

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

**Consolidated Management Report for  
the nine-month period  
ended 30 September 2014**

Madrid, 31 October 2014

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

## **CONSOLIDATED MANAGEMENT REPORT**

### **FOR THE PERIOD ENDED**

### **30 SEPTEMBER 2014**

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## Consolidated Results

**ENDESA reported net income of Euros 1,219 million in the nine-month period ended 30 September 2014 of which Euros 755 million corresponded to the Spain and Portugal Business and Euros 464 million to the Latin America Business**

ENDESA's reported net income of Euros 1,219 million in the first nine months of 2014, down 21.4% on the same period of the prior year. Of this, Euros 755 million corresponded to net income from the Spain and Portugal Business (down 27.1%) and Euros 464 million to the Latin America Business (a reduction of 9.9%).

The decline in net income for the Spain and Portugal Business is largely due to the impact of regulatory measures where we would note lower non-mainland revenue in 2012 and 2013 totalling Euros 162 million as a result of re-estimating the revenue for these years as a result of the proposal of Royal Decree which was received for observations in July, and the Euros 96 million loss of the Company's stakes in Elcogas, S.A. and Nuclenor, S.A.

The poor performance of net income in the Latin America Business is largely due to the adverse impact of exchange rates of the region's currencies against the euro, the negative impact of the higher tax rate on deferred taxes recognised in Chile, certain specific negative aspects of the Business in Chile and Brazil in the first nine months of the year as well as the one-off positive impact in Argentina in the first nine months of 2013 of the income related to the compensation applied for cost fluctuations which had not been passed on to the tariff between 2007 and February 2013 in relation to the amounts to be applied under the Cost Monitoring Mechanism ("MMC") adjustment. These negative impacts were partially offset by income due to the recognition of deferred tax related to ENDESA, S.A.'s direct stake in Enersis, S.A. as a result of the disposal process which commenced prior to 30 September 2014. For this reason, the assets of the Latin America Business were no longer amortised from 31 July 2014.

### Electricity generation and sales

ENDESA's electricity generation totalled 96,811 GWh in the first nine months of 2014, up 0.1% on the same period in 2013. Electricity sales stood at 117,949 GWh, unchanged year-on-year.

GWh

<b>Power output and sales for January - September 2014</b>				
	<b>Output</b>		<b>Sales</b>	
	<b>January - September 2014</b>	<b>% chg. 3Q13</b>	<b>January - September 2014</b>	<b>% chg. 3Q13</b>
Spain and Portugal	51,704	(0.4)	70,921	(2.1)
Latin America	45,107	0.7	47,028	3.5
<b>TOTAL</b>	<b>96,811</b>	<b>0.1</b>	<b>117,949</b>	<b>0.0</b>

## **Disposal of ENDESA's Latin America Business and Dividends Distribution**

On 30 July 2014, the Board of Directors of ENDESA, S.A. took note of the proposal received from ENEL, S.p.A., through ENEL Energy Europe, S.L.U., for the acquisition by the latter of 100% of ENDESA Latinoamérica, S.A.U., (a company which is in turn owner of 40.32% of the share capital of Enersis, S.A.), and 20.3% of the shares in Enersis, S.A., owned directly by ENDESA, S.A. and for the payment of an extraordinary cash dividend for an amount at least equal to the amount which ENDESA will receive from ENEL Energy Europe, S.L.U. as a result of the disposals.

On 11 September 2014, ENEL Energy Europe, S.L.U. submitted to ENDESA, S.A. a binding offer to acquire the above mentioned shares for a total purchase price of Euros 8,252.9 million.

On 17 September 2014, the ENDESA, S.A. Board of Directors resolved to propose to shareholders at an Extraordinary Shareholders' Meeting that they accept the offer submitted by ENEL Energy Europe, S.L.U.

At the meeting held on 21 October 2014, shareholders at the ENDESA, S.A. Extraordinary Shareholders' Meeting agreed to accept the offer submitted by ENEL Energy Europe, S.L.U. to acquire ENDESA's Latin America Business for a total purchase price of Euros 8,252.9 million.

On 23 October 2014, ENDESA completed the disposal of its Latin America Business described for Euros 8,252.9 million. The carrying amount at 30 September 2014 of the net assets amounted to Euros 12,066 million, of which Euros 6,001 million correspond to non-controlling interests. Therefore, the net carrying amount of assets included in the disposal amounted to Euros 6,065 million. For tax purposes, the transaction is subject to taxation in Chile which will require the recognition of an income tax expense of approximately Euros 300 million, including the reversal of the deferred tax asset arising on the difference between the carrying amount and the amount for tax purposes in Chile of the 20.3% stake in Enersis, S.A. held directly by ENDESA, S.A. Meanwhile, translation differences and gains and losses on cash flow hedges recognised in Equity of the Parent in the Consolidated Statement of Financial Position at 30 September 2014 amounted to a negative Euros 242 and Euros 34 million, respectively.

In addition, on the same date ENDESA Latinoamérica, S.A.U. reimbursed the intragroup cash pooling account held with ENDESA Financiación Filiales, S.A.U. for Euros 57 million.

In the disposal of its Latin America Business, ENDESA, S.A. has sold to ENEL Energy Europe, S.L.U. the following stakes:

- 796,683,058 shares of ENDESA Latinoamérica, S.A.U. representing 100% of its share capital; and
- 9,967,630,058 shares of Enersis, S.A. representing 20.3% of its share capital.

ENDESA Latinoamérica, S.A.U. was established on 26 January 1998 to administer ENDESA's presence in the Latin American market. ENDESA Latinoamérica, S.A.U.'s main investee is Enersis, S.A., in which it holds a 40.32% stake.

Enersis, S.A. is a holding company based in Chile with controlling interests in electricity generation and distribution companies in five Latin American countries. Its shares are traded on the Santiago and New York stock exchanges and the Latibex.

The joint disposal of 100% of ENDESA Latinoamérica, S.A.U. and of 20.3% of Enersis, S.A. means that, at the date these transactions are finalised, ENDESA, S.A. will lose control over ENDESA Latinoamérica, S.A.U., Enersis, S.A. and therefore all the companies controlled by the latter. Therefore, these companies are now excluded from the ENDESA consolidation scope.

Appendix III of this Consolidated Management Report lists the companies which, following the disposal of the Latin America Business finalised on 23 October 2014, will no longer be included in the consolidation scope from that date.

At 30 September 2014, all of the above mentioned companies comprising the Latin America Business were classified as discontinued operations. Accordingly, the balances have been reclassified to non-current assets held for sale and discontinued operations and to liabilities directly associated with non-current assets classified as held for sale and discontinued operations in the Consolidated Statement of Financial Position at 30 September 2014.

All income and expense corresponding to the Companies which were disposed of, given that they are considered to be discontinued operations, are now recognised in profit after tax for the year from discontinued operations in the Consolidated Income Statement for the nine months ended 30 September 2014.

In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets transferred to Non-current Assets Held for Sale and Discontinued Operations on 31 July 2014 as a result of the initiation of the disposal of the Latin America Business, were no longer amortised from that date.

Accordingly, the following paragraphs include information for businesses included in the Consolidated Statement of Financial Position at 30 September 2014 and the Consolidated Income Statement for the nine months ended 30 September 2014, taking into account that the Spain and Portugal Business corresponds to continuing operations and the Latin America Business corresponds to discontinued operations.

Also, at the Extraordinary General Meeting of Shareholders of ENDESA, S.A. held on 21 October 2014, approval was given to pay an extraordinary dividend charged to reserves of a gross Euros 7.795 per share, for a total amount of Euros 8,252.9 million, equivalent to the funds obtained from the disposal of the Latin America Business. In addition, ENDESA S.A.'s Board of Directors, at its meeting on 7 October 2014, resolved to pay shareholders an interim dividend charged against 2014 earnings of Euros 6 per share, for a total shareholder amount of Euros 6,352.5 million. The purpose of this dividend is to give ENDESA a more efficient financial structure now its net financial debt has been significantly reduced following the disposal of its Latin America Business.

Both dividends were paid on 29 October 2014. Neither have been recorded in the interim condensed consolidated financial statements for the nine months ended 30 September 2014 as they were agreed after that date.

## **Comparative Information**

As a result of the application from 1 January 2014 of IFRS 11 *Joint Arrangements*, the Financial Statements of ENDESA's joint ventures, which until 2013 were consolidated using proportionate consolidation, are consolidated using the equity method. As a result, the figures of Consolidated Financial Statements for 2013 and the figures of Consolidated Income Statement for the nine months ended 30 September 2013, which are presented for purposes of comparison, have been restated to include the measurement of the interests in which ENDESA holds joint control using the equity method.

Also, as a result of the asset disposals in Latin America described in the previous section of this Consolidated Management Report, the Interim Condensed Financial Statements for the nine months ended 30 September 2014 include the figures for the Latin America Business as discontinued operations. This is why the information relating to the Consolidated Income Statement for the nine months ended 30 September 2013, which is presented here for comparative purposes, has been restated in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* to present the results of that Business as discontinued operations.

The comparative information corresponding to 2013 used in this Consolidated Management Report has been restated to take into account the information described in the previous paragraphs. The effect on the comparative information corresponding to 2013 of this restatement is described in Appendix II "Effect of the Restatement of the 2013 Consolidated Financial Statements".

## **Analysis of Results:** **Continuing Operations** **(Business in Spain and Portugal)**

### **Net income of continuing operations: Euros 755 million**

Net income from ENDESA's Continuing Operations was Euros 755 million in the first nine months of 2014, Euros 281 million less than during the same period in 2013, contributing 61.9% to ENDESA's total net income.

