**5,900**	**100**	**4,567**	**100**	**10,467**	**100**
Avg. life (years)	4.1		5.3		4.6	

ENDESA had liquidity of Euros 6,637 million in Spain at 30 June 2012, sufficient to meet the Group's total debt repayments over the next 45 months. Euros 5,414 million of this amount was in undrawn, unconditional credit lines, of which Euros 3,500 million correspond to a credit line signed in November 2011 with ENEL Finance International, N.V. (hereinafter "EFI"), which had not been drawn down at 30 June 2012.

Meanwhile, the Enersis Group held cash and cash equivalents totalling Euros 1,149 million and Euros 705 million in undrawn, unconditional credit lines, covering debt maturities for the next 18 months.

As of the date of this earnings release, ENDESA's long-term debt ratings are: Standard & Poor's:"BBB+" with a stable outlook; Moody's:"Baa1" on Rating Watch Negative, and Fitch:"A-", on Ratin Watch Negative.

Financial leverage

ENDESA's consolidated equity at 30 June 2012 stood at Euros 25,464 million, Euros 785 million more than at the close of 2011. Euros 642 million of this amount was allocated to pay the dividend agreed by shareholders at the ENDESA General Shareholders' Meeting of 26 June 2012. This dividend was paid on 2 July. Euros 19,942 million of consolidated equity correspond to ENDESA, S.A. shareholders and Euros 5,522 million to minority shareholders.

Changes in group equity and net debt resulted in leverage of 41.1% at 30 June 2012, compared to 44.6% at 31 December 2011.

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Results by business line

Business in Spain, Portugal and Other

Net income – Spain, Portugal and Other: Euros 893 million

Net income from ENDESA's business in Spain, Portugal and Other was Euros 893 million in the first six months of 2012, Euros 70 million lower year-on-year, contributing 77.9% to ENDESA's total net income.

EBITDA was Euros 2,040 million, down 1.2% year-on-year and EBIT totalled Euros 1,269 million, a 4.5% decline.

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

- The impact on revenues from the distribution activity and the non-mainland business of the measures designed to reduce the electricity deficit approved in Royal Decree Laws 13/2012, of 30 March and 20/2012 of 13 July.

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

- The higher average price on the electricity wholesale market to 30 June 2012 compared to the same period in 2011. This price hike raised the cost of procuring electricity required to cover the gap between sales and output, causing the margin on these sales to shrink.

These negative effects were partially offset by the Euros 46 million decline in fixed costs thanks to the implementation of the Synergy and Efficiency Plan rolled out within the ENDESA-Enel Group integration process.

Mainland electricity demand shrank by 0.1% year-on-year in the first half of 2012 (-1.5% after adjusting for working days and temperature).

Additionally, wholesale electricity prices continued to rise over the period, climbing 11.4% compared to 2011.

During this period, ENDESA obtained a market share in ordinary regime generation of 38.6%, a 42.8% share in distribution and a 38.8% share in sales to customers in the deregulated market.

Regulatory aspects

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

Royal Decree Law 1/2012, of 27 January, temporarily suspending the remuneration pre-assignment procedure and the economic incentives for new electricity generation facilities which use co-generation, renewable energy sources and waste.

This removed economic incentives for CHP/renewable production facilities and suspended the remuneration pre-assignment procedure for the economic regime applicable to existing installations. This provision will not affect installations which had obtained authorisation prior to the law coming into effect and which have not yet been commissioned.

Royal Decree Law 13/2012, of 30 March, transposing measures concerning domestic electricity and gas markets and electronic communications, and adopting measures to remedy divergences for mismatches between costs and revenues for the electricity and gas industries.

This Royal Decree Law contains measures to transpose EU directives on the electricity and gas industries and also certain measures to reduce the electricity and gas industries' deficit.

In order to ensure that the electricity sector deficit target of Euros 1,500 million is achieved in 2012, the Royal Decree Law includes a number of measures that the Ministry for Industry, Energy and Tourism estimates will reduce the deficit by Euros 1,700 million. The main measures are as follows:

- A Euros 689 million reduction in 2012 remuneration for electricity distributors, including their commercial management activities. Euros 278 million of this would correspond to ENDESA.

  Pursuant to this Royal Decree Law, the remuneration criteria from 1 January 2012 are as follows:

  - Non-amortised assets in service will be remunerated under the concept of investment, taking their net value as a base for their financial remuneration.

  - The accrual of remuneration generated by facilities commissioned in year "n" will begin on 1 January of year "n" +2.

  The Royal Decree Law states that the Ministry for Industry, Energy and Tourism will submit a Royal Decree proposal that ties investment remuneration to non-amortised assets in service.

- The remuneration paid for transmission activity is reduced by Euros 197 million, establishing that, as of 1 January 2012, the accrual and collection of remuneration generated by facilities commissioned in year "n" will begin on 1 January of year "n" + 2.

  The Royal Decree Law also states that the Ministry for Industry, Energy and Tourism will submit a Royal Decree proposal that ties investment remuneration to non-amortised assets in service.

- A 10% reduction, of an exceptional nature for 2012, of the maximum volume initially forecast for 2012 in the ruling of 31 December 2011 for the resolution of the supply security restrictions process (a mechanism establishing a preferential dispatch mechanism for certain levels of energy volume at power stations fired by domestic coal). The Government estimates the impact of this measure at Euros 50 million.

