



**ENDESA, S.A.**  
**and Subsidiaries**

**Consolidated Management Report  
for the First Quarter of 2014**

Madrid, 7 May 2014



# **ENDESA, S.A. AND SUBSIDIARIES**

## **CONSOLIDATED MANAGEMENT REPORT FOR THE FIRST QUARTER OF 2014**

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ENERGÍA PARA LA VIDA

## Analysis for the Period

## Consolidated Results

### **ENDESA reported net income of Euros 448 million in the first quarter of 2014**

ENDESA's net income totalled Euros 448 million in the first quarter of 2014, down 5.9% on the same period of the prior year, mainly due to a Euros 40 million reduction in net income from the Latin America business.

The lower net income in the Latin America business is partly due to the adverse impact of the strong currency devaluation in the countries in which ENDESA operates, given that, when translated to euros, the earnings in local currency lose magnitude. The decrease in net income is also a result of certain operating factors (some of which are non-recurring), including lower earnings in the distribution business in Argentina (as the higher costs incurred due to strong inflation in the country were not passed on in consumer rates) and the drop in generation income in Chile (due to adverse rainfall conditions coupled with the stoppage at the Bocamina II power station).

Net income from the Spain and Portugal business stood at Euros 350 million, up 3.6% on the same period of 2013. This year-on-year increase was despite the impact of regulatory measures prevailing in the first quarter of 2014 that had not been effective in the same period of the prior year, and despite the need for greater provisions to cover loans and guarantees extended to Elcogas, S.A. Rather, the increase was bolstered by the reduction in variable costs (lower thermal output and lower price of energy purchases, both of which are non-recurrent factors stemming from the exceptional rainfall situation and wholesale market prices), the reduction in fixed costs (driven by the cost reduction policy) and the decrease in amortisation, depreciation and provisions (lower provisions when marking to market CO<sub>2</sub> emission allowances to take into account the improved price of these instruments).

The table below shows the breakdown of net income between ENDESA's two business lines, as well as the year-on-year variation:

Millions of Euros

<b>ENDESA net income</b>	<b>January-March 2014</b>	<b>% change 1Q13</b>	<b>% of total net income</b>
Spain and Portugal	350	3.6	78.1
Latin America	98	(29.0)	21.9
<b>TOTAL</b>	<b>448</b>	<b>(5.9)</b>	<b>100.0</b>

## Accounting principles

As of the effective date of 1 January 2014 and in accordance with IFRS 11 "Joint Arrangements", ENDESA's joint ventures, which until 2013 were consolidated proportionately, are now accounted for using the equity method.

Accordingly, ENDESA's consolidated financial statements for 2013, which are presented herein for comparison purposes, have been restated to account for the ventures in which ENDESA holds joint control, using the equity method. As a result, these statements are comparable with those of the first quarter of 2014. Likewise, all 2013 figures referenced in this Consolidated Management Report for comparison purposes have been restated applying the criteria set out in IFRS 11 "Joint Arrangements".

The impacts of applying IFRS 11 "Joint Arrangements" to the 2013 consolidated financial statements, referenced herein for comparison purposes, are detailed in Appendix II.

## Electricity generation and sales

ENDESA's electricity generation totalled 29,191 GWh in the first quarter of 2014, down 7.7% on the same period of 2013, chiefly due to lower output in Spain, spurred by lower electricity demand and a greater contribution from wind and hydro facilities, and in Latin America, reflecting the decreased electricity generation in Chile and Argentina.

Electricity sales climbed 1.3% to 40,146 GWh.

GWh

<b>Power output and sales for January-March 2014</b>				
	<b>Output</b>		<b>Sales</b>	
	<b>January-March 2014</b>	<b>% change 1Q13</b>	<b>January-March 2014</b>	<b>% change 1Q13</b>
Spain and Portugal	15,234	(7.0)	24,351	(0.8)
Latin America	13,957	(8.5)	15,795	4.6
<b>TOTAL</b>	<b>29,191</b>	<b>(7.7)</b>	<b>40,146</b>	<b>1.3</b>

## **EBITDA: Euros 1,499 million**

EBITDA decreased 9.6% in the first quarter of 2014, to Euros 1,499 million.

The decline in EBITDA responded to the Euros 154 million decrease in the Latin America business, primarily as a result of the following factors:

- Exchange rate fluctuations in the Latin American currencies in which ENDESA operates, giving rise to exchange losses of Euros 79 million compared to the first quarter of 2013
- The Euros 48 million decrease in EBITDA in the Argentina distribution business, as a result of higher costs not passed on in consumer rates
- The reduction in electricity generation in Chilean investees, as a result of rainfall and precipitation conditions in that country coupled with the lower thermal output due to stoppage of the Bocamina II power station. EBITDA for these companies decreased by Euros 47 million.

First-quarter EBITDA in the Spain and Portugal business was down Euros 5 million (-0.5%). This decrease reflects the 4.0% decline (Euros 58 million) in the contribution margin due to the Euros 117 million impact of new regulatory measures taking effect after the first quarter of 2013, partially offset by the lower variable costs incurred due to reduced thermal output and the lower wholesale market prices during the period.

The drop in contribution margin in this business was partially offset by a Euros 48 million reduction in fixed costs (-9.1%), bringing the total reduction in EBITDA for the Spain and Portugal business to 0.5%, as mentioned above.

## **EBIT: Euros 948 million**

Despite the 9.6% decrease in EBITDA, EBIT fell only 7.1%, to Euros 948 million. This reduction was because in the first quarter of 2013, the "Depreciation and amortisation, and impairment losses" line included a Euros 92 million write-down in the CO<sub>2</sub> allowances portfolio to reflect the lower market prices of these instruments, whereas price fluctuations in the first quarter of 2014 required only a provision of Euros 19 million.

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

Millions of Euros

	Revenues		EBITDA		EBIT	
	January-March 2014	% change 1Q13	January-March 2014	% change 1Q13	January-March 2014	% change 1Q13
Spain and Portugal	5,443	(5.0)	953	(0.5)	560	12.4
Latin America	2,080	(12.5)	546	(22.0)	388	(25.7)
<b>TOTAL</b>	<b>7,523</b>	<b>(7.2)</b>	<b>1,499</b>	<b>(9.6)</b>	<b>948</b>	<b>(7.1)</b>

### Net loss of companies accounted for using the equity method

In the first quarter of 2014, companies accounted for using the equity method contributed a net loss of Euros 24 million, compared to net profit of Euros 29 million in the first quarter of 2013.

Due to the lack of economic viability of Elcogas, S.A., in which ENDESA holds a 40.99% interest, following application of the measures set out in the Royal Decree governing the mechanism to guarantee the output from certain power plants that use Spanish coal, for reasons of supply security, the net loss for the Spain and Portugal business includes a Euros 51 million provision to cover the loans and guarantees issued to that subsidiary.

### Net financial loss: Euros 102 million

The net financial loss for the first three months of 2014 was Euros 102 million, an improvement of Euros 46 million (-31.1%) compared to the same period of 2013.

Net finance expense totalled Euros 74 million, down 49.3% year on year, due to the reduction in debt between the periods.

Net exchange losses were Euros 28 million, compared to Euros 2 million at 31 March 2013.

### Cash flow from operating activities: Euros 1,446 million

Cash flow from operating activities in the first quarter of 2014 stood at Euros 1,446 million, compared to Euros 585 million generated during the same period of 2013. This variation was primarily due to improved working capital.

## Gross investment: Euros 382 million

ENDESA's gross investments totalled Euros 382 million in the first quarter of 2014 (Euros 357 million in the first quarter of 2013).

Of this amount, Euros 342 million relate to CapEx and investment in intangible assets, while the remaining Euros 40 million correspond to financial investments (Euros 330 million and Euros 27 million, respectively, at 31 March 2013).

Millions of Euros

<b>Gross investment</b>				
	<b>CapEx and intangible assets</b>	<b>Financial investment</b>	<b>TOTAL</b>	<b>% change</b>
Spain and Portugal	127	13	140	2.9
Latin America	215	27	242	9.5
<b>TOTAL (1)</b>	<b>342</b>	<b>40</b>	<b>382</b>	<b>6.1</b>

(1) Excluding CO<sub>2</sub> emission allowances, Certified Emission Reductions (CERs) and Emission Reductions Unit (ERUs)

## Financial position

At 31 March 2014, ENDESA had net financial debt of Euros 4,395 million, only Euros 58 million higher than the 2013 year-end figure, despite payment of an interim dividend of Euros 1,588 million on 2 January 2014.

The table below shows the structure of net financial debt, by business, at 31 March 2014:

Millions of Euros

<b>Breakdown of ENDESA'S net financial debt by business (1)</b>				
	<b>31 March 2014</b>	<b>31 December 2013</b>	<b>Difference</b>	<b>% change</b>
Spain and Portugal	1,772	1,435	337	23.5
Latin America	2,623	2,902	(279)	(9.6)
Enersis	2,456	2,706	(250)	(9.2)
Other	167	196	(29)	(14.8)
<b>TOTAL</b>	<b>4,395</b>	<b>4,337</b>	<b>58</b>	<b>1.3</b>
<b>Leverage (%) (2)</b>	<b>16.55</b>	<b>16.21</b>	<b>-</b>	<b>-</b>

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

(2) Net financial debt / Equity

When analysing ENDESA's net debt level, it is important to take into account that at 31 March 2014:

- ENDESA had accumulated collection rights of Euros 2,348 million in connection with several Spanish regulatory matters: Euros 1,818 million for financing the revenue shortfall in regulated activities and Euros 530 million in compensation for stranded costs in non-mainland generation business.