Gross Profit from Operations (EBITDA) stood at Euros 2,484 million, down 6.4% year on year, while Profit from Operations (EBIT) totalled Euros 1,317 million, a 7.7% decline on the same period of 2013.

The following factors must be taken into account when looking at Gross Profit from Operations (EBITDA) for the period:

- A new Royal Decree draft regulating the production of electricity and the procedure for dispatching power in non-mainland electricity systems was received for observations in July 2014. This draft considers effects retroactively as of 1 January 2012 for the remuneration of non-mainland production, with an impact of Euros 259 million for 2012 and 2013 when compared to the previous framework. Euros 97 million of this amount were already provisioned in 2013, based on a previous draft in 2013. Therefore, Gross Profit from Operations (EBITDA) in the first nine months of 2014 includes a Euros 162 million decrease in income as a result of restating the remuneration of non-mainland production in 2012 and 2013.
- The figure for the first nine months of 2014 includes the effects of certain regulatory measures approved by the Spanish government in 2013 that were not reflected in the same period in 2013. These measures primarily include the reduced remuneration distribution and generation electricity generation for non-mainland territories and as set out in the above mentioned Royal Decree Law 9/2013 of 12 July on non-mainland Electricity Systems, and the assumption by ENDESA, S.A. of the cost of 41.61% of the subsidised electricity tariff (Social Bonus or "Bono Social"). These measures had a negative impact of Euros 375 million on EBITDA for the first nine months of 2014.
- Fixed costs were reduced by 6.3% (Euros 106 million) due 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.
- Variable costs were reduced by 3.4% as a result of lower electricity and fuel prices, as well as a reduction in transmission costs.

## Regulatory update

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

### **Royal Decree 413/2014, of 6 June, which regulates the production of electricity from renewable energy sources, combined heat and power, and waste**

This Royal Decree approved a new remuneration framework for facilities producing electricity from renewable energy sources, combined heat and power, and waste, following Royal Decree Law 9/2013, of 12 July, adopting urgent measures to ensure the financial stability of the Electricity System, and Electricity Sector Law 24/2013, of 26 December.

The new methodology replaces the previous regulated tariff structure with a new framework which applies the concept of reasonable return, guaranteeing a profit before tax based on the average yield of 10-year Government Obligations plus 300 basis points. Under this new framework, in addition to remuneration for the sale of electricity valued at market price, facilities will be eligible to receive a specific remuneration consisting of a term per unit of installed capacity which covers, where appropriate, the investment costs for a standard facility that cannot be recovered through electricity sales on the market, which is known as return on investment, and an operating term which covers, where applicable, the difference between the operating costs and the income from the investment on the production market for this standard facility, which is known as return of operations.

The new remuneration system will be applied equally to facilities already in operation and new installations. For new facilities, adherence to the specific remuneration regime will be established through a series of competitive procedures.

In non-mainland territories (formerly known as Island and Non-Mainland Electricity Systems ("SEIE")), an incentive is established for investment when generation costs are reduced.

The regulation also establishes the terms under which remuneration parameters should be reviewed. These may only be modified, as applicable, every six years, every three years or every year. The standard value of the initial investment and the regulatory useful life of the asset shall remain unchanged once they have been recognised for each standard facility.

Order IET/1045/2014, of 16 June, approving the remuneration parameters for standard facilities applicable to certain facilities producing electricity from renewable energy sources, combined heat and power, and waste, and establishing specific values for the standard costs for each of the standard facilities defined, was published in the Official State Gazette on 20 June 2014.

Finally, Order IET/1459/2014, of 1 August, approving the remuneration parameters and establishing a mechanism for allocating remuneration for new wind and photovoltaic facilities in non-mainland electricity systems, was published in the Official State Gazette on 5 August.

### **Royal Decree Law 8/2014, of 4 July, approving urgent measures to boost growth, competitiveness and efficiency**

On 4 July 2014, the Council of Ministers approved this Royal Decree Law, which was published on 5 July, which, among other matters, includes the reform regarding remuneration of the gas system, for the purpose of designing an economically sustainable system that minimises costs for the consumer and, with regard to energy efficiency, created the Energy Efficiency National Fund with the aim of achieving energy savings.



In the gas market, the purpose of the reform is to resolve the tariff deficit of the gas sector and to ensure an economically sustainable system for the future, the main principles of which are as follows:

- Recognition of the deficit generated until 31 December 2014 and payment in 15 years.
- Elimination of the structural deficit and adjustment of the remuneration of regulated activities.
- Rules for financial sustainability in the gas system to avoid generating new deficits.
- Align the remuneration of activities to changes in demand.

With regard to energy efficiency, from its entry into force, the Royal Decree Law establishes a system of obligations for companies selling gas and electricity, for wholesale operators of oil products, and for wholesale operators of liquefied petroleum gas. Each year the Ministry of Industry, Energy and Tourism issues an Order that determines an annual savings target and the share thereof relating to each obligated party depending on their final energy sales in the year n-2, as well as the financial equivalence to calculate the amount equal to the investment necessary to comply with these obligations through contributions to an Energy Efficiency National Fund. Alternatively, and in accordance with government regulations, a mechanism could be established for confirming the amount of energy savings achieved that is equal to compliance with system obligations. This mechanism will be based on the presentation of negotiable Energy Saving Certificates ("CDE"), obtained by carrying out energy efficiency actions defined in a catalogue and that comply with the requirements and conditions established in this catalogue, which will be managed by the Spanish Institute for Energy Diversification and Savings ("IDAE").

The Spanish Energy Efficiency obligation Scheme will be in effect from the entry into force of this Royal Decree Law, 5 July 2014, until 31 December 2020.

The Royal Decree Law stipulates that obligated parties must make a contribution to the Energy Efficiency National Fund for 2014 from 5 July 2014. ENDESA's contribution amounts to Euros 14 million for the second half of 2014.

### **Proposed Royal Decree regulating the production of electricity and the procedure for dispatching power in non-mainland Electricity Systems**

Within the context of the reform measures for the energy sector approved by the Council of Ministers on 12 July 2013, the Government began to process several regulatory developments that relate, among other matters, to electricity generated in non-mainland territories, and a proposed Royal Decree is currently in process in this connection. The proposed Royal Decree also implements matters already contained in Law 17/2013, of 29 October, to guarantee supply and increase competition in these systems.

The proposal establishes a scheme similar to the current scheme, made up of remuneration for fixed costs, which includes investment costs and operation and maintenance costs, and for variable costs, to remunerate fuel and variable operations and maintenance costs. Certain aspects of the methodology are changed in order to improve the efficiency of the System.

The methodology proposed would be applicable from its entry into force, with a transitional period for certain measures from 1 January 2012.

In accordance with Electricity Sector Law 24/2013, of 26 December, the financial remuneration rate of the net investment recognised will be tied to the return on the 10-year Government Obligations on the secondary market plus the appropriate spread.

For the first regulatory period, which runs until 31 December 2019, this rate will correspond to the average return of the price on the secondary market of the 10-year Government Obligations for April, May and June 2013, plus 200 basis points.

A new proposed Royal Decree with new elements was received on 4 July 2014 with regard to non-mainland territories. Among them, the most notable is the extension of measures to which the transitional period applies and, therefore, with retroactive effective from 1 January 2012.

### **Royal Decree Law 13/2014, of 3 October, adopting urgent measures for the gas system and ownership of nuclear plants**

This Royal Decree Law was published on 4 October and introduces certain aspects affecting the gas sector and ownership of nuclear plants.

With regard to the gas sector, the Royal Decree Law aims to resolve the existing complicated technical situation surrounding the Castor underground natural gas storage facility and the relinquishment of the operating concession presented by its owner (Escal UGS, S.L.) safeguarding the general interest. It approves the mothballing of the facilities, thereby consolidating the stoppage of storage operations approved by the Ministry of Industry, Energy and Tourism. Pursuant to a Council of Ministers' resolution, the facility will stop the mothballing should technical reports on the commissioning of such facilities recommend, or the facility could be dismantled under secure conditions. At the same time the Royal-Decree Law acknowledges the termination of the operating concession of the storage, and the allocation of the Administration and maintenance of the facilities to Enagás, S.A., entrusted with ongoing care and maintenance of the facilities during its mothballing. The costs associated with these tasks will be met by gas system. Finally, Enagás, S.A. must pay Escal UGS, S.L. the value of its investment (Euros 1,351 million) in accordance with the Royal Decree Law. Enagás, S.A. will in turn obtain collection rights from the Spanish gas system to ensure the payment of this amount is covered over a period of 30 years. These rights may be transferred to a third party.

Ownership of nuclear facilities will be adapted pursuant to the nuclear energy legislation. Specifically, Law 12/2011, of 27 May on civil liability for nuclear damages or damages produced by radioactive material, amended Law 25/1964, of 29 April on Nuclear Power stating that the authorised licence holder of a nuclear plant must be a single legal person whose sole corporate purpose is to manage nuclear plants. It also set out a time frame to adapt this. However, pursuant to Royal Decree Law 13/2014, of 3 October, if, at the date the legislation is adopted, the authorised licence holder of a nuclear facility has not been adapted to the provisions of the Nuclear Power Law, ownership shall be understood to be transferred to the entity which at that date is entrusted with operating the nuclear plant on behalf of the authorised licence holders, thereby rendering null and void the adaptation plans, if applicable, in process. The Royal Decree Law also stipulates that, regardless of the new owner's rules on passing resolutions, any decisions regarding nuclear security shall be adopted by a simple majority. Also, without prejudice to the responsibility of the owner of the nuclear plant, responsibility for damages arising from its operation, shall not fall to entities which are not co-owners nor, if applicable, their representatives in the Governing Bodies of the owner.