- A reduction, of an exceptional nature for 2012, for those facilities which were receiving the investment incentive (from Euros 26,000 to Euros 23,400/MW) and environmental investment incentive (from Euros 8,750 to Euros 7,875/MW) when the law came into force. The Government estimates the impact of this measure will be Euros 80 million.

- A change in the remuneration of the System Operator which, instead of being covered by access tariffs, will be borne by the users of these services. The Government estimates the impact of this measure at Euros 20 million.

- The reimbursement to the settlement system of retained profits from regulated businesses that are recognised in equity in the annual financial statements of the National Energy Commission at 31 December 2011, which the Government estimates at Euros 60 million. The Commission's annual quota is likewise reduced.

- The reimbursement to the settlement system of the balance at 31 December 2011 of the item “Cash and cash equivalents” from the annual financial statements of the Institute for Energy Diversification and Saving of Energy, which the Government estimates at Euros 600 million.

- A reduction of the item included in access tariffs under the concept of interruptibility, which relates to certain electricity consumers. It will remain fixed at Euros 505 million in 2012, which is a reduction of Euros 60 million.

- Furthermore, the Royal Decree Law stipulates that the Ministry for Industry, Energy and Tourism will propose a review of the remuneration system for island and non-mainland generation. Likewise, as explained below, Royal Decree Law 20/2012, of 13 July, amended certain aspects of costs relating to non-mainland generation, as of 1 January 2012.

Law 2/2012, of 29 June, concerning General State Budgets for 2012.

On 30 June 2012, the Official State Gazette published the text of the Law for General State Budgets for 2012, which, uniquely for 2012, does not include items to finance stranded costs for generation in island and non-mainland systems. These will now be financed by the settlement system for regulated businesses and, therefore, access tariffs.

Royal Decree Law 20/2012, of 13 July, introducing measures to guarantee budgetary stability and promote competition.

This includes the following measures, among others:

- A review of the island and non-mainland systems, as stipulated in Royal Decree Law 13/2012, of 30 March, will be applied as of 1 January 2012, and includes other measures to be applied from that date affecting fixed costs at power stations :

    - The spread with the Sovereign Bond to remunerate investment is set at 2%.

    - Fixed annual operation and maintenance costs are reduced by 10%.

    - Remuneration of recurring expenses is removed.

  The overall impact of these measures is estimated to be Euros 100 million a year.

- Electricity transmission: remuneration is reduced by Euros 50 million, to remunerate investment in the net value of all assets in service.

- Regional supplements in access tariffs and the Last Resort Tariff: regional taxes or local surtariffs on State taxes will include a supplement to cover the stranded costs caused by said taxes or surtariffs and will be paid by users in each particular region.

- Interest rate on the shortfall in revenue from regulated activities in 2006: following the judgments in this connection, a spread of 0.65% is added to the 3M Euribor rate.

- The Ministry of Industry, Energy and Tourism is empowered to set progressive criteria for access tariffs which will take into account the average consumption of supply points, and will not affect vulnerable consumers.

- A quarterly review of access tariffs is removed.

2012 electricity tariff.

Order IET/3586/2011 of 30 December revised access tariffs from 1 January 2012, with an average increase of 8.2%:

- Increase in the LRT of 12.8%, equivalent to the decrease in energy costs following the CESUR (Last Resort Energy Supply Contracts) auction.

- Increase in other low-voltage access tariffs of 6.3%.

- Increase in high-voltage access tariffs of 2%.

This Order establishes a forecast shortfall in revenue from regulated activities from 1 January to 31 December 2012, both inclusive, of Euros 1,500 million.

The ruling of 30 December 2011 established the LRT applicable in the first quarter of 2012, which remains the same as in the previous quarter taking into account the decrease in energy costs following the CESUR auction.

Additionally, and in application of the High Court ruling that suspended the reduction in access tariffs established by Ministerial Order ITC/2585/2011, of 29 September, on the revision of tariffs from 1 October 2011, the Ministry for Industry, Energy and Tourism set new LRT tariffs for the period between 23 (when the court order was passed) and 31 December 2011.

Subsequently, the Supreme Court issued various orders in March in which it agreed to injunctions suspending the previously mentioned Ministerial Order IET/3586/2011, of 30 December, urging the Ministry for Industry, Energy and Tourism to ensure that access tariffs covered the cost of the regulated activities.

As such, Ministerial Order IET/843/2012, of 25 April, on the revision of access tariffs from 1 April 2012, set new access tariffs for the first quarter of 2012, as well as for the rest of the fourth quarter of 2011 (between 1 October and 22 December). Furthermore, the aforementioned Order increased access tariffs from 1 April by an average 6.3% with respect to previous fee structures in force, divided up as follows:

- LRT access tariffs increased 7.9%.

- Increase in other low-voltage access tariffs of 5.2%.

- Increase in high-voltage access tariffs of 4.5%.

Lastly, following the ruling of the Department of Energy Policy and Mines of 25 April 2012, an average LRT increase of 7% compared to the previous rate in force, was approved.

Also, in compliance with the previously mentioned High Court orders, said ruling changed various components of the LRT for the periods between 1 October and 22 December 2011 and 1 January and 31 March 2012.

Finally, the Department of Energy Policy and Mines' ruling of 28 June 2012 approved the LRTs from 1 July 2012, introducing an average increase of 3.9% following the increase in energy prices resulting from the CESUR auction and maintenance of previous access tariffs.