- Of the proceeds from the 2013 share capital increase in Enersis, S.A., at 31 March 2014, Euros 304 million had been placed in financial instruments with maturities of more than three months. Accordingly, these were not included as "Cash and cash equivalents" and therefore not netted from the financial debt figure.

Excluding the items indicated above, ENDESA's net debt at 31 March 2014 was Euros 1,743 million.

The table below shows the structure of net financial debt at 31 March 2014:

Millions of Euros

	Structure of ENDESA'S net financial debt											
	31 March 14						31 December 2013					
	ENDESA and subsidiaries, excluding Enersis		Enersis		Total ENDESA		ENDESA and subsidiaries, excluding Enersis		Enersis		Total ENDESA	
Millions of Euros	%	Millions of Euros	%	Millions of Euros	%	Millions of Euros	%	Millions of Euros	%	Millions of Euros	%	
Euro	1,949	101	-	-	1,949	44	1,631	100	-	-	1,631	38
US dollar	(10)	(1)	1,135	46	1,125	25	-	-	1,088	40	1,088	25
Chilean peso / Unidades de Fomento	-	-	(723)	(29)	(723)	(16)	-	-	(200)	(7)	(200)	(5)
Brazilian real	-	-	556	23	556	13	-	-	405	15	405	9
Colombian peso	-	-	1,232	50	1,232	28	-	-	1,187	44	1,187	27
Peruvian nuevo sol	-	-	228	9	228	5	-	-	195	7	195	5
Argentine peso	-	-	28	1	28	1	-	-	31	1	31	1
	<b>1,939</b>	<b>100</b>	<b>2,456</b>	<b>100</b>	<b>4,395</b>	<b>100</b>	<b>1,631</b>	<b>100</b>	<b>2,706</b>	<b>100</b>	<b>4,337</b>	<b>100</b>
<b>TOTAL</b>												
Fixed rate	557	29	1,642	67	2,199	50	806	49	1,924	71	2,730	63
Floating rate	1,382	71	814	33	2,196	50	825	51	782	29	1,607	37
<b>TOTAL</b>	<b>1,939</b>	<b>100</b>	<b>2,456</b>	<b>100</b>	<b>4,395</b>	<b>100</b>	<b>1,631</b>	<b>100</b>	<b>2,706</b>	<b>100</b>	<b>4,337</b>	<b>100</b>
Avg. life (years)	4.7		6.0		5.5		6.3		5.7		6.0	

Information on the average cost of net financial debt is as follows:

Percentage (%)

	31 March 14			31 December 2013		
	ENDESA and direct subsidiaries	Enersis	Total ENDESA	ENDESA and direct subsidiaries	Enersis	Total ENDESA
Average cost	3.2	8.5	6.2	3.2	8.1	5.8

At 31 March 2014, ENDESA's liquidity amounted to Euros 9,944 million (Euros 11,377 million at 31 December 2013). Of this amount, Euros 7,193 million corresponded to amounts available through unconditional credit facilities, as follows:

Millions of Euros

	Liquidity structure					
	31 March 14			31 December 2013		
	Cash (1)	Available (2)	Total liquidity	Cash (1)	Available (2)	Total liquidity
ENDESA and direct subsidiaries	815	6.620 <sup>(4)</sup>	7,435	1,928 <sup>(3)</sup>	6,683 <sup>(4)</sup>	8,611
Energis	1,936	573	2,509	2,217	549	2,766
<b>TOTAL ENDESA</b>	<b>2,751</b>	<b>7,193</b>	<b>9,944</b>	<b>4,145</b>	<b>7,232</b>	<b>11,377</b>

(1) Cash and cash equivalents

(2) Available through unconditional credit facilities

(3) Of this amount, a balance of Euros 1,000 million, which at 31 December 2013 had been placed with ENEL Energy Europe, S.L.U., was cancelled on 2 January 2014 upon payment of the interim dividend.

(4) Amounts available from unconditional credit facilities include Euros 3,500 million corresponding to a credit facility extended by ENEL Finance International, N.V. At 31 December 2013 and 31 March 2014, no amounts had been drawn down on this facility.

At 31 March 2014, ENDESA's liquidity in Spain is sufficient to cover debt maturities of the group's Spanish companies for the coming 31 months, while Energis' liquidity is sufficient to cover its debt maturities over a span of 39 months.

In addition to the aforementioned amounts, ENDESA has placed proceeds from the share capital increase in Energis amounting to Euros 304 million in financial instruments maturing in more than three months.

At the date of this Consolidated Management Report, ENDESA's credit ratings are as follows:

Rating	31 March 2014 <sup>(*)</sup>			31 December 2013 <sup>(*)</sup>		
	Long term	Short term	Outlook	Long term	Short term	Outlook
Standard & Poor's	BBB	A-2	Stable	BBB	A-2	Stable
Moody's	Baa2	P-2	Negative	Baa2	P-2	Negative
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Watch Negative

(\*) At the respective dates of the Consolidated Management Reports

## Financial leverage

ENDESA's consolidated equity stood at Euros 26,556 million at 31 March 2014, Euros 206 million less than at 31 December 2013. This decrease was despite the net profit (parent company plus minorities shareholders) of Euros 568 million and primarily resulted from negative translation differences of Euros 208 million generated in the first quarter of 2014, given that the carrying amount of ENDESA's net Latin America assets lost value following devaluation of the local currencies in the countries in which it operates. The decrease was also due to the acquisition of interests owned by minority shareholders in Companhia Energética do Ceará, S.A., for Euros 181 million, and the distribution of dividends to minority shareholders, in the amount of Euros 335 million

Euros 20,733 million of this equity correspond to equity holders of ENDESA, S.A., while Euros 5,823 million is attributable to minority shareholders.



ENDESA's equity and net financial debt resulted in a leverage (net financial debt/equity) of 16.55% at 31 March 2014, compared to 16.21% at 31 December 2013.

### **Other information**

During the first quarter of 2014, ENDESA applied the same general risk policy as described in its consolidated financial statements for the year ended 31 December 2013. For this period, the financial instruments and types of hedges are the same as those described in those consolidated financial statements. The risks to which ENDESA's operations are exposed are also the same as described in the Consolidated Management Report for 2013.

There were no one-off events involving significant amounts during the first quarter of 2014 other than those referred to herein. In that regard, during the three-month period ended 31 March 2014, no new material contingent liabilities arose other than those described in the consolidated financial statements for the year ended 31 December 2013.



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## Results by Business Line

## Spain and Portugal

### **Net income – Spain and Portugal: Euros 350 million**

Net income from ENDESA's Spain and Portugal business was Euros 350 million in the first quarter of 2014, Euros 12 million higher than in the same period of 2013, contributing 78.1% to ENDESA's total net income.

EBITDA stood at Euros 953 million, down 0.5% year on year, while EBIT totalled Euros 560 million, up 12.4%.

The following factors must be taken into account when considering EBITDA for the period:

- The figure for the first quarter of 2014 includes the effects of certain regulatory measures approved by the Spanish government in 2013 that were not reflected in results for the first quarter of that year. These measures primarily include the reduced remuneration for mainland generation and for electricity distribution as set out in Royal Decree Law 9/2013 of 12 July and Law 17/2013 of 29 October, and the assumption by ENDESA, S.A. of the cost of 41.61% of the subsidised electricity tariff ("bono social"). These measures had a negative impact of Euros 117 million on EBITDA for the first quarter of 2014.
- Fixed costs were reduced by 9.1% (Euros 48 million) thanks to ENDESA's considerable cost-control efforts, which aim to mitigate the impact on results of the negative effects of regulatory measures enacted by the Spanish government in recent years.
- The power generation mix improved due to exceptional rainfall and precipitation, leading to a major increase in hydro output and lower conventional thermal output, both of which resulted in lower fuel costs.
- The average wholesale electricity market price was exceptionally low, at Euros 24.30/MWh in the first quarter of 2014, 39.7% lower than in the same period of 2013, underpinned by the exceptional rainfall mentioned above. This resulted in a lower average cost of electricity purchases as well as a reduction in the tax on electricity generation.

Despite the drop in EBITDA, EBIT rose 12.4% due to changes in the price of CO<sub>2</sub> emission allowances. Specifically, the provision to mark-to-market the carrying amount of the allowances was reduced from Euros 92 million in the first quarter of 2013 to Euros 19 million in the first quarter of 2014.

With respect to net income, the first-quarter 2014 figure reflects a provision of Euros 51 million to cover loans and guarantees extended to Elcogas, S.A. after the company was deemed economically inviable following application of the measures set out in the Royal Decree governing the mechanism to guarantee the output from certain power plants that use Spanish coal, for reasons of supply security.

## Regulatory update

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

### Electricity tariff for the first quarter of 2014

On 19 December 2013, the twenty-fifth CESUR (Last Resort Energy Supply Contracts) auction was held to determine the cost of energy to be integrated in the calculation of the Small Consumer Voluntary price (SCVP), in replacement of the Last Resort Tariff. After the auction, on 20 December 2013, the Spanish Markets and Competition Commission (Comisión Nacional de los Mercados y la Competencia, CNMC) issued a ruling declaring that the results of the auction could not be validated in view of procedural irregularities and because the auction was held in an energy context that could not be extrapolated to the first quarter of 2014. As a result, in accordance with prevailing regulations, the auction was cancelled for all intents and purposes.