## **Royal Decree 680/2014, of 1 August, regulating the procedure for budgeting, recognising, settling and controlling stranded costs for electricity production in non-mainland systems charged to the General State Budget**

This Royal Decree, published on 23 August 2014, in compliance with the fifteenth additional provision of Law 24/2013, of 26 December on the Electricity Sector, regulating the involvement and procedures to be followed by the various ministerial departments and the body entrusted with settlements (the Spanish Markets and Competition Commission (CNMC)), to establish the budget allocated for this purpose, calculated in accordance with prevailing legislation, the settlement procedure of this budgetary remuneration, as well as its control.

### **2014 electricity tariff**

The twenty-fifth "CESUR" auction (Last Resort Energy Supply Contracts) was held on 19 December 2013 to determine the cost of energy to be integrated in calculation of the Small Consumer Voluntary Prices (SCVP), in replacement of the Last Resort Tariff (LRT). After the auction, on 20 December 2013 the Spanish Markets and Competition Commission ("CNMC") issued a ruling declaring that the results of the auction could not be validated in view of atypical circumstances 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 effects.

Thus, a ruling on 20 December 2013 by the Secretary of State for Energy established that the price arising from the twenty-fifth CESUR (Last Resort Energy Supply Contracts) auction could not be considered for the determination of the estimated cost of wholesale contracts, as the auction had been cancelled for all effects.

On 28 December 2013, the Official State Gazette ("BOE") published Royal Decree Law 17/2013, of 27 December, determining the price of electricity in contracts subject to the Small Consumer Voluntary Prices (SCVP) in the first quarter of 2014. The Royal Decree Law set the base and peak prices for calculating the energy costs to be included in the Small Consumer Voluntary Prices (SCVP), considering the base and peak references of the public prices of the Iberian Energy Derivatives Exchange ("OMIP") for 1Q14 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 (SCVP) was modified by 1.4%, keeping access tariffs unchanged. The price was approved in a Resolution of 30 December 2013. Royal Decree Law 17/2013, of 27 December, also establishes that there were be acknowledgement for Suppliers of Reference of the discrepancies between the prices stipulated in the Royal Decree law and market price, and this would be incorporated in the Small Consumer Voluntary Prices (SCVP) calculation in the following quarter.

Order IET/107/2014, of 31 January, was published on 1 February to review 2014 access tariffs - these have now been increased by an average of 2% from 1 February. The Order contemplates an annual payment to recover the deficit envisaged for 2013, and the inclusion in 2013 access tariffs, of compensation for non-mainland electricity systems for that year not financed by the General State Budget ("PGE"), as per Law 24/2013, of 26 December, on the Electricity Sector. The Small Consumer Voluntary Prices (SCVP) was also revised, and this brought its average increase following Royal Decree Law 17/2013 of 27 December 2013 and Order IET/107/2014 of 31 January 2014, respect to prices prevailing at 31 December 2013, to approximately 2%.

## **Royal Decree 216/2014, of 28 March, establishing the methodology for calculating the Small Consumer Voluntary Price (SCVP) 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 of 1 April 2014. Key aspects of this Royal Decree are as follows:

- The cost of energy to be used in calculating the Small Consumer Voluntary Prices (SCVP) will be the energy price per hour in the daily and intraday 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 Systems, 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 as of 1 April 2014. Prior to 1 July 2014, the suppliers of reference must adapt their information technology 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 Prices (SCVP) 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 Small Consumer Voluntary Prices (SCVP).
- In addition, electricity consumed in the first quarter of 2014 must be adjusted in the first invoices issued following adaptation of the information technology 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 Small Consumer Voluntary Price (SCVP) in that period.
- The Royal Decree also establishes that, within two months of its publication, the Spanish Markets and Competition Commission ("CNMC") 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 Prices (SCVP) in the form of a fixed price for a one-year period, comprising the revisable access tariff 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 Social Bonus will be equal to a 25% discount on the Small Consumer Voluntary Prices (SCVP).

On 28 March 2014, the Official State Gazette ("BOE") published Law 3/2014, of 27 March, amending the consolidated text of the General Consumer and User Protection Law and other complementary legislation, approved under Legislative Royal Decree 1/2007, of 16 November. Among other aspects, this Law amends 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.

## **Order IET/350/2014, of 7 March, establishing the distribution percentages for the amounts to be financed in respect of the Social Bonus for 2014**

Royal Decree 9/2013, of 12 July, included a new regulation for the Social Bonus, requiring, as a public service obligation, assumption of the costs borne by the parent companies or groups of companies which carry out electricity generation, distribution and supply activities and are vertically integrated, in proportion to the percentage attributed to them based on number of supply connections to distribution grids and number of customers supplied. The Spanish Markets and Competition Commission ("CNMC") will calculate this percentage annually, without prejudice to approval by a Ministry of Industry, Energy and Tourism Order.

According to Ministerial Order IET/350/2014, of 7 March, the percentage of the 2014 Social Bonus to be financed by ENDESA, S.A. is 41.61%, which in the nine months ended 30 September 2014 amounted to Euros 79 million.

### **Domestic coal**

A Resolution of 30 December 2013 handed down by the Secretary of State for Energy approved coal quantities, maximum output and energy remuneration prices for 2014 to be applied in the security of supply restrictions resolution process. This Resolution was amended by further resolutions dated 22 April 2014 and 8 July 2014, to examine certain transfers of Spanish coal between power plants affected by security of supply restrictions.

### **Natural gas tariff for 2014**

Ministerial Order IET/2446/2013, of 27 December, revised access charges as of 1 January, introducing a general increase of around 2%, with no changes made to Last Resort Tariffs ("TUR").

### **Revenue: Euros 15,542 million**

Revenue from continuing operations stood at Euros 15,542 million in the first nine months of 2014, down Euros 692 million year on year (-4.3%).

Of this amount, revenues from sales accounted for Euros 14,707 million (-5.1%), while operating income accounted for Euros 835 million (+12.2%).

## Sales

Sales from continuing operations in the first nine months of 2014 were as follows:

Millions of Euros

<b>Sales from continuing operations</b>				
	<b>January - September 2014</b>	<b>January - September 2013</b>	<b>Difference</b>	<b>% change</b>
Electricity sales	10,682	11,445	(763)	(6.7)
Sales to the deregulated market	5,958	5,780	178	3.1
Sales at regulated prices	2,415	3,031	(616)	(20.3)
Wholesale market sales	685	708	(23)	(3.2)
Supplies to customers in deregulated markets outside Spain	689	665	24	3.6
Compensation for non-mainland systems	926	1,251	(325)	(26.0)
Electricity trading	9	10	(1)	(10.0)
Regulated revenues from electricity distribution	1,514	1,562	(48)	(3.1)
Gas trading	1,441	1,494	(53)	(3.5)
Other sales and services rendered	1,070	989	81	8.2
<b>TOTAL</b>	<b>14,707</b>	<b>15,490</b>	<b>(783)</b>	<b>(5.1)</b>

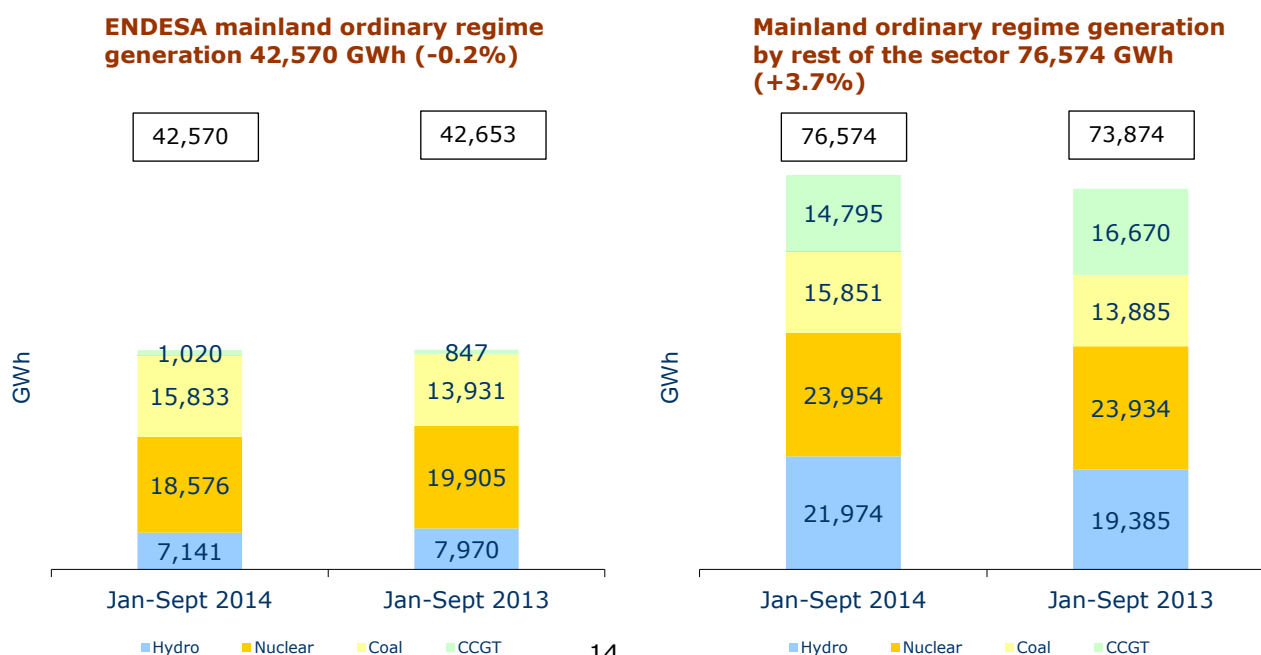
Mainland electricity demand shrank by 0.9% year-on-year in the first nine months of 2014 (+0.3% adjusted for working days and temperature).