The shortfall between the access tariffs collected during the first six months of 2012 and the system costs during the same period has led to a revenue deficit in regulated activities of approximately Euros 2,320 million for the sector as a whole. Of this amount, ENDESA must finance 44.16% (Euros 1,025 million). During the same period, the non-mainland deficit stood at Euros 699 million.

Social Bonus

On 7 February 2012, the Supreme Court passed a judgment annulling certain provisions related to the Social Bonus and its application, considering that its financing by generation companies under the ordinary regime (as established by Royal Decree Law 6/2009, of 30 April), was discriminatory.

In application of the said judgment, Ministerial Order IET/843/2012, of 25 April changed the settlement system for the Social Bonus, taking into account from 7

February 2012 the costs payable by the electricity system, ruling that this should be covered by access tariffs.

Based on these precedents, ENDESA is contemplating legal action to recover the amounts paid in compliance with the provisional settlement issued by the National Energy Commission prior to the High Court's judgment (approximately Euros 100 million).

Natural gas tariff for 2012.

Order IET/3587/2011 of 30 December revised access tariffs from 1 January 2012, with an average increase of 4.35%. Additionally, the ruling of 30 December 2011 set the LRT for the first quarter of 2012. LRT.1 and LRT.2 increased by 0.93% and 0.35%, respectively.

Ministerial Order IET/849/2012, of 26 April, revised access tariffs from 1 April, introducing an average increase of 5%, while the Department of Energy Policy and Mines' ruling of 27 April 2012 approved increases to LRT.1 and LRT.2 of 4.6% and 5%, respectively.

Finally, the Department of Energy Policy and Mines' ruling of 28 June 2012 increased the LRT by between 1.7% and 2.2%, respectively for the LRT.1 and LRT.2, due to higher commodity prices.

Other operations during the period

On 29 February 2012, ENDESA completed the purchase of a portfolio of approximately 224,000 gas customers and other associated contracts in the Madrid area from Gas Natural SDG, S.A.

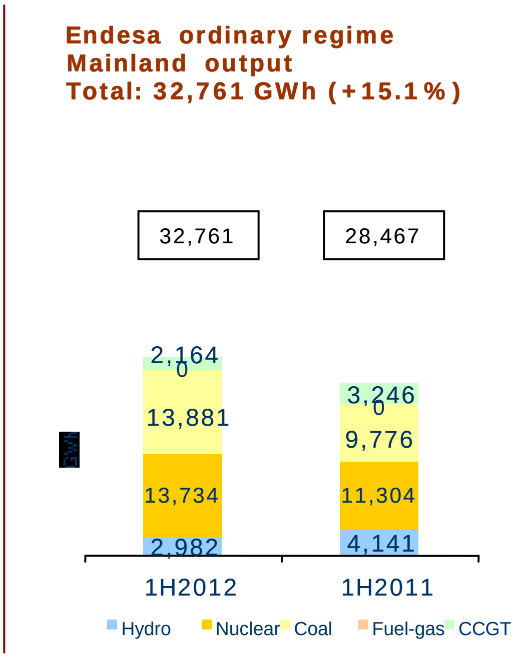
This deal involved the purchase of 100% and subsequent incorporation through the takeover with ENDESA Energía, S.A.U. and ENDESA Energía XXI, S.L.U., of the shareholdings in GEM Suministro de Gas 3, S.L.U. and GEM Suministro de Gas Sur 3, S.L.U., suppliers of natural gas and electricity to a number of districts and municipalities in the Madrid region. The outlay for this transaction was Euros 34 million.

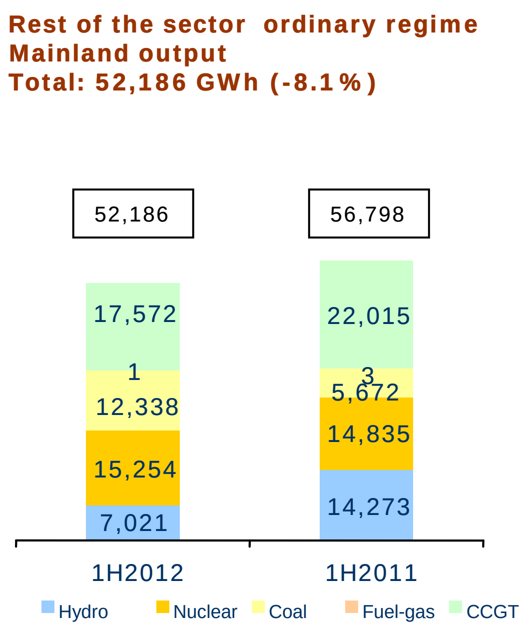
Revenues: Euros 11,445 million (+1.9%)

At 30 June 2012, ENDESA reported revenues of Euros 11,445 million from its Spain, Portugal and Other business, an increase of 1.9%. Of this amount, revenues from sales accounted for Euros 10,821 million, a 3.7% increase year-on-year, as shown below:

Sales in the Business in Spain, Portugal and Other

	Millions of Euros			% change
	Jan-June 2012	Jan-June 2011	Difference	
Electricity sales	8,299	8,247	52	0.6
Sales to the deregulated market	3,826	3,434	392	11.4
Sales to Last Resort Suppliers	2,358	2,609	(251)	(9.6)
Wholesale market sales	650	623	27	4.3
Supply to customers in deregulated markets outside Spain	403	320	83	25.9
Non-mainland compensation	933	844	89	10,5
Power trading	37	335	(298)	(89.0)
Other sales	92	82	10	12.2
Regulated revenue from electricity distribution	1,010	1,121	(111)	(9.9)
Gas supply	1,014	693	321	46.3
Other sales and services rendered	498	372	126	33.9
TOTAL	**10,821**	**10,433**	**388**	**3.7**





Electricity sales

ENDESA's electricity output in the Spain, Portugal and Other business in the first half of 2012 stood at 40,518 GWh (+12.7% year-on-year). Of this amount, 39,362 GWh corresponded to Spain (+11.7%), 682 GWh to Portugal (+201.8%) and 474 GWh to the rest of the segment (-0.8%).