Accordingly, on 20 December 2013, the Secretary of State for Energy issued a Resolution declaring that the price arising from the twenty-fifth CESUR auction could not be taken into account when calculating the estimated cost of wholesale contracts, as the auction had been cancelled for all effects.

On 28 December 2013, the Official State Journal (BOE) published Royal Decree Law 17/2013 of 27 December determining the price of electricity in contracts subject to Small Consumer Voluntary Price tariff in the first quarter of 2014. The Royal Decree Law set the prices for base and peak products necessary for calculating the energy costs to be included in Small Consumer Voluntary Price, considering the public price references of the Iberian Energy Derivatives Exchange (OMIP) for 1Q14 base and peak products contracts in the last six months of trading available at the date of approval of Royal Decree Law 17/2013 of 27 December. Accordingly, as of 1 January 2014, the Small Consumer Voluntary Price was modified by 1.4%, keeping access tariffs unchanged. The price was approved in a Ruling of 30 December 2013. Royal Decree Law 17/2013 of 27 December also established that suppliers of reference would be compensated for the discrepancies between the prices stipulated in the law and the market price, through inclusion of the differences in the Small Consumer Voluntary Price tariff for in the following quarter.

On 1 February 2014, Ministerial Order IET/107/2014 was published in respect of revised 2014 access tariffs, with an average increase of approximately 2% from 1

February. The Order calls for an annual payment to recover the deficit envisaged for 2013, and the inclusion in 2013 access tariffs of non-mainland compensation for that year not financed by the General State Budget, as per Electricity Sector Law 24/2013 of 26 December. The Small Consumers Voluntary Price was also revised, bringing an average increase of around 2% (with respect to prices prevailing at 31 December 2013) following Royal Decree Law 17/2013 of 27 December and Ministerial Order IET/107/2014 of 31 January.

### **Royal Decree 216/2014 of 28 March establishing the methodology for calculating the Small Consumers Voluntary Price electricity tariff and the contracting system**

This Royal Decree, published on 29 March 2014, sets out the methodology for calculating the Small Consumer Voluntary Price (SCVP) as from 1 April 2014. Key aspects of the Royal Decree are as follows:

- The cost of energy to be used in calculating the Small Consumer Voluntary Price for will be the energy price per hour in the daily and interday market in the invoice period, plus adjustment services, capacity payments and System Operator and Market Operator financing payments.
- For consumers with remote meters integrated in the system, the hourly price will be applied to the actual hourly consumption; otherwise, the profile published by the System Operator will be used.
- This new mechanism will be applied from 1 April 2014. Prior to 1 July 2014, the suppliers of reference must adapt their IT systems in order to invoice consumers under the new scheme. In the meantime, the cost of energy to be applied in the Small Consumer Voluntary Price will be the temporary price established for the first quarter of 2014. Subsequently, the cost will be adjusted in invoices for consumption as of 1 April 2014, in the first billing period after suppliers' IT systems are duly adapted for the new VPSC.
- In addition, electricity consumed in the first quarter of 2014 must be adjusted in the first invoices issued following adaptation of the IT systems, as per Royal Decree Law 17/2013 of 27 December, taking into account the spread between the market price and the cost of purchasing energy included in the SCVP in that period.
- The Royal Decree also establishes that, within two months of its publication, the Spanish Markets and Competition Commission shall propose to the Secretary of State for Energy specific procedures for verifying, validating and closing data taken from metering equipment connected to the remote system for the purposes of hourly measurements. These proposed procedures will include a maximum period for completing the remote measurement of all remote meters installed.
- As an alternative, the suppliers of reference will be required to extend an offer to customers entitled to the Small Consumer Voluntary Price in the form

of a fixed price for a one-year period, comprising the revisable access tolls and a fixed value for one year (in €/kW) for the remaining items. The offer shall remain in force for one month, and shall be consistent throughout Spain. Each supplier of reference may have only one offer in force during the period.

- The Royal Decree also establishes that the subsidised electricity tariff ("bono social") will be equivalent to a 25% discount on the Small Consumer Voluntary Price.

On 28 March 2014, the Official State Journal (BOE) published Law 3/2014 of 27 March, modifying the consolidated text of the General Consumer Protection Law and other complementary legislation, approved under Royal Decree Law 1/2007 of 16 November. Among other aspects, this Law modifies Law 24/2013 of 26 December, in order to pave the way for some of the terms established in Royal Decree 216/2014 of 28 March.

#### **Ministerial Order IET/350/2014 of 7 March, setting the distribution percentages for the amounts to be financed in respect of the subsidised electricity tariff ("bono social") for 2014**

Royal Decree 9/2013, of 12 July, included a new regulation for the subsidised electricity tariff ("bono social"), requiring, as a public service obligation, parent companies or vertically-integrated groups of companies carrying out energy generation, distribution and supply activities, to assume the cost of the subsidised electricity tariff in proportion to a percentage based on both their number of supply connections to distribution grids and the number of customers they serve. The CNMC calculates this percentage annually, subject to approval by the Ministry of Industry, Energy and Tourism.

According to Ministerial Order IET/350/2014 of 7 March, the percentage of the 2014 subsidised electricity tariff to be financed by ENDESA, S.A. is 41.61%.

#### **Domestic coal**

A resolution of 12 February 2013 by the Institute for the Restructuring of Coal Mining and Alternative Development of Mining Locations ("Instituto para la Reestructuración de la Minería del Carbón y Desarrollo Alternativo de las Comarcas Mineras") approved coal quantities, maximum output and remuneration for 2013 to be applied in the process governing the mechanism to guarantee the output from certain power plants that use Spanish coal, for reasons of supply security. The initial resolution was amended by a further resolution dated 20 March 2013, stipulating the minimum coal quantities to be delivered on a monthly basis, namely one-twelfth of the annual volume.

For 2014, the aforementioned parameters are set out in the resolution issued on 30 January 2014.



## Natural gas tariff for 2014

Ministerial Order IET/2446/2013 of 27 December revised access tolls as from 1 January, introducing a general increase of around 2%. No changes were made to Last Resort Tariffs, approved in the 26 December 2012 resolution issued by the Department of Energy Policy and Mines.

## Revenues: Euros 5,443 million

Revenues for the Spain and Portugal business stood at Euros 5,443 million in the first quarter of 2014, down Euros 289 million year on year (-5.0%).

Of this amount, revenues from sales accounted for Euros 5,028 million (-7.3%), while other operating income accounted for Euros 415 million (+35.6%).

## Sales

Sales in the Spain and Portugal business from January to March 2014 were as follows:

Millions of Euros

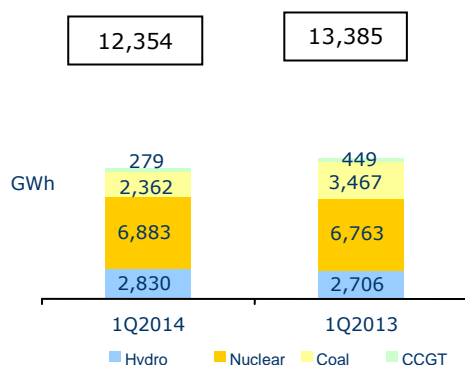
<b>Sales in the Spain and Portugal business</b>				
	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>Difference</b>	<b>% change</b>
Electricity sales	3,585	3,955	(370)	(9.4)
Sales to the deregulated market	1,926	1,927	(1)	(0.1)
Sales at regulated prices	874	1,170	(296)	(25.3)
Wholesale market sales	194	214	(20)	(9.3)
Supply to customers in deregulated markets outside Spain	233	213	20	9.4
Non-mainland compensation	354	425	(71)	(16.7)
Electricity trading	4	6	(2)	(33.3)
Regulated revenues from electricity distribution	504	542	(38)	(7.0)
Gas supply	664	660	4	0.6
Other sales and services rendered	275	269	6	2.2
<b>TOTAL</b>	<b>5,028</b>	<b>5,426</b>	<b>(398)</b>	<b>(7.3)</b>

In the first quarter of 2014, mainland electricity demand shrank by 1.8% compared to the same period of 2013 (-0.6% adjusted for working days and temperature).

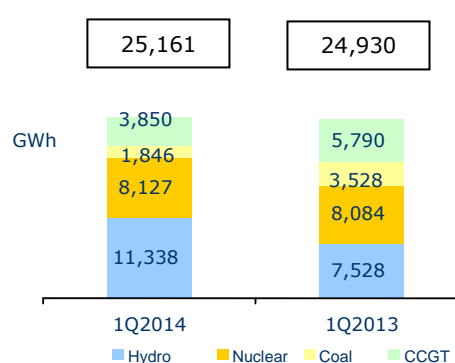
ENDESA's mainland ordinary regime output totalled 12,354 GWh during the period, 7.7% less than in the first quarter of 2013. This reduction was due to the major decrease in output at both coal-fired plants (-31.9%) and combined-cycle plants (-37.9%), and was only partially offset by the increase at hydro plants (+4.6%).

Nuclear and hydro energy accounted for 78.6% of ENDESA's mainland generation mix under the ordinary regime (70.7% in January-March 2013), compared to 77.4% for the rest of the sector (62.6% in January-March 2013).

**Ordinary regime mainland output (Endesa)**  
**Total: 12,354 GWh (-7.7%)**



**Ordinary regime mainland output (Sector ex Endesa)**  
**25,161 GWh (+0.9%)**



ENDESA's output from non-mainland facilities was 2,880 GWh, a decrease of 3.6% compared to the first quarter of 2013.

ENDESA reached a market share of 32.9% in ordinary regime mainland generation, a 42.2% share in distribution and a 37.9% share in sales to customers in the deregulated market.