ENDESA's mainland ordinary regime output totalled 42,570 GWh, 0.2% less than in the same period in 2013 due to lower hydro (-10.4%) and nuclear (-6.7%) output, which was practically offset by higher output at its coal-fired (+13.7%) and combined cycle (+20.4%) plants.

Nuclear and hydro energy accounted for 60.4% of ENDESA's mainland generation mix under the ordinary regime (65.4% in January-September 2013), compared with 60.0% for the rest of the sector (58.6% in January-September 2013).

ENDESA's output in non-mainland territories was 9,134 GWh, a decrease of 1.3% compared to the first nine months of 2013.

ENDESA achieved a market share of 37.2% in ordinary regime mainland generation, a 43.2% share in distribution and a 37.3% share in sales to customers in the deregulated market.



### Supply to deregulated customers

Endesa had 4,314,040 customers in the deregulated market at the end of September 2014, a 24.3% increase on the year-ago figure: 3,856,083 (+25.8%) in the Spanish mainland market, 307,739 (+52.2%) in the non-mainland market and 150,218 (-8.3%) in European deregulated markets other than Spain.

ENDESA sold a total of 57,647 GWh to these customers in January-September 2014, a year on year increase of 3.4%.

Sales in the Spanish deregulated market totalled Euros 5,958 million, which is Euros 178 million more than the year-ago figure (up +3.1%). Revenues from sales to deregulated European markets other than Spain rose 3.6% year on year to Euros 689 million.

### Sales at regulated prices

During the first nine months of 2014, ENDESA sold 13,274 GWh to customers via its Supplier of Reference under regulated prices, which is down 20.6% on the same period of 2013.

These sales generated revenue of Euros 2,415 million in January-September 2014, down 20.3% year-on-year.

### Non-mainland compensation

Compensation for non-mainland generation stranded costs in the first nine months of 2014 amounted to Euros 926 million, Euros 325 million or 26.0% less than in the same period in 2013.

This decrease is due to the effect of re-estimating the compensation for 2012 and 2013 as a result of the new Royal Decree draft, which became known in July 2014, regulating the production of electricity and the procedure for dispatching power in non-mainland electricity systems, which represented a Euros 162 million reduction in income, and to the effect of this draft on the compensation accrued in the first nine months of 2014, which represented a Euros 147 million reduction in income with regard to the regulations used to calculate income in the financial statements for the same period in 2013.

### Electricity distribution

ENDESA distributed 83,553 GWh of power in the Spanish market in the first nine months of 2014, a year-on-year decrease of 0.8%.

Regulated revenue from distribution activities stood at Euros 1,514 million, down 3.1% 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 39,840 GWh of natural gas to customers in the deregulated market in Spain in the first nine months of 2014, a decrease of 3.8% on the 2013 figure.

Revenue from gas sales in the deregulated market totalled Euros 1,441 million, down Euros 53 million (-3.5%).



## Operating expenses

The breakdown of operating expenses from continuing operations through September 2014 is as follows:

Millions of Euros

<b>Operating expenses from continuing operations</b>				
	<b>January - September 2014</b>	<b>January - September 2013</b>	<b>Difference</b>	<b>% change</b>
Procurement and services	11,577	11,982	(405)	(3.4)
Energy power purchases	3,754	3,919	(165)	(4.2)
Fuel costs	1,766	2,117	(351)	(16.6)
Energy transmission costs	4,440	4,596	(156)	(3.4)
Other procurements and services	1,617	1,350	267	19.8
Personnel expenses	695	751	(56)	(7.5)
Other fixed operating expenses	870	920	(50)	(5.4)
Depreciation and amortisation, and impairment losses	1,167	1,227	(60)	(4.9)
<b>TOTAL</b>	<b>14,309</b>	<b>14,880</b>	<b>(571)</b>	<b>(3.8)</b>

### Procurements and services (variable costs)

Procurement and services (variable costs) amounted to Euros 11,577 million in the first half of 2014, 3.4% less than the same period of 2013 due mainly to the lower cost of power purchases and fuel consumed (Euros 516 million), due to the impact of the lower average purchase price as a result of the drop in the average price on the wholesale electricity market which was Euros 39.1/MWh (-4.6%) and the cost of raw materials. Meanwhile, transmission costs were reduced by Euros 156 millions, above all due to lower tolls for self-consumption and sales to customers under regulated prices.

The Euros 672 million reduction in power purchases, fuel costs and transmission costs was partly offset by a Euros 267 million increase in other procurements and services caused by the Euros 85 million in CO<sub>2</sub> emission costs due to higher fossil-fuel output and the increase in the market price of CO<sub>2</sub> emission allowances, as well as the Euros 122 million increase in expenses related to energy derivatives. This increase in energy derivatives costs is offset by a Euros 127 million increase in income in this connection, recognised under "Other operating income".

### Personnel and other fixed operating expenses

Fixed costs amounted to Euros 1,565 million in the first nine months of 2014, down by Euros 106 million (-6.3%) compared to the same period in 2013 as a result of the cost-savings policy deployed.

Personnel expenses amounted to Euros 695 million, a 7.5% decrease, reflecting the workforce reduction carried out and the efforts to contain salary costs.

Other fixed operating expenses stood at Euros 870 million, down by Euros 50 million (-5.4%) as a result of the cost-reduction policy deployed.

### Depreciation and amortisation, and impairment losses

Depreciation and amortisation charges and impairment losses totalled Euros 1,167 million in the first nine months of 2014, Euros 60 million (-4.9%) less than the same period of 2013.



This figure included the reversal of an impairment provision of Euros 15 million recognised on the CO<sub>2</sub> emissions allowance portfolio following the mark-to-market measurement of the assets, compared to the Euros 80 million charge recognised in the same period last year.

Also included is an impairment loss of Euros 59 million related to the write-down of the value of the land ENDESA should receive following enforcement of a Supreme Court ruling in favour of Josel, S.L.

### **Net financial loss: Euros 114 million**

The net financial loss reported for the first nine months of 2014 was Euros 114 million, a year-on-year increase of Euros 22 million (+23.9%).

This was due to a Euros 16 million decrease in net financial expenses and a Euros 6 million increase in net exchange differences.

Regarding net financial expenses, the trend in long-term interest rates in the both first nine months of 2014 and 2013 meant that provisions had to be adjusted to account for obligations from ongoing workforce restructuring plans in the amounts of Euros 30 million (negative) in 2014 and Euros 7 million (positive) in 2013.

Excluding this impact, net financial expenses would have fallen by Euros 21 million (-20.6%), due to a reduction in average debt over the period.

### **Net profit (loss) of companies accounted for using the equity method**

In the first nine months of 2014, companies accounted for using the equity method contributed a net loss of Euros 65 million, compared to a net profit of Euros 39 million in the same period 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 company decided to discontinue this company's activity at the end of 2014. The net loss of companies accounted for using the equity method includes a provision amounting to Euros 51 million to cover the estimated cost for ENDESA to discontinue this company's activity.

Also included under this item are a loss of Euros 45 million from the 50% interest in Nuclenor, S.A. due to the higher costs incurred by this company as a result of the delay in the dismantling of the Santa María de Garoña nuclear plant while awaiting a final ruling on its potential reopening, and the recognition of a provision of Euros 18 million related to the fine imposed by the Spanish Markets and Competition Commission ("CNMC") in its resolution dated 10 July 2014 from the reduction in production capacity due to the halt of operations agreed in December 2012.

## **Analysis of Results:** **Discontinued Operations** **(Business in Latin America)**

Profit after tax from discontinued operations in the first nine months of 2014 amounted to Euros 988 million, a 23.0% decrease on the year-earlier figure. Of this amount, Euros 464 million are attributable to the Parent company, with a decrease of 9.9%.

The drop in net profit from the Latin America Business was due to various factors:

- The adverse impact of the strong currency depreciation in the Latin American countries in which ENDESA operates, which caused earnings in local currency to lose magnitude when translated to euros.
- The recognition in the first nine months of 2013 of the exceptional impact of Resolution 250/2013 issued by Argentina's Energy Secretary, whereby Empresa Distribuidora Sur, S.A. recognised the income from the compensation for cost fluctuations that had not been passed on to the tariff between 2007 and February 2013 in relation to the amounts to be applied under the Cost Monitoring Mechanism ("MMC"), for a total of Euros 333 million including interest, which impacted net income in the amount of Euros 94 million.
- The decrease in financial assets of Euros 144 million due to the amount to be recovered by Brazilian distributors for the reversion of assets at the end of the concession as a result of the re-estimation of this amount in accordance with the new information arising from the tariff review carried out by the Brazilian regulator for Ampla Energia e Serviços, S.A. in the second quarter of 2014, and the Euros 106 million of stranded costs from energy purchases from these distributors not recovered through the tariff from January to September 2014. Combined, these had a negative impact of Euros 81 million on profit for the period.
- The drop in income from generation in Chile caused by adverse weather conditions and the shut-down of the Bocamina II power plant, as well as the negative impact of Euros 88 million on deferred taxes (Euros 32 million on net profit for the period) of the increase in the country's tax rate.

These negative impacts were partially offset by the recognition of a Euros 228 million tax refund following recognition of a deferred tax asset due to the lower carrying amount compared to the amount for tax purposes of Chile of ENDESA, S.A.'s direct 20.3% interest in Enersis, S.A., since after 30 July 2014, when ENDESA, S.A.'s Board of Directors received the bid by ENEL Energy Europe, S.L.U., the requirement set out in IAS 12 for not recognising the deferred tax were no longer met.