Mainland electricity output totalled 32,761 GWh, 15.1% more than in the first half of 2011 due to the sharp increase in thermal output (+23.2%), the greater contribution from coal-fired plants (+42.0%), and higher nuclear output (+21.5%), all of which offset the 28% decline in hydro output due to lower rainfall in the period.

Nuclear and hydro energy accounted for 51.0% of ENDESA's mainland generation mix under the ordinary regime (54.3% in January-June 2011), compared with 42.7% for the rest of the sector (51.2% in January-June 2011).

ENDESA's output from non-mainland facilities was 6,601 GWh, a decrease of 2.5% compared to the first half of 2011.

Supply to deregulated customers

ENDESA had 2,587,271 customers in the deregulated market at 30 June 2012: 2,493,141 in the Spanish mainland market and 94,130 in European deregulated markets other than Spain. ENDESA sold a total of 38,006 GWh to these customers in the first half of 2012, an increase of 1.9%.

Sales in the Spanish deregulated market totalled Euros 3,826 million, up 11.4% on 1H 2011.

Revenues from sales to deregulated European markets other than Spain rose 25.9% to Euros 403 million.

Last resort supplier sales

ENDESA sold 13,383 GWh through its LRS in the first half of 2012, 11.4% less than the same period the previous year as a result of the transfer of LRS customers to the deregulated market.

These sales generated revenues of Euros 2,358 million in the period January-June 2012, 9.6% lower year-on-year.

Electricity distribution

ENDESA distributed 57,693 GWh in the Spanish market in the first half of 2012, a year-on-year increase of 1.3%.

Regulated revenue from distribution activities amounted to Euros 1,010 million, 9.9% lower year-on-year. This decline was due to the coming into force on 1 January 2012 of Royal Decree Law 13/2012, of 30 March, on the reduction in remuneration for the electricity distribution activity.

Gas supply

ENDESA sold 28,384 GWh of natural gas to customers in the deregulated market in Spain in the first six months of 2012, which represents a 10.7% increase on the 2011 figure.

Revenues from gas sales in the deregulated market rose 46.3% to Euros 1,014 million.

Operating expenses

The breakdown of operating expenses in the Spain, Portugal and Other business in the first half of 2012 is provided below:

Operating expenses – Business in Spain, Portugal and Other	Millions of Euros			% change
	Jan-June 2012	Jan-June 2011	Difference	
Procurements and services	8,297	8,033	264	3.3
Power purchased	2,769	3,087	(318)	(10.3)
Fuel consumption	1,610	1,188	422	35.5
Transmission expenses	3,086	2,851	235	8.2
Other procurements and services	832	907	(75)	(8.3)
Personnel expenses	490	533	(43)	(8.1)
Other operating expenses	670	673	(3)	(0.4)
Depreciation & amortisation tariffs and impairment losses	771	735	36	4.9
TOTAL	**10,228**	**9,974**	**254**	**2.5**

Procurements and services (variable costs)

Power purchases stood at Euros 2,769 million in January-June 2012, down 10.3% year-on-year, due mainly to lower volumes in the electricity retail sale market given the strong increase of in-house electricity generation.

Fuel consumption totalled Euros 1,610 million at 30 June 2012, a year-on-year increase of 35.5% due to higher thermal output during the period.

Personnel and other fixed operating expenses

Fixed costs in the first half of 2012 were Euros 1,160 million, Euros 46 million lower (-3.8%) year-on-year largely thanks to the implementation of the Synergy and Efficiency Plan rolled out within the ENDESA-Enel Group integration process.

This change is due to a Euros 43 million reduction in “Personnel expenses” to Euros 490 million, and a Euros 3 million decline (-0.4%) in “Other operating expenses” to Euros 670 million.

Depreciation & amortisation and impairment losses

Depreciation and amortisation and impairment losses totalled Euros 771 million for the January-June 2012 period, Euros 36 million higher (+4.9%) than the same period in 2011, largely due to the Euros 67 million write-down on assets in Ireland.

Net financial results: Euros 134 million

Net financial expenses in the first half of 2012 totalled Euros 134 million, Euros 11 million higher than the year-ago figure.

This was due to a Euros 37 million decline in net financial expenses and a Euros 48 million reduction in net exchange differences, which moved from a gain of Euros 41 million in 1H 2011 to a loss of Euros 7 million in 1H 2012.

When analysing net financial expenses, the following factors should be taken into account:

- The net financial result for 1H 2011 included a positive impact of Euros 27 million relating to interest recognised as a result of the two rulings handed down by the Spanish Supreme Court in this period in relation to Corporate Income Tax for the tax group headed by ENDESA in 1998 and 1999.

- The trend of long-term interest rates in the first six months of 2012 and 2011 meant that provisions had to be adjusted to account for obligations from ongoing workforce restructuring plans for the sums of Euros 42 million (negative) and Euros 21 million (positive), respectively.