### Supply to deregulated customers

ENDESA had 3,917,966 customers (+31.5%) in the deregulated market at 31 March 2014: 3,757,246 (+32.3%) in the Spanish mainland market and 160,720 (+15.1%) in European deregulated markets other than Spain.

ENDESA sold a total of 19,100 GWh to these customers in the first quarter of 2014, an increase of 5.8%.

Sales in the Spanish deregulated market totalled Euros 1,926 million, in line with the year-ago figure (down only 0.1%). Revenues from sales to deregulated European markets other than Spain rose 9.4% year on year, to Euros 233 million.

### Sales at regulated prices

During the first quarter of 2014, ENDESA sold 5,251 GWh to customers under regulated prices, down 19.1% on the same period of 2013.

These sales generated revenues of Euros 874 million from January to March 2014, 25.3% lower year on year.

Revenues from this activity are reduced by a liability of Euros 110 million, recorded at 31 March 2014 in connection with the amount invoiced to customers that should be



adjusted upon application of the mechanism established in Royal Decree Law 17/2013 of 27 December.

### **Electricity distribution**

ENDESA distributed 28,050 GWh of power in the Spanish market in the first quarter of 2014, 1.9% less than in the same period of 2013.

Regulated revenues from distribution activities stood at Euros 504 million, down 7.0% compared to the same period of 2013, as a result of the application of Royal Decree Law 9/2013 of 12 July.

### **Gas supply**

ENDESA sold 19,698 GWh of natural gas to customers in the deregulated market in Spain in the first quarter of 2014, which represents a 0.2% decrease on the year-ago figure.

Revenues from gas sales in the deregulated market totalled Euros 664 million, up Euros 4 million (0.6%) on the figure at 31 March 2013.

### **Other operating income**

"Other operating income" stood at Euros 415 million, Euros 109 million higher than in the first quarter of 2013. This increase reflects Euros 138 million rise from the valuation on the settlement of energy derivatives not considered hedges for accounting purposes. ENDESA considers these derivatives to be economic hedges. The aforementioned gains and income are offset by higher valuation losses and losses on settlement of derivatives in the same category (totalling the Euros 121 million and recognised under "Other procurements and services (variable costs)").

## Operating expenses

The breakdown of operating expenses in the Spain and Portugal business in the first quarter of 2014 is as follows:

Millions of Euros

<b>Operating expenses – Spain and Portugal business</b>				
	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>Difference</b>	<b>% change</b>
Procurements and services	4,041	4,272	(231)	(5.4)
Power purchases	1,214	1,486	(272)	(18.3)
Cost of fuel consumed	568	665	(97)	(14.6)
Transmission costs	1,602	1,630	(28)	(1.7)
Other procurements and services (variable costs)	657	491	166	33.8
Personnel expenses	220	242	(22)	(9.1)
Other fixed operating expenses	262	288	(26)	(9.0)
Depreciation and amortisation, and impairment losses	393	460	(67)	(14.6)
<b>TOTAL</b>	<b>4,916</b>	<b>5,262</b>	<b>(346)</b>	<b>(6.6)</b>

### Procurements and services (variable costs)

Procurements and services (variable costs) totalled Euros 4,041 million in the first quarter of 2014, 5.4% less than in the same period of 2013. Details of these costs are as follows:

- Power purchases stood at Euros 1,214 million in the first quarter of 2014, down 18.3% on the year-ago figure, due to the impact of the lower average purchase price as a result of the reduced average wholesale market price.
- Fuel costs fell 14.6% compared to the first quarter of 2013, to Euros 568 million, due to lower thermal output in the period.
- Transmission costs were down 1.7% despite the higher access tolls, as a result of the reduction in power sold.
- "Other procurements and services (variable costs)" stood at Euros 657 million, Euros 166 million higher than in the same period of 2013. This increase was due to the Euros 121 million rise in expenses in respect of the energy derivatives mentioned in the section on "Other operating income".

### Personnel and other operating expenses (fixed costs)

Fixed costs amounted to Euros 482 million in the first quarter of 2014, down Euros 48 million (-9.1%) compared to the same period of 2013.

Personnel expenses amounted to Euros 220 million, a 9.1% decrease, reflecting the workforce reduction carried out and the efforts to contain salary costs.

Other operating expenses stood at Euros 262 million, down by Euros 26 million (-9.0%) as a result of the cost-reduction policy implemented.

### **Depreciation and amortisation, and impairment losses**

Depreciation and amortisation charges and impairment losses totalled Euros 393 million in the first quarter of 2014, Euros 67 million (-14.6%) less than the same period of 2013.

Amortisation and depreciation charges for the quarter remained in line with those of the first quarter of 2013. Accordingly, the decrease in this heading is because the figure at 31 March 2013 included Euros 92 million in impairment losses on the CO<sub>2</sub> emissions portfolio to reflect the lower market price, whereas at 31 March 2014 a provision of only Euros 19 million was required in view of the rise in market prices.

### **Net financial loss: Euros 33 million**

The net financial loss for the first quarter of 2014 stood at Euros 33 million, Euros 14 million less than in the same period of 2013. The difference reflects the Euros 17 million decrease in net financial expenses (as a result of lower debt levels year on year) and the Euros 3 million variation in net exchange differences.

Net financial debt in the Spain and Portugal business stood at Euros 1,772 million at 31 March 2014, compared to Euros 1,435 million at 31 December 2013, following payment of a Euros 1,588 million dividend on 2 January 2014.

The net financial debt at 31 March 2014 is held to finance Euros 2,348 million in regulatory receivables: Euros 1,818 million to finance the revenue shortfall from regulated activities prior to 31 December 2013 and Euros 530 million to fund non-mainland generation stranded costs. Given that the first settlement for 2014 under the new deficit financing mechanism established by Law 24/2013 of 26 December occurred subsequent to 31 March 2014, the figures reported do not take into account any amounts pending collection by ENDESA subsidiaries in the 2014 electricity system settlements.

### **Cash flow from operating activities: Euros 1,338 million**

Cash flow from operating activities in the Spain and Portugal business totalled Euros 1,338 million in the first quarter of 2014, compared to Euros 479 million in the first quarter of the prior year, mainly due to improved working capital.

### **Gross investments: Euros 140 million**

Gross investments in the Spain and Portugal business in the first quarter of 2014 totalled Euros 140 million, as detailed in the following table:

Millions of Euros

<b>Gross investment in the Spain and Portugal business</b>			
	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>% change</b>
CapEx	119	118	0,8
Intangible assets <sup>(1)</sup>	8	10	(20.0)
Investment property	-	-	-
Financial investment	13	8	62.5
<b>TOTAL</b>	<b>140</b>	<b>136</b>	<b>2.9</b>

(1) Excluding CO<sub>2</sub> emission allowances, Certified Emission Reductions (CERs) and Emission Reductions Unit (ERUs)

Millions of Euros

<b>Gross CapEx in the Spain and Portugal business</b>			
	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>% change</b>
Generation	27	34	(20.6)
Distribution	91	83	9.6
Other	1	1	-
<b>TOTAL</b>	<b>119</b>	<b>118</b>	<b>0.8</b>

## Latin America

### Net income in Latin America: Euros 98 million

Net income in ENDESA's Latin America business was Euros 98 million in the first quarter of 2014, representing a 29.0% decline against the first quarter of 2013 and a contribution to ENDESA's total net income of 21.9%.

EBITDA stood at Euros 546 million, down 22.0% year on year, whilst EBIT was Euros 388 million, for a 25.7% decrease on the first quarter of 2013.

Of the decrease in EBITDA, Euros 79 million relates to the devaluation of local currencies in the Latin American countries in which ENDESA operates.

Stripping out the impact of exchange differences on the currencies mentioned above, the decrease in net income in this business line is primarily due to lower results in the Argentina distribution business and the lower electricity generation in Chilean investees as a result of rainfall and precipitation conditions in that country coupled with the lower thermal output due to the stoppage of the Bocamina II power station.

### Highlights

With respect to the economic environment in ENDESA's Latin American operating markets, energy demand grew during the first quarter of 2014 in Brazil (8.3%), Peru (6.2%), Colombia (4.9%), Argentina (2.9%) and Chile (1.2%).

Against this backdrop, distribution sales by ENDESA companies, excluding tolls and unbilled consumption, totalled 15,795 GWh, an increase of 4.6% compared to the same period in 2013, with rises recorded in all countries: Brazil (7.9%), Peru (4.3%), Chile (3.5%), Colombia (2.8%) and Argentina (2.5%).

Output across ENDESA's generation business shrank 8.5% to 13,957 GWh. Specifically, output was lower in Chile (-15.7%), Argentina (-14.4%), Peru (-2.7%) and Colombia (-1.5%), and higher in Brazil (+11.0%).

GWh

<b>Electricity generation and sales in Latin America</b>				
	<b>Generation</b>		<b>Distribution</b>	
	<b>January-March 2014</b>	<b>% change 1Q13</b>	<b>January-March 2014</b>	<b>% change 1Q13</b>
Argentina	3,379	(14.4)	3,692	2.5
Brazil	1,383	11.0	5,150	7.9
Chile	4,062	(15.7)	3,272	3.5
Colombia	2,974	(1.5)	1,986	2.8
Peru	2,159	(2.7)	1,695	4.3
<b>TOTAL</b>	<b>13,957</b>	<b>(8.5)</b>	<b>15,795</b>	<b>4.6</b>

## Unit margins

The unit margin in the generation business fell by 6.4% in the first quarter of 2014, to Euros 24.5/MWh. Improvements were seen in Argentina (+32.7%), Brazil (+26.0%) and Peru (+4.1%), although they did not offset the decreases in unit margin in Chile (-38.8%) and Colombia (-9.4%).