## Financial Position

### Net financial debt

ENDESA had net financial debt of Euros 1,293 million at 30 September 2014, a reduction of Euros 3,044 million compared to 31 December 2013. When assessing debt, it must be borne in mind that on 31 July 2014, the net financial debt of the Latin America Business was transferred to discontinued operations, which at 30 September amounted to Euros 3,432 million.

The Spain and Portugal Business had net financial debt at 31 December 2013 of Euros 1,435 million. Accordingly, net financial debt in this Business decreased by Euros 142 million in the first nine months of 2014.

At 30 September 2014 Endesa had accumulated collection rights of Euros 2,502 million in connection with several regulatory matters: Euros 1,376 million for the revenue shortfall from regulated activities before 31 December 2013, Euros 427 million for the shortfall generated in the mainland Business in the first nine months of 2014 for temporary imbalances caused by the application of the new deficit financing mechanism established in Law 24/2013, of 26 December, and Euros 699 million related to compensation for production in non-mainland systems.

Excluding these items, ENDESA's net financial debt from continuing operations at 30 September would stand at Euros 1,209 million, negative.

The structure of net financial debt at 30 September 2014 was as follows:

Millions of Euros

<b>Structure of ENDESA's net financial debt</b>				
	<b>30 September 2014</b>	<b>31 December 2013</b>	<b>Difference</b>	<b>% change</b>
Euro	1,295	1,631	(336)	(20.6)
US dollar	(1)	1,088	(1,089)	N/A
Chilean Peso / "Unidades de Fomento"	-	(200)	200	N/A
Brazilian real	-	405	(405)	N/A
Colombian peso	-	1,187	(1,187)	N/A
Peruvian nuevo sol	-	195	(195)	N/A
Argentine peso	-	31	(31)	N/A
Other currencies	(1)	-	(1)	N/A
<b>TOTAL</b>	<b>1,293</b>	<b>4,337</b>	<b>(3,044)</b>	<b>(70.2)</b>
Fixed rate	554	2,730	(2,176)	(79.7)
Floating rate	739	1,607	(868)	(54.0)
<b>TOTAL</b>	<b>1,293</b>	<b>4,337</b>	<b>(3,044)</b>	<b>(70.2)</b>
Average life (years)	4.6	6.0	-	-
Average cost (%)	3.0	5.8	-	-

ENDESA had liquidity from continuing operations of Euros 5,320 million at 30 September 2014, sufficient to meet the Group's total debt repayments over the next 25 months. This amount includes Euros 1,110 million of cash and cash equivalents and Euros 4,210 million in undrawn and unconditionally available lines of credit, of which Euros 1,000 million correspond to credit lines with ENEL Finance International, N.V.

To pay the interim dividend out of 2014 profit of Euros 6,352.5 million on 29 October 2014 (see Section 2 of this Management Report), ENDESA arranged finance transactions with ENEL Finance International, N.V. for Euros 5,500 million. The remainder required for the payment came from the Company's own liquidity.

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

Credit rating

	30 September 2014			31 December 2013		
	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

## Equity

ENDESA's consolidated equity stood at Euros 27,423 million at 30 September 2014, Euros 661 million more than at 31 December 2013. Euros 21,417 million of consolidated equity is attributable to ENDESA, S.A. shareholders and Euros 6,006 million to non-controlling interests.

This increase is primarily due to profit before non-controlling interests obtained during the period amounting to Euros 1,742 million, to the acquisition of non-controlling interests in Companhia Energética do Ceará, S.A. for Euros 181 million and an additional 39% interest in Generandes Perú, S.A. for Euros 333 million, which reduced the equity attributable to non-controlling interests, and to the distribution of dividends to non-controlling shareholders amounting to Euros 503 million.

The Group's Equity was heavily impacted by the disposal of the Latin America Business, and the distribution of an extraordinary dividend charged against reserves and the 2014 interim dividend (see Section 2 of this Consolidated Management Report) approved by the corresponding corporate bodies and paid in October 2014.

# Cash flows from Operating and Investing Activities

## Net cash flows from operating activities: Euros 2,485 million

Net cash flows from operating activities in the first nine months of 2014 amounted to Euros 2,485 million, compared to Euros 2,315 million in the same period last year.

Net cash flows from operating activities related to continuing operations amounted to Euros 1,640 million, compared to Euros 1,204 million. The increase was mainly due to an improvement in working capital, which offset the decrease in profit generated during the period.

Net cash flows from operating activities of discontinued operations amounted to Euros 845 million in the first nine months of 2014, compared to Euros 1,111 million in the same period of 2013. This decrease was due mainly to the decline in profit generated during the period.

## Gross investment: Euros 1,386 million

Gross investments by ENDESA totalled Euros 1,386 million in the first nine months of 2014 (Euros 1,456 million in the first nine months of 2013), broken down as follows:

Millions of Euros

<b>Investments in January - September 2014</b>				
	<b>Capex, intangibles and investment property</b>	<b>Financial investment</b>	<b>TOTAL</b>	<b>% change 3Q13</b>
	(2)			
Spain and Portugal	534	87	621	16.1
Latin America (1)	666	99	765	(16.9)
<b>TOTAL</b>	<b>1,200</b>	<b>186</b>	<b>1,386</b>	<b>(4.8)</b>

(1) Relates to investments made to 31 July 2014, when the ENDESA companies included in the disposal were transferred (see Section 2 of the Consolidated Management Report) to non-current assets held for sale and discontinued operations in the Consolidated Statement of Financial Position. Investments made between 31 July 2014 and 30 September 2014 amounted to Euros 323 million.

(2) Excludes CO<sub>2</sub> emission rights, CERs and ERUs and the obligation to acquire land from Josel, S.L. pursuant to the Supreme Court ruling.

In addition, in the first nine months of 2014, acquisitions were made in the Latin America Business (Discontinued Operations) of shareholdings for a total amount of Euros 741 million, corresponding to the additional 50% of Inversiones GasAtacama Holding, Ltd. (Euros 227 million), 15.18% of Companhia Energética do Ceará, S.A. (Euros 181 million) and an additional 39% of Generandes Perú, S.A. (Euros 333 million).

Gross investment in the Spain and Portugal Business in the first nine months of 2014 totalled Euros 621 million, as detailed in the following table:

Millions of Euros

<b>Gross investment in the Spain and Portugal Business</b>			
	<b>January - September 2014</b>	<b>January - September 2013</b>	<b>% change</b>
Capex <sup>(1)</sup>	477	473	0.8
Intangible assets <sup>(2)</sup>	57	39	46.2
Investment property	-	2	N/A
Financial investments <sup>(3)</sup>	87	21	314.3
<b>TOTAL</b>	<b>621</b>	<b>535</b>	<b>16.1</b>

(1) Excludes the obligation to acquire land from Josel, S.L. pursuant to the Supreme Court ruling.

(2) Excludes CO<sub>2</sub> emission rights, "Certified Emissions Reductions" (CERs) and "Emission Reduction Units" (ERUs).

(3) Includes financing granted to Elcogas, S.A. of Euros 51 million, mainly to enable the company to pay its bank borrowings guaranteed by shareholders.

Gross capex by Business breaks down as follows:

Millions of Euros

<b>Gross capex in the Spain and Portugal Business</b>			
	<b>January - September 2014 <sup>(1)</sup></b>	<b>January - September 2013</b>	<b>% change</b>
Generation	165	132	25.0
Distribution	311	339	(8.3)
Other	1	2	(50.0)
<b>TOTAL</b>	<b>477</b>	<b>473</b>	<b>0.8</b>

(1) Excludes the obligation to acquire land from Josel, S.L. pursuant to the Supreme Court ruling.

Gross generation capex in 2014 relates mainly to recurring investment in plants, as well as investments in the Litoral and Puentes power plants for Euros 37 million, which resulted in an extension of their useful lives.

Gross investments in distribution related to network extensions and expenditure aimed at optimising the network for greater efficiency and quality of service. It also included investment for the widespread installation of remote management smart meters and their operating systems.

## Appendix I: Statistical Information

### Key figures

GWh

Electricity generation output	January - September 2014	January - September 2013	% change
<b>Business in Spain and Portugal</b>	<b>51,704</b>	<b>51,904</b>	<b>(0.4)</b>
Mainland	42,570	42,653	(0.2)
Nuclear	18,576	19,905	(6.7)
Coal	15,833	13,931	13.7
Hydroelectric	7,141	7,970	(10.4)
Combined cycle (CCGT)	1,020	847	20.4
Non-mainland	9,134	9,251	(1.3)
<b>Business in Latin America</b>	<b>45,107</b>	<b>44,776</b>	<b>0.7</b>
Argentina	10,982	10,957	0.2
Brazil	3,825	3,631	5.3
Chile	12,995	14,325	(9.3)
Colombia	10,467	9,573	9.3
Peru	6,838	6,290	8.7
<b>TOTAL</b>	<b>96,811</b>	<b>96,680</b>	<b>0.1</b>

GWh

Electricity sales	January - September 2014	January - September 2013	% change
<b>Business in Spain and Portugal</b>	<b>70,921</b>	<b>72,453</b>	<b>(2.1)</b>
Reference supply	13,274	16,715	(20.6)
Deregulated market	57,647	55,738	3.4
<b>Business in Latin America</b>	<b>47,028</b>	<b>45,456</b>	<b>3.5</b>
Argentina	11,251	11,104	1.3
Brazil	14,693	13,824	6.3
Chile	9,973	9,744	2.3
Colombia	6,115	5,961	2.6
Peru	4,996	4,823	3.6
<b>TOTAL</b>	<b>117,949</b>	<b>117,909</b>	<b>0.0</b>

GWh

Energy distributed <sup>(1)</sup>	January - September 2014	January - September 2013	% change
<b>Business in Spain and Portugal</b>	<b>83,553</b>	<b>84,234</b>	<b>(0.8)</b>
<b>Business in Latin America</b>	<b>64,827</b>	<b>62,799</b>	<b>3.2</b>
Argentina	15,201	15,214	(0.1)
Brazil	20,211	19,189	5.3
Chile	12,477	11,996	4.0
Colombia	10,973	10,687	2.7
Peru	5,965	5,713	4.4
<b>TOTAL</b>	<b>148,380</b>	<b>147,033</b>	<b>0.9</b>

(1) At power plant busbars.