- The net financial result for 1H 2012 included the Euros 23 million positive impact of adjusting interest relating to financing the revenue deficit for regulated activities in Spain, generated in 2006, pursuant to Royal Decree Law 20/2012 of 13 July, amounting to a total Euros 33 million for this concept.

Stripping out the impact mentioned in previous paragraphs, net financial expenses declined Euros 104 million, mainly due to the debt reduction between both periods.

Net financial debt in the Spain, Portugal and Other business at 30 June 2012 stood at Euros 5,508 million vs. Euros 6,841 million at year-end 2011.

Of this amount, Euros 4,896 million were incurred to finance regulatory receivables: Euros 3,708 million to finance the revenue shortfall from regulated activities and Euros 1,188 million to fund the non-mainland generation compensations.

Cash flow from operating activities: Euros 1,729 million

Cash flow from operating activities in the business in Spain, Portugal and Other totalled Euros 1,729 million in the first half of 2012 vs. Euros 1,563 million in the first half of 2011, representing a 10.6% increase, which was largely due to lower income tax payments in 2012.

Investment: Euros 497 million

Investment in the Spain, Portugal and Other business in the first half of 2012 totalled Euros 496 million, as detailed in the following table:

Total investment
Business in Spain and Portugal and Other

	Millions of Euros		% change
	Jan-June 2012	**Jan-June 2011**	
Capex	425	450	(5.6)
Intangible	37	54	(31.5)
Financial investments	35	28	25.0
TOTAL (*)	**497**	**532**	**(6.6)**

(*) Excludes investments in non-current assets held for sale and in discontinued activities amounting to Euros 43 million and Euros 58 million respectively, and the acquisition of the portfolio of gas customers in the Madrid area for Euros 34 million.

Capex
Business in Spain and Portugal and Other

	Millions of Euros		% change
	Jan-June 2012	**Jan-June 2011**	
Generation	123	172	(28.5)
Distribution	302	276	9.4
Other	-	2	n/a
TOTAL	**425**	**450**	**(5.6)**

In the Spain, Portugal and Other business, first half 2012 generation capex largely relates to maintenance investments.

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: Euros 253 million

ENDESA's Latin America business reported net income of Euros 253 million in the first half of 2012, a year-on-year decline of 20.9%.

EBITDA stood at Euros 1,507 million, up 5.5% year-on-year, while EBIT was Euros 1,135 million, down 0.4% year-on-year.

This reduction, despite higher EBITDA, is due to worse financial results largely because of higher net debt in this business which is currently committing significant funds, higher income tax and the one-off extraordinary impact of the 1H 2011 results due to the collection of trade receivables previously provisioned for.

Highlights

The economic environment in ENDESA's Latin American operating markets was positive. Energy demand advanced in all countries during the first half of 2012, with increases in Peru (+5.9%), Chile (SIC +6.9% and SING +4.4%), Brazil (+5.9%), Argentina (+3.8%) and Colombia (+4.1%).

In this context, distribution sales by ENDESA companies, including tolls and unbilled consumption, totalled 35,903 GWh, an increase of 4.6% compared to the same period in 2011, with rises recorded in all countries: Brazil (+7.0%), Chile (+5.9%), Peru (+5.3%), Colombia (+3.5%) and Argentina (+1.6%).

Output in ENDESA's generation business grew 2.1% to 30,386 GWh. Increases in output were especially significant in Brazil (+75.4%), Colombia (+16.1%) and Chile (4.4%), offsetting the decreases in Argentina (-15.2%) and Peru (-6.2%).

Electricity generation and sales
Business in Latin America

	Generation (GWh)		Distribution (GWh) (1)	
	Jan-June 2012	**% change 1H 2011**	**Jan-June 2012**	**% change 1H 2011**
Chile	9,554	4.0	7,121	5.9
Argentina	7,390	(15.2)	8,672	1.6
Peru	4,675	(6.2)	3,448	5.3
Colombia	6,396	16.1	6,523	3.5
Brazil	2,371	75.4	10,139	7.0
TOTAL	**30,386**	**2.1**	**35,903**	**4.6**

(1) Includes tolls and unbilled consumption totalling 6,531 GWh. Stripping out tolls and unbilled consumption, sales in the Latin America Business would have totalled 29,372 GWh (+4.4%).

Unit margins

The unit margin in the generation business declined by 6.0% to Euros 25.6/MWh. Improvements were seen in Peru (+13.1%) and Colombia (+9.3%), which partially offset declines in unit margins in Chile (-29.2%), Argentina (-32.6%) and Brazil (-2.4%).

The unit margin on distribution activities in the first half of 2012 was Euros 35.3/MWh, a year-on-year increase of 4.5%, which offset the decline in generation margins. This change was due to improvements in the unit margin in Colombia (+18.2%), Peru (+13.1%), Argentina (+10.3%) and Chile (+2.1%), although Brazil saw a 5.4% decline.

New capacity development

Construction of the Bocamina II coal-fired plant in Chile (350 MW) continued in the first half of 2012 while full capacity tests were carried out.

At the El Quimbo hydro plant in Colombia (400 MW) the tunnel to redirect the Magdalena river was completed and in march this was partially redirected. This will allow secondary works to be carried out so that definitive redirection can take place in October 2012 and construction of the dam can commence. the construction team is looking at modifying the existing project timetable to reflect the current status of the work carried out to date.

Finally, the turbine and generator for the Talara in Peru (183 MW) thermal plant project have been manufactured with assembly scheduled for August 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 19 January 2012, the Chilean National Congress passed Law 20,571 on Net Metering, which will allow customers who install non-conventional renewable energy generating systems in their homes, to sell excess capacity to the grid. The law was published in the Official Journal on 22 March and will enter into force when the regulatory decree is published.