The unit margin in the distribution business was Euros 22.7/MWh in the first quarter of 2014, narrowing 28.5% compared to the same period in 2013, with reductions across all countries: Argentina (-94.9%), Brazil (-29.8%), Chile (-24.9%), Colombia (-9.7%) and Peru (-5.7%).

## New capacity development

At the El Quimbo hydro plant in Colombia (400 MW), work continued on securing agreements with local residents and the pertinent contracts to be able to carry out work on the dam. Agreements are being finalised with residents living in the area surrounding the dam as well as non-residents, and a contract has been awarded to rebuild alternative routes around the reservoir area. The agreement with the local population has enabled the civil engineering contractor to continue earthworks to fill the dam.

On 27 March 2014, Empresa Nacional de Electricidad, S.A. agreed to invest USD 662 million (approximately Euros 480 million) in the construction of the Los Cóndores 150 MW hydroelectric power station. Commercial operation of the plant is slated for late 2018.

## Regulatory developments

### Argentina

On 3 January 2014, the Ministry of Federal Planning and the Argentine Electricity Sector Regulator (ENRE) issued three rulings regarding the suspension of supply affecting Buenos Aires since 16 December 2013. The ENRE's Resolution 1/2014 determined the unit amounts of the extraordinary compensation Empresa



Distribuidora Sur, S.A. is required to pay those users affected by the suspension, until the service is fully restored. The other two rulings by the Ministry of Federal Planning relate to the characteristics of distributor call centres (Resolution 2/2014) and to the requirement that the trust created under Resolution 347 (Resolution 3/2014) for the financing of public investment works adheres to instructions issued by the Ministry's Sub-Secretary of Coordination and Management Control.

Lastly, ENRE Resolution 31/2014 releases the vice-chairman of the ENRE from the role of inspector in Empresa Distribuidora Sur, S.A., designating the chairman of the subject organisation as the new inspector, for 90 business days subject to extension until 19 June 2014.

## **Brazil**

On 12 December 2013, the Brazilian regulator, Agência Nacional de Energia Elétrica (ANEEL), decided to extend the trial period for the new tariff system, known as the "flag system", until the end of 2014. The proposed flag system for tariffs (green, yellow and red flags) aims to address monthly changes in customers' energy rates, providing notice of increases in energy purchase costs. Although it was initially proposed that the system would come into force in 2014, ANEEL decided to postpone the scheme for another year in order to streamline the regulatory adaptation process.

On 7 March 2014, the Brazilian government approved Decree 8,203, which, as in the prior year, allowed the use of the Energy Development Fund (Conta de Desenvolvimento Energético, CDE) to cover extra costs of distributors due to involuntary exposure to the spot market and the costs of thermal output arising because of low reservoir levels. To that end, and only for the month of January 2014, the Brazilian Treasury assigned BRL 1,200 million for these purposes (approximately Euros 370 million).

To cover the remaining months of 2014 (February to December), the government approved Decree 8,221 of 1 April, which authorises the Brazilian Chamber of Commerce for Electricity (CCEE) to pay the aforementioned extra costs using proceeds obtained from market financing. To ensure this financing, Decree 8,221 requires the funds to be guaranteed by the Energy Development Fund.

After the tariff processes to be carried out in 2015, ANEEL will define a uniform charge for all consumers, to be collected by companies and passed on the Energy Development Fund, in order to repay the loan assumed by the Chamber of Commerce for Electricity.

In addition to the loan, the Treasury may also assign another BRL 2,800 million (approximately Euros 864 million euros) for subsequent months, as occurred in January. These measures will be applied based on the electricity settlement in February.

The Decree also establishes that the excess costs that cannot be covered through the mechanism described above, due to insufficient financing, will be incorporated in future tariffs through the normal tariff adjustment process.

In addition to the measures described, on 24 March 2014, the Ministry of Mines and Energy published Ministerial Directive No. 118, which establishes the conditions for the A-0 energy auction, with supply as from May, to allow distributors to reassume their deficits in 2014.

On 11 March 2014, ANEEL approved the request submitted by Companhia Energética do Ceará, S.A. for recognition of the portion of the cost of the value-added tax (Impuesto a la Circulación de Mercaderías y Servicios, ICMS) that had not been compensated, which represents a retroactive amount of Euros 45 million plus Euros 4.5 million per year. This amount will be included in the tariff over the coming four years.

On the same date, ANEEL extended the application of the third Tariff Review for Ampla Energia e Serviços, S.A. to 8 April 2014, on which date the Ordinary Tariff Review was applied. The new tariffs in force entail an average increase of 2.64% for consumers. On 15 April 2014, ANEEL approved the revised tariff for Companhia Energética do Ceará, S.A. The average adjustment index to be received by consumers is +16.77% as from 22 April 2014, primarily impacted by the high costs of energy purchases.

## Chile

On 17 January 2014, the Supreme Court of Justice authorised the commissioning of the Punta Alcalde thermoelectric power station. This court, the highest in the nation, overturned the rulings issued by the Santiago Court of Appeal and upheld the Committee of Ministers' favourable environmental assessment for the project (Resolution No. 159). The ruling requires strict compliance with Resolution No. 159 and orders that the power station may not be commissioned without the prior installation and operation of an electrostatic precipitator and unless compliance with efficiency standards reaches 90%. In addition, the ruling establishes other obligations aimed at controlling the power station's environmental impact.

On 30 January 2014, the Chilean President enacted Law 20,726 on the Interconnection between Electricity Systems. The benefits of interconnection include enhanced supply security and a greater generation supply, as well as improved market competitiveness and downward pressure on marginal costs. Interconnection is slated for completion prior to 2018.

On 9 February 2014, the Department of the Environment lifted the suspension of operations placed on the first unit of the Bocamina thermal-electric plant in Region VIII (Bocamina I). By doing so, the environmental regulatory agency rendered ineffective the temporary closure of the 125 MW plant as well as the corrective, security and control measures laid out in the Resolution issued on 28 January 2014.

On 13 February 2014, the Expert Panel published Decision No. 1/2014 regarding the sub-transmission tariff review process. Chilectra, S.A. disputed the useful lives of installations and the valuation of rights related with land use. The Decision published took into account the modified useful lives proposed by Chilectra, S.A. for certain equipment. The Expert Panel did not, however, take into account Chilectra, S.A.'s proposals regarding land use, and those established by the National Energy Commission (CNE) prevail (namely, the historical value of land and easements, pegged to the consumer price index). The Decision reduces the negative impact of the bases for determining remuneration by 30%.

On 14 March 2014, the Chilean government published a decree setting prices for electricity distribution-related services other than energy supply. The main services include post support, meter rental, connection and disconnection of the service on account of outstanding debt, late payment charges and splicing. The Decree is not retroactive and therefore the new tariffs are in force as from the date of approval.

## Corporate operations

### **Voluntary takeover bid on Companhia Energética do Ceará, S.A.**

On 14 January 2014, Enersis, S.A. presented a voluntary takeover bid at a price of BRL 49 per share, targeting minority shareholders of Companhia Energética do Ceará, a Brazilian electricity distributor already controlled through ENDESA Brasil, S.A. (58.87% stake).

After the acceptance period had elapsed on 17 February 2014 and subsequent to the mandatory auction, Enersis, S.A. acquired 2,964,650 ordinary shares, 8,818,006 Class A preference shares and 424 Class B preference shares in the company for a total sum of USD 242 million (approximately Euros 175 million), paid in on 20 February 2014.

Consequently, as a result of the voluntary takeover bid, Enersis, S.A. increased its holding in Companhia Energética do Ceará, S.A. by 15.13%, bringing its total direct and indirect stake at the date of this Consolidated Management Report to 74.00%.

Moreover, in accordance with Brazilian legislation and regulations and in view of the outcome of the auction, Enersis, S.A. extended the term of its offer for ordinary shares of Companhia Energética do Ceará, S.A. for an additional three months, at the same price conditions.

### **Acquisition of an additional 50% stake in GasAtacama**

On 22 April 2014, Empresa Nacional de Electricidad, S.A. and Southern Cross Latin American Private Equity Fund III, L.P. signed the pertinent documents and contracts whereby the former directly acquired all the equity interests held by the latter, either on its own behalf or through related companies, in Inversiones GasAtacama Holding Limitada, equivalent to 50% of that company, including the transfer of the loan held by Pacific Energy Sub Co. in the group. The total price of the deal was USD 309 million (approximately Euros 224 million), and was fully settled at that date. The parties also withdrew from the shareholders' agreement signed on 1 August 2007.

As a result of this transaction, Empresa Nacional de Electricidad, S.A. secured a 100% holding in Inversiones GasAtacama Holding Limitada, assuming total control of the company it had previously controlled jointly with the other party.

GasAtacama owns the natural gas thermoelectric power station (781 MW of installed capacity) in the Norte Grande Interconnected System (SING), the Mejillones-Taltal gas pipeline and the Atacama gas pipeline between Chile and Argentina.

Empresa Nacional de Electricidad, S.A.'s aim is to make the GasAtacama Group a supplier of base energy in the Norte Grande Interconnected System, providing a



reliable, competitive and environmentally-sound energy supply using liquefied natural gas (LNG).

Empresa Nacional de Electricidad, S.A. would therefore be able to meet the higher residential, industrial and mining demand, paving the way for projects supporting the country's growth and unlocking numerous operating and management synergies.