Thousands

Number of customers	30 September 2014	30 September 2013	% change
<b>Business in Spain and Portugal</b>	<b>11,254</b>	<b>11,397</b>	<b>(1.3)</b>
Reference supply	6,940	7,926	(12.4)
Deregulated market	4,314	3,471	24.3
<b>Business in Latin America</b>	<b>14,668</b>	<b>14,259</b>	<b>2.9</b>
Argentina	2,459	2,437	0.9
Brazil	6,445	6,247	3.2
Chile	1,728	1,679	2.9
Colombia	2,751	2,657	3.5
Peru	1,285	1,239	3.7
<b>TOTAL</b>	<b>25,922</b>	<b>25,656</b>	<b>1.0</b>

MW

<b>Installed capacity (gross)</b>	<b>30 September 2014</b>	<b>30 September 2013</b>	<b>% change</b>
<b>Business in Spain and Portugal</b>	<b>22,619</b>	<b>22,652</b>	<b>(0.1)</b>
Hydroelectric	4,718	4,718	N/A
Conventional thermal	8,780	8,816	(0.4)
Nuclear	3,443	3,443	N/A
Combined cycle	5,678	5,675	0.1
<b>Business in Latin America</b>	<b>16,729</b>	<b>15,964</b>	<b>4.8</b>
Argentina	4,522	4,522	N/A
Brazil	987	991	(0.4)
Chile	6,352	5,571	14.0
Colombia	3,041	2,914	4.4
Peru	1,827	1,966	(7.1)
<b>TOTAL</b>	<b>39,348</b>	<b>38,616</b>	<b>1.9</b>

km

<b>Distribution and transmission networks</b>	<b>30 September 2014</b>	<b>30 September 2013</b>	<b>% change</b>
<b>Business in Spain and Portugal</b>	<b>313,929</b>	<b>327,871</b>	<b>(4.3)</b>
<b>Business in Latin America</b>	<b>310,640</b>	<b>306,408</b>	<b>1.4</b>
Argentina	24,588	24,546	0.2
Brazil	193,825	191,172	1.4
Chile	16,458	16,248	1.3
Colombia	49,277	48,550	1.5
Peru	26,492	25,892	2.3
<b>TOTAL</b>	<b>624,569</b>	<b>634,279</b>	<b>(1.5)</b>

GWh

<b>Gas sales</b>	<b>January - September 2014</b>	<b>January - September 2013</b>	<b>% change</b>
Deregulated market	33,046	34,726	(4.8)
Regulated market	639	815	(21.6)
International market	6,794	6,689	1.6
Wholesale business sales	15,505	11,240	37.9
<b>TOTAL (*)</b>	<b>55,984</b>	<b>53,470</b>	<b>4.7</b>

(\*) Excluding own-generation consumption.

Number of employees

<b>Final headcount</b>	<b>30 September 2014</b>	<b>31 December 2013</b>	<b>% change</b>
Business in Spain and Portugal	10,699	10,933	(2.1)
Business in Latin America	12,203	11,608	5.1
<b>TOTAL</b>	<b>22,902</b>	<b>22,541</b>	<b>1.6</b>

Number of employees

<b>Average headcount</b>	<b>January - September 2014</b>	<b>January - September 2013</b>	<b>% change</b>
Business in Spain and Portugal	10,822	11,137	(2.8)
Business in Latin America	11,872	11,264	5.4
<b>TOTAL</b>	<b>22,694</b>	<b>22,401</b>	<b>1.3</b>



## Financial data

Euros

<b>Key figures (Euros)</b>	<b>January - September 2014</b>	<b>January - September 2013</b>	<b>% change</b>
EPS <sup>(1)</sup>	1.15	1.46	(21.4)
CFPS <sup>(2)</sup>	2.35	2.19	7.3
BVPS <sup>(3)</sup>	20.23	20.95	(3,4)

(1) Profit attributable to the Parent / No. of shares.

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

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

<b>Profitability indicators</b>	<b>January - September 2014</b>	<b>January - September 2013</b>
Return on equity <sup>(1) (%)</sup>	5.80	7.54
Return on assets <sup>(2) (%)</sup>	2.90	3.55
Economic profitability <sup>(3) (%)</sup>	6.55	5.76

(1) Profit attributable to the Parent / average equity.

(2) Profit attributable to the Parent / average total assets.

(3) EBIT / average PP&E.

Millions of Euros

<b>Net financial debt</b>	<b>Leverage ratio</b>	
	<b>30 September 2014</b>	<b>31 December 2013</b>
<b>Net financial debt:</b>	<b>1,293</b>	<b>4,337</b>
Non-current interest-bearing loans and borrowings	2,418	7,437
Current interest-bearing loans and borrowings	-	1,127
Cash and cash equivalents	(1,110)	(4,145)
Derivatives recognised as financial assets	(15)	(82)
<b>Equity:</b>	<b>27,423</b>	<b>26,762</b>
Of the Parent	21,417	20,521
Of non-controlling interests	6,006	6,241
<b>Leverage ratio (%) <sup>(*)</sup></b>	<b>4.72</b>	<b>16.21</b>

(\*) Net financial debt / Equity

<b>Financial indicators</b>	<b>January - September 2014</b>	<b>January - September 2013</b>
Liquidity ratio <sup>(1)</sup>	1.86	1.64
Solvency ratio <sup>(2)</sup>	1.53	1.14
Debt ratio (%) <sup>(3)</sup>	4.50	19.75
Debt coverage ratio <sup>(4)</sup>	0.39	1.99

(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.

<b>Ratings</b>	<b>30 September 2014</b>			<b>31 December 2013</b>		
	<b>Long term</b>	<b>Short term</b>	<b>Outlook</b>	<b>Long term</b>	<b>Short term</b>	<b>Outlook</b>
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

## Euros / Share

**Dividends**

2013 interim <small>(2 January 2014)</small>	1.500
Final	-
Total dividend per share	1.500
Pay-out <small>(%) (1)</small>	84.5
Dividend yield <small>(%) (2)</small>	6.4
<hr/>	
2014 interim <small>(29 October 2014)</small>	6.000
Extraordinary dividend charged to reserves <small>(29 October 2014)</small>	7.795
Dividend yield <small>(%) (2)</small>	44.1

(1) Total gross dividend / profit attributable to the Parent.

(2) Gross dividend per share / closing share price.

Stock market data	30 September 2014	30 September 2013	% change
Market capitalisation <small>(Millions of Euros)</small>	33,123	20,386	62.5
Number of shares outstanding	1,058,752,117	1,058,752,117	-
Nominal share value <small>(Euros)</small>	1.2	1.2	-
Cash <small>(Thousands of Euros)</small>	2,633,863	2,060,499	27.8
Madrid stock exchange <small>(Shares)</small>			
Trading volume	100,836,809	89,827,726	12.3
Average daily trading volume	527,941	470,302	12.3
P.E.R. <small>(*)</small>	20.38	9.86	106.71

(\*) Closing share price / earnings per share.

## Euros

ENDESA share price	January - September 2014	January - September 2013	% change
Maximum	31.44	19.40	62.1
Minimum	21.02	16.00	31.4
Average in the period	26.51	17.40	52.4
Closing share price	31.29	19.26	62.5

## Percentage (%)

Share price trend compared to the previous year	January - September 2014	January - September 2013
<b>ENDESA, S.A.</b>	34.3	14.1
Ibex-35	9.2	12.5
Eurostoxx 50	3.8	9.8
Eurostoxx Utilities	18.2	4.7

# **Appendix II:** **Effect of the Restatement of the 2013** **Consolidated Financial Statements**

## Consolidated Statement of Financial Position

Millions of Euros

	Consolidated				1 January 2013 (Restated)
	1 January 2013	Restatement due to adoption of IFRS 11	Restatement due to adoption of IFRS 5	Total Restatement	
<b>Non-current assets</b>	<b>44,487</b>	<b>(248)</b>	-	<b>(248)</b>	<b>44,239</b>
<b>Current assets</b>	<b>14,291</b>	<b>(334)</b>	-	<b>(334)</b>	<b>13,957</b>
<b>TOTAL ASSETS</b>	<b>58,778</b>	<b>(582)</b>	-	<b>(582)</b>	<b>58,196</b>
<b>Equity</b>	<b>26,369</b>	<b>(9)</b>	-	<b>(9)</b>	<b>26,360</b>
Of the Parent	20,653	-	-	-	20,653
Of non-controlling interests	5,716	(9)	-	(9)	5,707
<b>Non-current liabilities</b>	<b>21,644</b>	<b>(253)</b>	-	<b>(253)</b>	<b>21,391</b>
<b>Current liabilities</b>	<b>10,765</b>	<b>(320)</b>	-	<b>(320)</b>	<b>10,445</b>
<b>TOTAL LIABILITIES</b>	<b>58,778</b>	<b>(582)</b>	-	<b>(582)</b>	<b>58,196</b>