Brazil

On 13 March 2012, the annual tariff adjustment (IRT) for Ampla Energía e Serviços, S.A. was completed, establishing a 4% increase for Parcel b (DAV), which came into force on 15 march.

On 10 April 2012, the National Electrical Energy Agency (hereinafter "ANEEL") approved the final methodology for calculating the Third Cycle of Tariff Reviews (hereinafter "RTO") for Companhia Energética do Ceará, S.A. The distributor is the first company to apply the RTO methodology calculations which were approved in November 2011. Due to the delay in applying the new methodology, the tariffs in effect in 2011 were provisionally extended for a further year. This means that the impact of the tariff review for the consumers of Companhia Energética do Ceará, S.A. will happen on the same date as the following annual readjustment, i.e., the new tariff applicable on 22 April 2012 will be the result of two calculations, the normal four-year review and the annual readjustment. On 17 April, ANEEL approved the calculation of the IRT. Taking into account the effect of these two measures, the DAV (Parcel B) was -12%.

On 19 April 2012, ANEEL approved the regulations for the distribution of micro-generation (up to 100 kW) and mini-generation (up to 1 MW) whereby electricity generated by these consumers is deducted from their invoice and the surplus changed into a credit to be used within three years.

Corporate restructuring process

On 27 February 2012, the Board of Directors of ENDESA resolved to streamline the Chilean subsidiaries of Empresa Nacional de Electricidad, S.A. through a staggered merger process involving Compañía Eléctrica San Isidro, S.A., Inversiones ENDESA Norte, S.A., Compañía Eléctrica Tarapacá, S.A., ENDESA Eco, S.A., Empresa de Ingeniería Ingendesa, S.A., ENDESA Inversiones Generales, S.A. and Empresa Eléctrica Pangue, S.A.

At the date of authorisation for issue of this Consolidated Management Report, the merger of Empresa Eléctrica Pangue, S.A. into Compañía Eléctrica San Isidro, S.A. has taken place as have the merger of Empresa de Ingeniería Ingendesa, S.A. and ENDESA Inversiones Generales, S.A. into Inversiones ENDESA Norte, S.A., and the merger between Inversiones ENDESA Norte, S.A. and ENDESA Eco, S.A.

EBITDA: Euros 1,507 million

In the first half of 2012, EBITDA stood at Euros 1,507 million, up 5.5% year-on-year.

The Euros 58 million increase in EBITDA is due to exchange rate trends between the Euro and local currencies in the countries where the Group operates.

EBIT stood at Euros 1,135 million, a 0.4% decline on the figure reported in the first half of 2011.

EBITDA and EBIT Business in Latin America

	EBITDA (Millions of Euros)			EBIT (Millions of Euros)		
	Jan-June 2012	**Jan-June 2011**	**% change**	**Jan-June 2012**	**Jan-June 2011**	**% change**
Generation and transmission	741	751	(1.3)	569	633	(10.1)
Distribution	781	702	11.3	580	530	9.4
Other	(15)	(24)	37.5	(14)	(24)	41.7
TOTAL	**1,507**	**1,429**	**5.5**	**1,135**	**1,139**	**(0.4)**

The breakdown of these results by country is shown below:

EBITDA and EBIT Business in Latin America – Generation and Transmission

	EBITDA (Millions of Euros)			EBIT (Millions of Euros)		
	Jan-June 2012	**Jan-June 2011**	**% change**	**Jan-June 2012**	**Jan-June 2011**	**% change**
Chile	153	252	(39.3)	89	190	(53.2)
Colombia	278	174	59.8	247	148	66.9
Brazil	121	108	12.0	110	96	14.6
Peru	124	131	(5.3)	92	104	(11.5)
Argentina	23	69	(66.7)	2	54	(96.3)
TOTAL GENERATION	**699**	**734**	**(4.8)**	**540**	**592**	**(8.8)**
Brazil-Argentina interconnection	42	17	147.1	29	41	(29.3)
TOTAL GENERATION AND TRANSMISSION	**741**	**751**	**(1.3)**	**569**	**633**	**(10.1)**

EBITDA and EBIT Business in Latin America – Distribution						
	EBITDA (Millions of Euros)			EBIT (Millions of Euros)		
	Jan-June 2012	Jan-June 2011	% change	Jan-June 2012	Jan-June 2011	% change
Chile	134	119	12.6	108	97	11.3
Colombia	245	156	57.1	189	109	73.4
Brazil	355	355	-	267	279	(4.3)
Peru	74	73	1.4	55	57	(3.5)
Argentina	(27)	(1)	n/a	(39)	(12)	n/a
TOTAL DISTRIBUTION	**781**	**702**	**11.3**	**580**	**530**	**9.4**

Generation and transmission

Chile

ENDESA's investees in Chile generated a total of 9,554 GWh to 30 June 2012, in line with the same period last year. However, lower operating income arising from the 22.9% decline in the average sales price due to fewer contracts being indexed to the margin cost, higher energy prices, and higher transmission costs, drove generation business EBITDA down 39.3% to Euros 153 million in the first half of 2012.

EBIT over the period totalled Euros 89 million, a 53.2% year-on-year decline vs. 2011.

Colombia

In Colombia, generation business EBITDA and EBIT rose by Euros 104 and 99 million, respectively year-on-year in the first half of 2012 as a result of the non-recurring effect of the 2011 net worth tax, which meant the recognition of a Euros 65 million expense.