At the date of this Consolidated Management Report, studies are underway to determine the impact this deal will have on ENDESA's consolidated financial statements.

### **Acquisition of an additional 39% of Generandes Perú**

On 30 April 2014, Enersis, S.A. entered into an agreement to acquire Inkia Americas Holding Limited's 39.001% indirect stake in Generandes Perú, S.A. for USD 413 million (approximately Euros 300 million). The shares will be transferred and, accordingly, the purchase price will be paid after verification of compliance with certain suspensive conditions set out in the sale contract.

With this acquisition, Enersis, S.A. will secure a 100% holding in Generandes Perú, S.A., which in turn owns a 54.2% stake in Edegel, S.A.A. This is in addition to the 17.6% stake Enersis, S.A. already holds indirectly in Edegel, S.A.A.

The deal will increase ENDESA's effective participation in Edegel, S.A.A., which determines the economic interest ENDESA holds in that company (from the current 22.7% to 35.5%).

In addition, as a result of the transaction and once compliance with the suspensive conditions has been verified, the following companies, through which Inkia Americas Holding Limited holds its stake in Generandes Perú, S.A., will be incorporated in ENDESA's consolidated financial statements: Inkia Holdings (Acter) Limited; Southern Cone Power Ltd.; Latin America Holding I Ltd.; Latin America Holding II Ltd. and Southern Cone Power Perú S.A.A.

Given that ENDESA already controls and therefore includes both Generandes Perú S.A. and Edegel S.A.A. in its consolidated financial statements, the transaction is considered a transaction between shareholders and accordingly has no effect on the consolidated statement of comprehensive income. Similarly, the transaction will not modify the carrying amount of the assets and liabilities of the aforementioned subsidiaries as recognised in the consolidated statement of financial position.

### **EBITDA: Euros 546 million**

ENDESA's Latin American business reported EBITDA of Euros 546 million in the first quarter of 2014, down 22.0% on the year-ago figure. The Euros 79 million decrease



compared to the same period of 2013 was because of exchange rate fluctuations between the euro and the local currencies of the countries in which ENDESA operates.

EBIT stood at Euros 388 million, a 25.7% decrease on the figure reported in the first quarter of 2013.

The breakdown of earnings for ENDESA's various businesses in Latin America is as follows:

Millions of Euros

<b>EBITDA and EBIT from the business in Latin America</b>						
	<b>EBITDA</b>			<b>EBIT</b>		
	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>% change</b>	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>% change</b>
Generation and transmission	340	384	(11.5)	266	293	(9.2)
Distribution	214	325	(34.2)	132	238	(44.5)
Other	(8)	(9)	N/A	(10)	(9)	N/A
<b>TOTAL</b>	<b>546</b>	<b>700</b>	<b>(22.0)</b>	<b>388</b>	<b>522</b>	<b>(25.7)</b>

The breakdown by Latin American countries in which ENDESA operates is as follows:

Millions of Euros

<b>EBITDA and EBIT from the Latin America business - Generation and transmission</b>						
	<b>EBITDA</b>			<b>EBIT</b>		
	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>% change</b>	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>% change</b>
Argentina	19	13	46.2	10	2	400.0
Brazil	72	50	44.0	69	45	53.3
Chile	41	88	(53.4)	12	51	(76.5)
Colombia	130	150	(13.3)	117	134	(12.7)
Peru	63	63	-	47	47	-
<b>TOTAL GENERATION</b>	<b>325</b>	<b>364</b>	<b>(10.7)</b>	<b>255</b>	<b>279</b>	<b>(8.6)</b>
Brazil-Argentina interconnection	15	20	(25.0)	11	14	(21.4)
<b>TOTAL GENERATION AND TRANSMISSION</b>	<b>340</b>	<b>384</b>	<b>(11.5)</b>	<b>266</b>	<b>293</b>	<b>(9.2)</b>

Millions of Euros

<b>EBITDA and EBIT from the Latin America business - Distribution</b>						
	<b>EBITDA</b>			<b>EBIT</b>		
	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>% change</b>	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>% change</b>
Argentina	(78)	(30)	(160.0)	(82)	(35)	(134.3)
Brazil	101	142	(28.9)	64	107	(40.2)
Chile	49	67	(26.9)	39	55	(29.1)
Colombia	105	110	(4.5)	83	85	(2.4)
Peru	37	36	2.8	28	26	7.7
<b>TOTAL DISTRIBUTION</b>	<b>214</b>	<b>325</b>	<b>(34.2)</b>	<b>132</b>	<b>238</b>	<b>(44.5)</b>

## Generation and transmission

### Argentina

The 14.4% decrease in output in the first quarter of 2014 was offset by the 32.7% rise in unit margin, given that in the first quarter of 2013 the new regulatory framework set out under Resolution 95/2013 had not yet come into force. The effect of the new regulations was a 46.2% increase in EBITDA compared to the first quarter of 2013, to Euros 19 million, including the absorption of foreign currency losses of Euros 11 million due to exchange rate fluctuations between the euro and the Argentine peso.

EBIT for the first quarter totalled Euros 10 million, up Euros 8 million (400.0%) compared to the same period of the previous year.

### Brazil

The total electricity output by ENDESA investees in Brazil stood at 1,383 GWh in the first quarter of 2014, up 11.0% on the same period of the previous year.

EBITDA for the period rose 44.0% to Euros 72 million underpinned by the higher level of generation, the greater weight of hydroelectric energy in the generation mix, and, above all, higher market prices, which absorbed the foreign currency losses of Euros 16 million on account of fluctuations between the euro and the Brazilian real.

EBIT for the first quarter of 2014 was Euros 69 million (up 53.3%).

## **Chile**

EBITDA for the generation business in Chile fell by Euros 47 million in the first quarter of 2014 (-53.4%), of which Euros 9 million relate to losses on currency fluctuations between the euro and the Chilean peso.

As a result of rainfall and precipitation conditions in Chile coupled with the stoppage of the Bocamina II power station, electricity generation by Chilean subsidiaries fell to 4,062 GWh, down 15.7% on the same period of 2013. This situation, coupled with the drop in unit margin (-38.8%), kept generation EBITDA at Euros 41 million for the first quarter of 2014.

EBIT for the first quarter totalled Euros 12 million, down Euros 39 million (-76.5%) compared to the same period of the previous year.

## **Colombia**

Total electricity output of ENDESA's Colombian investees stood at 2,974 GWh in the first quarter of 2014, down 1.5% year on year.

EBITDA was Euros 130 million, down Euros 20 million in the period, due to the foreign currency losses of Euros 21 million.

EBIT fell by Euros 17 million from January to March 2014, to Euros 117 million.

## **Peru**

The total amount of electricity generated by ENDESA investees in Peru stood at 2,159 GWh in the first quarter of 2014, down 2.7% on the same period of the previous year.

First-quarter EBITDA and EBIT remained steady compared to the year-ago figures, at Euros 63 million and Euros 47 million, respectively, despite the lower output for the period and the foreign currency losses of Euros 8 million, due to the improved margin.

## **Argentina - Brazil interconnection**

Compañía de Interconexión Energética, S.A. posted first-quarter EBITDA and EBIT of Euros 15 million and Euros 11 million, respectively, representing decreases of Euros 5 million and Euros 3 million against the same period of 2013.





Both these figures include a negative impact of Euros 3 million compared to the first quarter of 2013 due to the evolution of the exchange rates between the euro and local currencies.

## Distribution

### Argentina

During the first quarter of 2014, the 2.5% increase in sales volumes was not sufficient to offset the higher operating and maintenance costs incurred to remedy the supply difficulties caused by breakage in the Empresa Distribuidora Sur, S.A. distribution network following a major storm on 20 January 2014, nor the higher fixed costs, incurred because of the country's high inflation rates, that were not passed on to customer rates. Accordingly, EBITDA was negative in the amount of Euros 78 million, compared to a negative amount of Euros 30 million in the first quarter of 2013. This decrease in EBITDA was despite the foreign currency gains of Euros 45 million.

The business also registered a loss at the EBIT level of Euros 82 million, compared to the loss of Euros 35 million during the same period of the previous year.

### Brazil

During the quarter, electricity distributors bore excess costs of Euros 188 million derived from contractual exposure of the price of energy in the spot market, which reached all-time highs in the first quarter of 2014. Of this amount, Euros 13 million corresponding to the month of January were pending offset during the period (to be recovered in future tariff reviews).

The impact of euro/Brazilian real exchange rate fluctuations was negative in the amount of Euros 23 million.

Accordingly, EBITDA and EBIT for the first quarter of 2014 stood at Euros 101 million and Euros 64 million, respectively, representing decreases of Euros 41 million and Euros 43 million, respectively, on the same period of 2013.

### Chile

The 3.5% increase in sales volume derived from rising demand was absorbed by the reduction in unit margin and the foreign currency losses (Euros 10 million), pushing EBITDA for the Chilean distribution business to Euros 49 million (down 26.9%).

EBIT came to Euros 39 million in the quarter, down 29.1%.

### Colombia

The foreign currency losses (Euros 17 million) incurred in the first quarter of 2014 were not offset by the 2.8% increase in sales volume.

EBITDA and EBIT for the distribution business in Colombia stood at Euros 105 million and Euros 83 million, respectively, for decreases of 4.5% and 2.4%.

## Peru

Financial indicators for the Peruvian distribution business were strong during the first quarter of 2014, on the back of a 4.3% rise in sales volumes, which offset the drop in unit margins and the negative impact of exchange rate fluctuations (Euros 5 million).