Millions of Euros

	Consolidated				31 December 2013 (Restated)
	31 December 2013	Restatement due to adoption of IFRS 11	Restatement due to adoption of IFRS 5	Total Restatement	
<b>Non-current assets</b>	<b>42,851</b>	<b>(156)</b>	-	<b>(156)</b>	<b>42,695</b>
<b>Current assets</b>	<b>13,606</b>	<b>(344)</b>	-	<b>(344)</b>	<b>13,262</b>
<b>TOTAL ASSETS</b>	<b>56,457</b>	<b>(500)</b>	-	<b>(500)</b>	<b>55,957</b>
<b>Equity</b>	<b>26,769</b>	<b>(7)</b>	-	<b>(7)</b>	<b>26,762</b>
Of the Parent	20,521	-	-	-	20,521
Of non-controlling interests	6,248	(7)	-	(7)	6,241
<b>Non-current liabilities</b>	<b>18,474</b>	<b>(321)</b>	-	<b>(321)</b>	<b>18,153</b>
<b>Current liabilities</b>	<b>11,214</b>	<b>(172)</b>	-	<b>(172)</b>	<b>11,042</b>
<b>TOTAL LIABILITIES</b>	<b>56,457</b>	<b>(500)</b>	-	<b>(500)</b>	<b>55,957</b>

Millions of Euros

	<b>Business in Spain and Portugal</b>				
	<b>31 December 2013</b>	<b>Restatement due to adoption of IFRS 11</b>	<b>Restatement due to adoption of IFRS 5</b>	<b>Total Restatement</b>	<b>31 December 2013 (Restated)</b>
<b>Non-current assets</b>	<b>26,401</b>	<b>(158)</b>	<b>-</b>	<b>(158)</b>	<b>26,243</b>
<b>Current assets</b>	<b>8,069</b>	<b>(218)</b>	<b>-</b>	<b>(218)</b>	<b>7,851</b>
<b>TOTAL ASSETS</b>	<b>34,470</b>	<b>(376)</b>	<b>-</b>	<b>(376)</b>	<b>34,094</b>
<b>Equity</b>	<b>15,669</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,669</b>
Of the Parent	15,669	-	-	-	15,669
Of non-controlling interests	-	-	-	-	-
<b>Non-current liabilities</b>	<b>12,569</b>	<b>(263)</b>	<b>-</b>	<b>(263)</b>	<b>12,306</b>
<b>Current liabilities</b>	<b>6,232</b>	<b>(113)</b>	<b>-</b>	<b>(113)</b>	<b>6,119</b>
<b>TOTAL LIABILITIES</b>	<b>34,470</b>	<b>(376)</b>	<b>-</b>	<b>(376)</b>	<b>34,094</b>

Millions of Euros

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

## Income Statement

Millions of Euros

	January - September 2013	Restatement due to adoption of IFRS 11	Consolidated		January - September 2013 (Restated)
			Restatement due to adoption of IFRS 5	Total Restatement	
Income	23,485	(185)	(7,066)	(7,251)	16,234
Procurement and services	(15,571)	81	3,508	3,589	(11,982)
<b>Contribution margin</b>	<b>7,914</b>	<b>(104)</b>	<b>(3,558)</b>	<b>(3,662)</b>	<b>4,252</b>
<b>Gross profit from operations</b>	<b>5,251</b>	<b>(77)</b>	<b>(2,520)</b>	<b>(2,597)</b>	<b>2,654</b>
Depreciation and amortisation, and impairment losses	(1,859)	30	602	632	(1,227)
<b>Profit from operations</b>	<b>3,392</b>	<b>(47)</b>	<b>(1,918)</b>	<b>(1,965)</b>	<b>1,427</b>
<b>Net financial loss</b>	<b>(310)</b>	<b>(3)</b>	<b>221</b>	<b>218</b>	<b>(92)</b>
<b>Net profit of companies accounted for using the equity method</b>	<b>25</b>	<b>37</b>	<b>(23)</b>	<b>14</b>	<b>39</b>
<b>Profit before tax</b>	<b>3,171</b>	<b>(13)</b>	<b>(1,742)</b>	<b>(1,755)</b>	<b>1,416</b>
Income tax expense	(852)	13	459	472	(380)
<b>Profit after tax for the period from continuing operations</b>	<b>2,319</b>	<b>-</b>	<b>(1,283)</b>	<b>(1,283)</b>	<b>1,036</b>
<b>Profit after tax for the period from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>1,283</b>	<b>1,283</b>	<b>1,283</b>
<b>Profit/(loss) for the period</b>	<b>2,319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,319</b>
Parent company	1,551	-	-	-	1,551
Non-controlling interests	768	-	-	-	768

Millions of Euros

	January - September 2013	Business in Spain and Portugal			January - September 2013 (Restated)
		Restatement due to adoption of IFRS 11	Restatement due to adoption of IFRS 5	Total Restatement	
Income	16,217	(78)	95	17	16,234
Procurement and services	(11,920)	33	(95)	(62)	(11,982)
<b>Contribution margin</b>	<b>4,297</b>	<b>(45)</b>	<b>-</b>	<b>(45)</b>	<b>4,252</b>
<b>Gross profit from operations</b>	<b>2,697</b>	<b>(43)</b>	<b>-</b>	<b>(43)</b>	<b>2,654</b>
Depreciation and amortisation, and impairment losses	(1,246)	19	-	19	(1,227)
<b>Profit from operations</b>	<b>1,451</b>	<b>(24)</b>	<b>-</b>	<b>(24)</b>	<b>1,427</b>
<b>Net financial loss</b>	<b>(87)</b>	<b>(5)</b>	<b>-</b>	<b>(5)</b>	<b>(92)</b>
<b>Net profit of companies accounted for using the equity method</b>	<b>18</b>	<b>21</b>	<b>-</b>	<b>21</b>	<b>39</b>
<b>Profit before tax</b>	<b>1,424</b>	<b>(8)</b>	<b>-</b>	<b>(8)</b>	<b>1,416</b>
Income tax expense	(388)	8	-	8	(380)
<b>Profit after tax for the period from continuing operations</b>	<b>1,036</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,036</b>
<b>Profit after tax for the period from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit/(loss) for the period</b>	<b>1,036</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,036</b>
Parent company	1,036	-	-	-	1,036
Non-controlling interests	-	-	-	-	-

Millions of Euros

	<b>Business in Latin America</b>				<b>January - September 2013 (Restated)</b>
	<b>January - September 2013</b>	<b>Restatement due to adoption of IFRS 11</b>	<b>Restatement due to adoption of IFRS 5</b>	<b>Total Restatement</b>	
Income	7,268	(107)	(7,161)	(7,268)	-
Procurement and services	(3,651)	48	3,603	3,651	-
<b>Contribution margin</b>	<b>3,617</b>	<b>(59)</b>	<b>(3,558)</b>	<b>(3,617)</b>	<b>-</b>
<b>Gross profit from operations</b>	<b>2,554</b>	<b>(34)</b>	<b>(2,520)</b>	<b>(2,554)</b>	<b>-</b>
Depreciation and amortisation, and impairment losses	(613)	11	602	613	-
<b>Profit from operations</b>	<b>1,941</b>	<b>(23)</b>	<b>(1,918)</b>	<b>(1,941)</b>	<b>-</b>
<b>Net financial loss</b>	<b>(223)</b>	<b>2</b>	<b>221</b>	<b>223</b>	<b>-</b>
<b>Net profit of companies accounted for using the equity method</b>	<b>7</b>	<b>16</b>	<b>(23)</b>	<b>(7)</b>	<b>-</b>
<b>Profit before tax</b>	<b>1,747</b>	<b>(5)</b>	<b>(1,742)</b>	<b>(1,747)</b>	<b>-</b>
Income tax expense	(464)	5	459	464	-
<b>Profit after tax for the period from continuing operations</b>	<b>1,283</b>	<b>-</b>	<b>(1,283)</b>	<b>(1,283)</b>	<b>-</b>
<b>Profit after tax for the period from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>1,283</b>	<b>1,283</b>	<b>1,283</b>
<b>Profit/(loss) for the period</b>	<b>1,283</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,283</b>
Parent company	515	-	-	-	515
Non-controlling interests	768	-	-	-	768

### Consolidated Statement of Other Comprehensive Income

Millions of Euros

	<b>January - September 2013</b>	<b>Restatement due to adoption of IFRS 11</b>	<b>Restatement due to adoption of IFRS 5</b>	<b>Total Restatement</b>	<b>January - September 2013 (Restated)</b>
Profit for the period	2,319	-	-	-	2,319
Other comprehensive income:					
Income and expense recognised directly in equity	(1,414)	-	-	-	(1,414)
Amounts transferred to income statement and/or investments	80	-	-	-	80
<b>Total comprehensive income</b>	<b>985</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>985</b>

## Statement of Cash Flows

Millions of Euros

	Consolidated				January - September 2013 (Restated)
	January - September 2013	Restatement due to adoption of IFRS 11	Restatement due to adoption of IFRS 5	Total restatement	
Net cash flows from/(used in) operating activities	2,347	(32)	-	(32)	2,315
Net cash flows from/(used in) investing activities	(2,215)	(17)	-	(17)	(2,232)
Net cash flows from/(used in) financing activities	461	45	-	45	506
<b>Total net cash flows</b>	<b>593</b>	<b>(4)</b>	<b>-</b>	<b>(4)</b>	<b>589</b>
Effect of exchange rate changes on cash and cash equivalents	(182)	2	-	2	(180)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>411</b>	<b>(2)</b>	<b>-</b>	<b>(2)</b>	<b>409</b>
<b>Cash and cash equivalents at 1 January</b>	<b>1,986</b>	<b>(167)</b>	<b>-</b>	<b>(167)</b>	<b>1,819</b>
<b>Cash and cash equivalents at 30 September</b>	<b>2,397</b>	<b>(169)</b>	<b>-</b>	<b>(169)</b>	<b>2,228</b>