Stripping out this effect, generation business EBITDA and EBIT would have increased by 16.3% and 15.9% respectively, mainly as a result of increased output over the period due to higher rainfall (+16.1%) and the positive impact of better sale prices and revenues from power sales.

Brazil

ENDESA's investees in Brazil generated a total of 2,371 GWh in the first half of 2012, up 75.4% year-on-year, with an increase in generation at the Cachoeira plant due to higher rainfall and the Fortaleza plant due to greater demand by the system.

Increased generation activity over the period led to an improvement in both EBITDA (+ +12.0%) and EBIT (+14.6%) to Euros 121 million and Euros 110 million, respectively.

Peru

During the first half of 2012, the 6.2% decline in total generation from ENDESA's investees in Peru due to lower output at Ventanilla, caused EBITDA to contract 5.3% to Euros 124 million and EBIT to decline 11.5% to Euros 92 million.

Argentina

During the first half of 2012, the 15.2% decline in generation and narrower sales margins as a result of the non-renewal of upgrades previously agreed by generating companies in 2011 and higher fixed costs caused EBITDA to decline 66.7% year-on-year, to Euros 23 million.

EBIT over the period totalled Euros 2 million, a 96.3% year-on-year decline vs. 2011.

Argentina - Brazil interconnection

From April 2011 the two interconnection lines linking Brazil and Argentina began to receive regulated remuneration, enabling Compañía de Interconexión Energética, S.A. to achieve EBITDA of Euros 42 million in the first half of 2012, compared to Euros 17 million over the same period in 2011.

EBIT in the period totalled Euros 29 million due the abovementioned factors. However, this was Euros 12 million lower year-on-year due to the recovery of receivables from Argentina, for which provisions had previously been made.

Distribution

Chile

The 5.9% rise in sales volumes, thanks to increased demand and higher average prices, pushed up EBITDA and EBIT in the Chilean distribution business by 12.6% and 11.3%, respectively, to Euros 134 million and Euros 108 million.

Colombia

Distribution business EBITDA and EBIT in Colombia rose by Euros 89 and 80 million, respectively.

Of these amounts, Euros 44 million are the result of the non-recurring impact of the cost of the 2011 net worth tax. Stripping out this effect, EBITDA and EBIT grew by 22.5% and 23.5%, respectively, due to the increase in both the amount of electricity sold (+3.5%) and the unit margin (+18.2%).

Brazil

EBITDA for the period ended 30 June 2012 totalled Euros 355 million, virtually unchanged year-on-year, while EBIT amounted to Euros 267 million, down 4.3%.

Despite the 7% increase in physical sales, this decline in EBIT is due to the previously mentioned tariff reduction at Companhia Energética do Ceará, S.A.

Peru

Financial indicators in the Peruvian distribution business performed well during the period on the back of a 5.3% rise in sales volumes.

EBITDA for the period totalled Euros 74 million, Euros 1 million higher year-on-year, while EBIT was Euros 2 million lower at Euros 55 million.

Argentina

Despite the increase in physical sales (+1.6%) due to higher demand (+4.2%), EBITDA for the distribution business in Argentina amounted to a negative Euros 27 million compared to the negative Euros 1 million recorded in the first half of 2011. This decline was due to the Company's higher fixed costs triggered by Argentina's rising inflation which have not been possible to pass on to customers through tariffs.

EBIT meanwhile, amounted to a negative Euros 39 million, Euros 27 million less than the same period in 2011.

Net financial results: Euros 272 million

ENDESA's Latin America business generated a net financial expense of Euros 272 million to 30 June 2012, a year-on-year increase of 53.7%.

This was due to a Euros 82 million increase in net financial expenses and a Euros 13 million increase in net exchange differences, which moved from a loss of Euros 8 million in 1H 2011 to loss of Euros 21 million in 1H 2012.

The increase in net financial expenses is due to higher debt at the business given the investments carried out and the fact that the net financial result for 1H 2011 included a positive impact of Euros 36 million from the two judgments handed down by the Spanish High Court in relation to Corporate Income Tax for the tax group headed by ENDESA.

Net debt at ENDESA's Latin American business stood at Euros 4,959 million at 30 June 2012, an increase of Euros 798 million since year-end 2011.

Cash flow from operating activities: Euros 522 million

ENDESA's business in Latin America generated net cash flow of Euros 522 million to 30 June 2012, compared to the Euros 822 million the previous year. This decline is largely due to higher income tax payments in the period.

Investment: Euros 515 million

Investment in this business unit stood at Euros 515 million in 2012.

Euros 73 million of this amount corresponded to financial investments and Euros 442 million to capex and investments in intangible assets, as shown in the table below:

Capex and investment in intangible assets
Business in Latin America

	Millions of Euros		% change
	Jan-June 2012	**Jan-June 2011**	
Generation	189	235	(19.6)
Distribution and Transmission	136	118	15.3
Other	1	2	(50.0)
TOTAL CAPEX	**326**	**355**	**(8.2)**
Intangible assets (*)	**115**	**137**	**(16.1)**
Property assets (*)	**1**	**-**	**n/a**
TOTAL CAPEX AND INVESTMENT IN INTANGIBLE ASSETS	**442**	**492**	**(10.2)**

(*) 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-June 2012	Jan-June 2011	% change
Business in Spain, Portugal and Other	40,518	35,944	12.7
Business in Latin America	30,386	29,751	2.1
TOTAL	**70,904**	**65,695**	**7.9**