This put EBITDA at Euros 37 million, up 2.8% on the same period in 2013, and EBIT at Euros 28 million, 7.7% higher year on year.

### Net financial loss: Euros 69 million

ENDESA's Latin America business generated a net financial loss of Euros 69 million in the first quarter of 2014, showing a fall of 31.7% against the same period of 2013.

Net financial expense for the period totalled Euros 42 million, a decrease of Euros 55 million (56.7%) due to the lower debt volume held in comparison with the first quarter of 2013.

Net exchange losses of Euros 27 million were recorded between January and March 2014, compared to losses of Euros 4 million in the first quarter of 2013.

The net financial debt of ENDESA's Latin American business stood at Euros 2,623 million at 31 March 2014, Euros 279 million below the figure at 31 December 2013.

### Cash flow from operating activities: Euros 108 million

ENDESA's business in Latin America generated net cash flow of Euros 108 million in the first quarter of 2014, compared to Euros 106 million in the same period of the prior year.

### Gross investment: Euros 242 million

Gross investment in this business totalled Euros 242 million in the first quarter of 2014.

Of this amount, Euros 27 million corresponded to financial investments, and Euros 215 million to CapEx and investments in intangible assets, as shown in the table below:

Millions of Euros

<b>Total gross investments - Latin America business</b>			
	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>% change</b>
CapEx	170	150	13,3
Intangible assets	45	52	(13.5)
Investment property	-	-	-
Financial investment	27	19	42.1
<b>TOTAL</b>	<b>242</b>	<b>221</b>	<b>9.5</b>

Millions of Euros

<b>Gross CapEx investment and investment in intangible assets in Latin America</b>			
	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>% change</b>
Generation	106	82	29.3
Distribution and transmission	64	68	(5.9)
Other	-	-	-
<b>TOTAL CAPEX</b>	<b>170</b>	<b>150</b>	<b>13.3</b>
<b>Intangible assets <sup>(1)</sup></b>	<b>45</b>	<b>52</b>	<b>(13.5)</b>
<b>TOTAL CAPEX AND INVESTMENT IN INTANGIBLE ASSETS</b>	<b>215</b>	<b>202</b>	<b>6.4</b>

- (1) Includes 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 assets under IFRIC 12.



# **Appendix I:** **Statistical information**

## Key figures

GWh

<b>Electricity generation output</b>	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>% change</b>
<b>Spain and Portugal</b>	<b>15,234</b>	<b>16,374</b>	<b>(7.0)</b>
Mainland	12,354	13,385	(7.7)
Nuclear	6,883	6,763	1.8
Coal	2,362	3,467	(31.9)
Hydroelectric	2,830	2,706	4.6
Combined cycle (CCGT)	279	449	(37.9)
Non-mainland	2,880	2,989	(3.6)
<b>Latin America</b>	<b>13,957</b>	<b>15,253</b>	<b>(8.5)</b>
Argentina	3,379	3,949	(14.4)
Brazil	1,383	1,246	11.0
Chile	4,062	4,820	(15.7)
Colombia	2,974	3,018	(1.5)
Peru	2,159	2,220	(2.7)
<b>TOTAL</b>	<b>29,191</b>	<b>31,627</b>	<b>(7.7)</b>

GWh

<b>Electricity sales</b>	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>% change</b>
<b>Spain and Portugal</b>	<b>24,351</b>	<b>24,552</b>	<b>(0.8)</b>
Last Resort Supply ("LRS")	5,251	6,493	(19.1)
Deregulated market	19,100	18,059	5.8
<b>Latin America</b>	<b>15,795</b>	<b>15,093</b>	<b>4.6</b>
Argentina	3,692	3,603	2.5
Brazil	5,150	4,774	7.9
Chile	3,272	3,160	3.5
Colombia	1,986	1,931	2.8
Peru	1,695	1,625	4.3
<b>TOTAL</b>	<b>40,146</b>	<b>39,645</b>	<b>1.3</b>

GWh

<b>Energy distributed <sup>(1)</sup></b>	<b>January-March 2014</b>	<b>January-March 2013</b>	<b>% change</b>
<b>Spain and Portugal</b>	<b>28,050</b>	<b>28,607</b>	<b>(1.9)</b>
<b>Latin America</b>	<b>21,688</b>	<b>20,734</b>	<b>4.6</b>
Argentina	4,926	4,846	1.7
Brazil	7,132	6,636	7.5
Chile	4,006	3,867	3.6
Colombia	3,612	3,463	4.3
Peru	2,012	1,922	4.7
<b>TOTAL</b>	<b>49,738</b>	<b>49,341</b>	<b>0.8</b>

(1) At power plant busbars

GWh

<b>Gas sales in the Spain and Portugal business</b>	<b>January- March 2014</b>	<b>January- March 2013</b>	<b>% change</b>
Deregulated market	13,863	13,838	0.2
Last Resort Tariff market	485	536	(9.5)
International market	3,151	3,327	(5.3)
Wholesale business	2,684	2,567	4.6
<b>TOTAL (*)</b>	<b>20,183</b>	<b>20,268</b>	<b>(0.4)</b>

(\*) Excluding own generation consumption.

Number of employees

Headcount at period close	31 March 2014	31 December 2013	% change
Spain and Portugal	10,877	10,933	(0.5)
Latin America	11,572	11,608	0.3
<b>TOTAL</b>	<b>22,449</b>	<b>22,541</b>	<b>(0.4)</b>

Number of employees

Average headcount	31 March 2014	31 March 2013	% change
Spain and Portugal	10,906	11,234	(2.9)
Latin America	11,566	11,140	3.8
<b>TOTAL</b>	<b>22,472</b>	<b>22,374</b>	<b>0.4</b>

## Financial data

Euros

Key figures	January- March 2014	January- March 2013	% change
EPS <sup>(1)</sup>	0.42	0.45	(5.9)
CFPS <sup>(2)</sup>	1.37	0.55	147.2
BVPS <sup>(3)</sup>	19.58	19.38 <sup>(4)</sup>	1.0

(1) Parent company's profit / No. of shares

(2) Net cash flows from operating activities / No. of shares.

(3) Equity attributable to equity holders of the parent / No. of shares

(4) At 31 December 2013

Profitability indicators	January-March 2014	January-March 2013
Return on equity <sup>(1)</sup> (%)	6.72	6.84
Return on assets <sup>(2)</sup> (%)	3.28	3.31
Economic profitability <sup>(3)</sup> (%)	12.10	12.53

(1) Net income of parent company / average equity

(2) Net income of parent company / average total assets

(3) Operating income / Average PP&E

Millions of Euros

Net financial debt	Leverage ratio	
	31 March 2014	31 December 2013
<b>Net financial debt</b>	<b>4,395</b>	<b>4,337</b>
Non-current interest-bearing loans and borrowings	6,556	7,472
Current interest-bearing loans and borrowings	656	1,092
Cash and cash equivalents	(2,751)	(4,145)
Derivatives recognised as financial assets	(66)	(82)
<b>Equity</b>	<b>26,556</b>	<b>26,762</b>
Parent	20,733	20,521
Non-controlling interests	5,823	6,241
<b>Leverage ratio (%) <sup>(*)</sup></b>	<b>16,55</b>	<b>16,21</b>

(\*) Net financial debt / Equity

Financial indicators	January-March 2014	January-March 2013
Liquidity ratio <sup>(1)</sup>	1.15	1.20
Solvency ratio <sup>(2)</sup>	1.03	1.05
Debt ratio (%) <sup>(3)</sup>	14.20	13.95
Debt coverage ratio <sup>(4)</sup>	0.73	0.65

- (1) Current assets / Current liabilities  
(2) (Equity + Non-current liabilities) / Non-current assets  
(3) Net financial debt / (Equity + Net financial debt)  
(4) Net financial debt / EBITDA

Ratings	31 March 2014 <sup>(*)</sup>			31 December 2013 <sup>(*)</sup>		
	Long term	Short term	Outlook	Long term	Short term	Outlook
Standard & Poor's	BBB	A-2	Stable	BBB	A-2	Stable
Moody's	Baa2	P-2	Negative	Baa2	P-2	Negative
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Review Negative

(\*) At the respective dates of issue of the consolidated management reports

Euros / Share

Dividends	Against 2013 earnings
Interim <sup>(2 January 2014)</sup>	1,500
Final <sup>(2)</sup>	-
Total dividend per share <sup>(1)</sup>	1,500
Pay-out (%) <sup>(2)</sup>	84,5
Dividend yield (%) <sup>(3)</sup>	6,4

- (1) Pending approval at the Annual General Meeting to be held on 19 May 2014  
(2) Total gross dividend / Net profit attributable to the parent  
(3) Gross dividend per share / Share price at 31 December 2013

Stock market data	31 March 2014	31 March 2013	% change
Market cap <sup>(Millions of Euros)</sup>	27,665	17,459	58.5
Number of shares outstanding	1,058,752,117	1,058,752,117	-
Par value <sup>(Euros)</sup>	1.2	1.2	-
Cash <sup>(Thousands of Euros)</sup>	970,488,834	675,380,981	43.7
Spanish electronic trading platform <sup>(Shares)</sup>			
Trading volume	42,069,521	38,777,500	8.5
Average daily trading volume	667,770	625,444	6.8
P.E.R. <sup>(1)</sup>	15.44	9.17	-

(1) Closing price / Earnings per share

Euros

ENDESA share price	January-March 2014	January-March 2013	% change
High	26.30	18.87	39.4
Low	21.17	16.38	29.3
Average	23.29	17.41	33.7
At 31 March 2013	26.13	16.49	58.5