Electricity Generation Output in Spain, Portugal and Other (GWh)	Jan-June 2012	Jan-June 2011	% change
Mainland	**32,761**	**28,467**	**15.1**
Nuclear	13,734	11,304	21.5
Coal	13,881	9,776	42.0
Hydroelectric	2,982	4,141	(28.0)
Combined cycle (CCGT)	2,164	3,246	(33.3)
Non-mainland	**6,601**	**6,773**	**(2.5)**
Portugal	**682**	**226**	**201.8**
Other	**474**	**478**	**(0.8)**
TOTAL	**40,518**	**35,944**	**12.7**

Electricity Generation Output in Latin America (GWh)	Jan-June 2012	Jan-June 2011	% change
Chile	9,554	9,188	4.0
Argentina	7,390	8,717	(15.2)
Peru	4,675	4,984	(6.2)
Colombia	6,396	5,510	16.1
Brazil	2,371	1,352	75.4
TOTAL	**30,386**	**29,751**	**2.1**

Electricity sales (GWh)	Jan-June 2012	Jan-June 2011	% change
Business in Spain, Portugal and Other	**51,951**	**52,963**	**(1,9)**
LRS	13,383	15,107	(11.4)
Deregulated market	38,006	37,299	1.9
Rest of the sector(1)	562	557	0.9
Business in Latin America (2)	**35,903**	**34,320**	**4.6**
Chile	7,121	6,726	5.9
Argentina	8,672	8,539	1.6
Peru	3,448	3,276	5.3
Colombia	6,523	6,305	3.5
Brazil	10,139	9,474	7.0
TOTAL	**87,854**	**87,283**	**0.7**

(1) Generation sales.
(2) Includes tolls and unbilled consumption totalling 6,531 GWh in the first half of 2012. Stripping out tolls and unbilled consumption, sales would have totalled 29,372 GWh (+4.4%).

Gas sales (GWh)	Jan-June 2012	Jan-June 2011	% change
Deregulated market (*)	28,384	25,646	10.7
TOTAL	**28,384**	**25,646**	**10.7**

(*) Excluding own generation consumption.

Period-end headcount (number of employees)	30 June 2012	31 December 2011	% change
Business in Spain, Portugal and Other	11,785	11,785	-
Business in Latin America	11,262	11,092	1.5
TOTAL	**23,047**	**22,877**	**0.7**

Financial data

Key figures (Euros)	Jan-June 2012	Jan-June 2011	% change
EPS (1)	1.08	1.21	(11.1)
BVPS (2) (3)	18.84	17.19	9.6

(1) Parent company's Fiscal Year profit / No. shares.
(2) Parent company's net equity / No. shares.
(3) At 30 June 2012.

Net financial debt (Millions of Euros)	30 June 2012	31 December 2011	% change
Business in Spain, Portugal and Other	5,508	6,841	(19.5)
Business in Latin America	4,959	4,161	19.2
TOTAL	**10,467**	**11,002**	**(4.9)**
Financial leverage (%) (1)	41.1	44.6	n/a

(1) Net finance debt / Net equity.

Ratings (24 July 2012)	Long-term	Short-term	Outlook
Standard & Poor's	BBB+	A2	Stable
Moody's	Baa1	P2	Negative
Fitch	A-	F2	Negative

ENDESA's main fixed-income issues	Spread over IRS (bp)	
	30 June 2012	31 December 2011
0.6 Y EUR 700Mn 5.375% Mat. February 2013	113	157

Stock market data	30 June 2012	31 December 2011	% change
Market cap (Millions of Euros)	14,648	16,781	12.71%
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-June 2012	Jan-June 2011	% change
Trading volume			
Madrid stock exchange	94,307,626	86,906,243	+8.5%
Average daily trading volume			
Madrid stock exchange	742,580	684,301	+8.5%

Share price (Euros)	Jan-June 2012 high	Jan-June 2012 low	30 June 2012	31 December 2011
Madrid stock exchange	16.32	12.035	13.835	15.85

Dividends (Euros/share)	Against 2011 earnings
Total DPS	0.606
Payout (%)	29.0
Dividend yield (%)	3.8

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 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: significant adverse changes in the conditions of the industry, the general economy or our markets; the effect of the prevailing regulations or changes in them; tariff reductions; the impact of interest rate fluctuations; the impact of exchange rate fluctuations; natural disasters; the impact of more restrictive environmental regulations and the environmental risks inherent to our activity; potential liabilities relating to our nuclear facilities.

Commercial or Transactional 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. Delays in or impossibility of obtaining regulatory authorisation, including that related to the environment, for the construction of new facilities, repowering or improvement of existing facilities; shortage of or changes in the price of equipment, material or labour; opposition of political or ethnic groups; adverse changes of a political or regulatory nature in the countries where we or our companies operate; adverse weather conditions, natural disasters, accidents or other unforeseen events, and the impossibility of obtaining financing at what we consider satisfactory interest rates.

Governmental and Political Factors: political conditions in Latin America; changes in Spanish, European and foreign laws, regulations and taxes.

Operating factors: technical problems; changes in operating conditions and costs; capacity to execute cost-reduction plans; capacity to maintain a stable supply of coal, fuel and gas and the impact of the price fluctuations of coal, fuel and gas; acquisitions or restructuring; capacity to successfully execute a strategy of internationalisation and diversification.

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 affiliates intends to update these forward-looking statements.