Percentage (%)

Share price compared to previous year (%)	January-March 2014	January-March 2013
<b>ENDESA, S.A.</b>	12.1	(2.3)
Ibex-35	4.3	(3.0)
Eurostoxx 50	1.7	(0.5)
Eurostoxx Utilities	13.4	(4.4)





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**Appendix II**  
**Effect of the restatement of the**  
**2013 financial statements**  
**upon application of**  
**IFRS 11 Joint Arrangements**

## Consolidated Statement of Financial Position

Millions of Euros

	31 December 2013	Consolidated 31 December 2013 Restated	Difference
<b>Non-current assets</b>	<b>42,851</b>	<b>42,695</b>	<b>(156)</b>
<b>Current assets</b>	<b>13,606</b>	<b>13,262</b>	<b>(344)</b>
<b>TOTAL ASSETS</b>	<b>56,457</b>	<b>55,957</b>	<b>(500)</b>
<b>Equity</b>	<b>26,769</b>	<b>26,762</b>	<b>(7)</b>
Parent	20,521	20,521	-
Non-controlling interests	6,248	6,241	(7)
<b>Non-current liabilities</b>	<b>18,474</b>	<b>18,188</b>	<b>(286)</b>
<b>Current liabilities</b>	<b>11,214</b>	<b>11,007</b>	<b>(207)</b>
<b>TOTAL LIABILITIES</b>	<b>56,457</b>	<b>55,957</b>	<b>(500)</b>

Millions of Euros

	31 December 2013	Spain and Portugal 31 December 2013 Restated	Difference
<b>Non-current assets</b>	<b>26,401</b>	<b>26,243</b>	<b>(158)</b>
<b>Current assets</b>	<b>8,069</b>	<b>7,851</b>	<b>(218)</b>
<b>TOTAL ASSETS</b>	<b>34,470</b>	<b>34,094</b>	<b>(376)</b>
<b>Equity</b>	<b>15,669</b>	<b>15,669</b>	<b>-</b>
Parent	15,669	15,669	-
Non-controlling interests	-	-	-
<b>Non-current liabilities</b>	<b>12,569</b>	<b>12,341</b>	<b>(228)</b>
<b>Current liabilities</b>	<b>6,232</b>	<b>6,084</b>	<b>(148)</b>
<b>TOTAL LIABILITIES</b>	<b>34,470</b>	<b>34,094</b>	<b>(376)</b>

Millions of Euros

	<b>Latin America</b>		<b>Difference</b>
	<b>31 December 2013</b>	<b>31 December 2013 Restated</b>	
<b>Non-current assets</b>	<b>16,450</b>	<b>16,452</b>	<b>2</b>
<b>Current assets</b>	<b>5,537</b>	<b>5,411</b>	<b>(126)</b>
<b>TOTAL ASSETS</b>	<b>21,987</b>	<b>21,863</b>	<b>(124)</b>
<b>Equity</b>	<b>11,100</b>	<b>11,093</b>	<b>(7)</b>
Parent	4,852	4,852	-
Non-controlling interests	6,248	6,241	(7)
<b>Non-current liabilities</b>	<b>5,905</b>	<b>5,847</b>	<b>(58)</b>
<b>Current liabilities</b>	<b>4,982</b>	<b>4,923</b>	<b>(59)</b>
<b>TOTAL LIABILITIES</b>	<b>21,987</b>	<b>21,863</b>	<b>(124)</b>

## Income Statement

Millions of Euros

	<b>Consolidated</b>		<b>Difference</b>
	<b>January- March 2013</b>	<b>January- March 2013 Restated</b>	
Revenues	8,166	8,109	(57)
Procurements and services	(5,614)	(5,591)	23
<b>Contribution margin</b>	<b>2,552</b>	<b>2,518</b>	<b>(34)</b>
<b>EBITDA</b>	<b>1,682</b>	<b>1,658</b>	<b>(24)</b>
Depreciation and amortisation, and impairment losses	(648)	(638)	10
<b>EBIT</b>	<b>1,034</b>	<b>1,020</b>	<b>(14)</b>
<b>Net financial loss</b>	<b>(146)</b>	<b>(148)</b>	<b>(2)</b>
<b>Profit before tax</b>	<b>901</b>	<b>898</b>	<b>(3)</b>
Income tax	(264)	(261)	3
<b>Profit for the period</b>	<b>637</b>	<b>637</b>	<b>-</b>
Parent	476	476	-
Non-controlling interests	161	161	-

Millions of Euros

	<b>Spain and Portugal</b>		
	<b>January- March 2013</b>	<b>January- March 2013 Restated</b>	<b>Difference</b>
Revenues	5,758	5,732	(26)
Procurements and services	(4,282)	(4,272)	10
<b>Contribution margin</b>	<b>1,476</b>	<b>1,460</b>	<b>(16)</b>
<b>EBITDA</b>	<b>971</b>	<b>958</b>	<b>(13)</b>
Depreciation and amortisation, and impairment losses	(466)	(460)	6
<b>EBIT</b>	<b>505</b>	<b>498</b>	<b>(7)</b>
<b>Net financial loss</b>	<b>(46)</b>	<b>(47)</b>	<b>(1)</b>
<b>Profit before tax</b>	<b>463</b>	<b>461</b>	<b>(2)</b>
Income tax	(125)	(123)	2
<b>Profit for the period</b>	<b>338</b>	<b>338</b>	<b>-</b>
Parent	338	338	-
Non-controlling interests	-	-	-

Millions of Euros

	<b>Latin America</b>		
	<b>January- March 2013</b>	<b>January- March 2013 Restated</b>	<b>Difference</b>
Revenues	2,408	2,377	(31)
Procurements and services	(1,332)	(1,319)	13
<b>Contribution margin</b>	<b>1,076</b>	<b>1,058</b>	<b>(18)</b>
<b>EBITDA</b>	<b>711</b>	<b>700</b>	<b>(11)</b>
Depreciation and amortisation, and impairment losses	(182)	(178)	4
<b>EBIT</b>	<b>529</b>	<b>522</b>	<b>(7)</b>
<b>Net financial loss</b>	<b>(100)</b>	<b>(101)</b>	<b>(1)</b>
<b>Profit before tax</b>	<b>438</b>	<b>437</b>	<b>(1)</b>
Income tax	(139)	(138)	1
<b>Profit for the period</b>	<b>299</b>	<b>299</b>	<b>-</b>
Parent	138	138	-
Non-controlling interests	161	161	-

## Statement of Other Comprehensive Income

Millions of Euros

	January- March 2013	January- March 2013 Restated	Difference
Consolidated profit for the period	637	637	-
Other comprehensive income:			
Income and expense recognised directly in equity	419	419	-
Amounts transferred to the income statement and/or investments	75	75	-
<b>Total comprehensive income</b>	<b>1,131</b>	<b>1,131</b>	<b>-</b>

## Statement of Cash Flows

Millions of Euros

	January- March 2013	Consolidated January- March 2013 Restated	Difference
Net cash flows from/(used in) operating activities	603	585	(18)
Net cash flows from/(used in) investing activities	(265)	(269)	(4)
Net cash flows/(used in) financing activities	319	340	21
<b>Total net cash flows</b>	<b>657</b>	<b>656</b>	<b>(1)</b>
Effect of exchange rate variations on cash and cash equivalents	68	67	(1)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>725</b>	<b>723</b>	<b>(2)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,986</b>	<b>1,819</b>	<b>(167)</b>
<b>Cash and cash equivalents at end of period</b>	<b>2,711</b>	<b>2,542</b>	<b>(169)</b>

Millions of Euros

	<b>Spain and Portugal</b>		
	<b>January- March 2013</b>	<b>January- March 2013 Restated</b>	<b>Difference</b>
Net cash flows from/(used in) operating activities	483	479	(4)
Net cash flows from/(used in) investing activities	385	377	(8)
Net cash flows/(used in) financing activities	(1,193)	(1,176)	17
<b>Total net cash flows</b>	<b>(325)</b>	<b>(320)</b>	<b>5</b>
Effect of exchange rate variations on cash and cash equivalents	(1)	-	1
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(326)</b>	<b>(320)</b>	<b>6</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>574</b>	<b>473</b>	<b>(101)</b>
<b>Cash and cash equivalents at end of period</b>	<b>248</b>	<b>153</b>	<b>(95)</b>

Millions of Euros

	<b>Latin America</b>		
	<b>January- March 2013</b>	<b>January- March 2013 Restated</b>	<b>Difference</b>
Net cash flows from/(used in) operating activities	120	106	(14)
Net cash flows from/(used in) investing activities	(650)	(646)	4
Net cash flows/(used in) financing activities	1,512	1,516	4
<b>Total net cash flows</b>	<b>982</b>	<b>976</b>	<b>(6)</b>
Effect of exchange rate variations on cash and cash equivalents	69	67	(2)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,051</b>	<b>1,043</b>	<b>(8)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,412</b>	<b>1,346</b>	<b>(66)</b>
<b>Cash and cash equivalents at end of period</b>	<b>2,463</b>	<b>2,389</b>	<b>(74)</b>

## 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 among 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 allowances 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 major 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 industrial 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 approvals, antitrust, internal and other approvals for our proposed acquisitions, investments or asset divestments, 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 permits concerned 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; shortages 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 to be 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-oil and gas and the impact of the price fluctuations of coal, fuel-oil and gas; acquisitions or restructuring; capacity to successfully carry through 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.

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





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