Millions of Euros

	Business in Spain and Portugal				January - September 2013 (Restated)
	January - September 2013	Restatement due to adoption of IFRS 11	Restatement due to adoption of IFRS 5	Total Restatement	
Net cash flows from/(used in) operating activities	1,199	5	-	5	1,204
Net cash flows from/(used in) investing activities	(854)	(28)	-	(28)	(882)
Net cash flows from/(used in) financing activities	(544)	38	-	38	(506)
<b>Total net cash flows</b>	<b>(199)</b>	<b>15</b>	<b>-</b>	<b>15</b>	<b>(184)</b>
Effect of exchange rate changes on cash and cash equivalents	(1)	-	-	-	(1)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(200)</b>	<b>15</b>	<b>-</b>	<b>15</b>	<b>(185)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>574</b>	<b>(101)</b>	<b>-</b>	<b>(101)</b>	<b>473</b>
<b>Cash and cash equivalents at 30 September</b>	<b>374</b>	<b>(86)</b>	<b>-</b>	<b>(86)</b>	<b>288</b>



Millions of Euros

	<b>Business in Latin America</b>				<b>January - September 2013 (Restated)</b>
	<b>January - September 2013</b>	<b>Restatement due to adoption of IFRS 11</b>	<b>Restatement due to adoption of IFRS 5</b>	<b>Total Restatement</b>	
Net cash flows from/(used in) operating activities	1,148	(37)	-	(37)	1,111
Net cash flows from/(used in) investing activities	(1,361)	11	-	11	(1,350)
Net cash flows from/(used in) financing activities	1,005	7	-	7	1,012
<b>Total net cash flows</b>	<b>792</b>	<b>(19)</b>	<b>-</b>	<b>(19)</b>	<b>773</b>
Effect of exchange rate changes on cash and cash equivalents	(181)	2	-	2	(179)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>611</b>	<b>(17)</b>	<b>-</b>	<b>(17)</b>	<b>594</b>
<b>Cash and cash equivalents at 1 January</b>	<b>1,412</b>	<b>(66)</b>	<b>-</b>	<b>(66)</b>	<b>1,346</b>
<b>Cash and cash equivalents at 30 September</b>	<b>2,023</b>	<b>(83)</b>	<b>-</b>	<b>(83)</b>	<b>1,940</b>

## **Appendix III:** **Shareholdings Included in the Disposal**

## Appendix III: Shareholdings included in the disposal

Company (in alphabetical order)	% ownership at 30 September 2014			Registered offices	Activity
	Control	Ownership	Consolidation method		
AGUAS SANTIAGO PONIENTE, S.A.	78.88	33.34	FC	SANTIAGO DE CHILE (CHILE)	WATER SERVICES
AMPLA ENERGIA E SERVIÇOS, S.A.	99.64	55.79	FC	RIO DE JANEIRO (BRAZIL)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION
AYSÉN ENERGÍA, S.A.	99.51	18.55	EM	SANTIAGO (CHILE)	ELECTRICITY PRODUCTION AND TRANSMISSION
AYSÉN TRANSMISIÓN, S.A.	99.51	18.55	EM	SANTIAGO (CHILE)	DEVELOPMENT OF ELECTRICITY TRANSMISSION SYSTEMS
CENTRAIS ELÉTRICAS CACHOEIRA DOURADA, S.A.	99.75	51.03	FC	RIO DE JANEIRO (BRAZIL)	ELECTRICITY PRODUCTION AND SUPPLY
CENTRAL DOCK SUD, S.A.	69.99	24.25	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION
CENTRAL EÓLICA CANELA S.A.	75.00	27.96	FC	SANTIAGO (CHILE)	PROMOTION AND DEVELOPMENT OF RENEWABLE ENERGY PROJECTS
CENTRAL GERADORA TERMELÉTRICA FORTALEZA, S.A.	100.00	51.16	FC	FORTALEZA (BRAZIL)	DEVELOPMENT OF A THERMOELECTRIC GENERATION PROJECT
CENTRAL VUELTA DE OBLIGADO, S.A.	40.90	9.80	EM	BUENOS AIRES (ARGENTINA)	CONSTRUCTION AND OPERATION OF A COMBINED CYCLE PLANT
CENTRALES HIDROELÉCTRICAS DE AYSÉN, S.A.	51.00	18.55	EM	SANTIAGO (CHILE)	DESIGN AND IMPLEMENTATION OF A HYDROELECTRIC PROJECT
CHILECTRA INVERSUD, S.A.	100.00	60.07	FC	SANTIAGO (CHILE)	HOLDING COMPANY
CHILECTRA, S.A.	99.09	60.07	FC	SANTIAGO (CHILE)	DISTRIBUTION AND SALE OF ELECTRICITY AND HOLDING COMPANY
CHINANGO, S.A.C.	80.00	28.42	FC	LIMA (PERU)	ELECTRICITY PRODUCTION, SUPPLY AND TRANSMISSION
CODENSA, S.A. E.S.P.	48.48	29.34	FC	BOGOTA D.C. (COLOMBIA)	ENERGY DISTRIBUTION AND SUPPLY
COMPANHIA ENERGÉTICA DO CEARÁ, S.A.	74.05	39.32	FC	FORTALEZA (BRAZIL)	COMPLETE ELECTRICITY CYCLE
COMPAÑÍA DE INTERCONEXIÓN ENERGÉTICA, S.A.	100.00	51.16	FC	RIO DE JANEIRO (BRAZIL)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION
COMPAÑÍA DE TRANSMISIÓN DEL MERCOSUR, S.A.	100.00	51.16	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION
COMPAÑÍA ELÉCTRICA TARAPACÁ, S.A.	100.00	37.28	FC	SANTIAGO (CHILE)	COMPLETE ELECTRICITY CYCLE
COMPAÑÍA ENERGÉTICA VERACRUZ S.A.C.	100.00	60.62	FC	LIMA (PERU)	HYDROELECTRIC PROJECTS
CONSORCIO ARA-INGENDESA LTDA.	50.00	18.64	PC	SANTIAGO (CHILE)	PROJECT ENGINEERING CONSULTANCY SERVICES
CONSTRUCCIONES Y PROYECTOS LOS MAITENES, S.A.	55.00	33.34	FC	SANTIAGO (CHILE)	CONSTRUCTION AND INSTALLATION WORK
DISTRIBUIDORA ELÉCTRICA DE CUNDINAMARCA, S.A. E.S.P.	49.00	14.38	EM	BOGOTA D.C. (COLOMBIA)	ENERGY DISTRIBUTION AND SUPPLY
DISTRILEC INVERSORA, S.A.	51.50	30.88	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY
EDEGEL, S.A.A.	83.60	35.53	FC	LIMA (PERU)	ELECTRICITY PRODUCTION, SUPPLY AND DISTRIBUTION
ELÉCTRICA CABO BLANCO, S.A.C.	100.00	60.62	FC	LIMA (PERU)	HOLDING COMPANY
ELECTROGAS, S.A.	42.50	15.45	EM	SANTIAGO (CHILE)	NATURAL GAS TRANSMISSION
EMGESA PANAMÁ, S.A.	100.00	22.87	FC	PANAMA CITY (PANAMA)	ELECTRICITY SUPPLY
EMGESA, S.A. E.S.P.	48.48	22.87	FC	BOGOTA D.C. (COLOMBIA)	ELECTRICITY PRODUCTION AND SUPPLY
EMPRESA DE DISTRIBUCIÓN ELÉCTRICA DE LIMA NORTE, S.A.A.	75.68	45.80	FC	LIMA (PERU)	ENERGY DISTRIBUTION AND SUPPLY
EMPRESA DISTRIBUIDORA SUR, S.A.	99.45	43.41	FC	BUENOS AIRES (ARGENTINA)	ENERGY DISTRIBUTION AND SUPPLY
EMPRESA ELÉCTRICA DE COLINA LTDA.	100.00	60.07	FC	SANTIAGO (CHILE)	COMPLETE ENERGY AND SIMILAR MATERIALS CYCLE
EMPRESA ELÉCTRICA DE PIURA, S.A.	96.50	58.50	FC	LIMA (PERU)	ELECTRICITY PRODUCTION
EMPRESA ELÉCTRICA PEHUENCHE, S.A.	92.65	33.69	FC	SANTIAGO (CHILE)	COMPLETE ELECTRICITY CYCLE
EMPRESA NACIONAL DE ELECTRICIDAD, S.A.	59.98	36.36	FC	SANTIAGO (CHILE)	COMPLETE ELECTRICITY CYCLE
EN-BRASIL COMERCIO E SERVIÇOS, S.A.	100.00	51.16	FC	RIO DE JANEIRO (BRAZIL)	SUPPLY OF PRODUCTS AND SERVICES
ENDESA ARGENTINA, S.A.	100.00	36.37	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY
ENDESA BRASIL, S.A.	100.00	51.16	FC	RIO DE JANEIRO (BRAZIL)	HOLDING COMPANY
ENDESA CEMSA, S.A.	100.00	49.71	FC	BUENOS AIRES (ARGENTINA)	WHOLESALE PURCHASE AND SALE OF ELECTRICITY
ENDESA COSTANERA, S.A.	75.68	27.52	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION AND SUPPLY
ENDESA LATINOAMÉRICA, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	MADRID (SPAIN)	ENDESA, S.A. INTERNATIONAL ACTIVITY

Company (in alphabetical order)	% ownership at 30 September 2014			Registered offices	Activity
	Control	Ownership	Consolidation method		
ENERSIS, S.A.	60.62	60.62	FC	SANTIAGO (CHILE)	ELECTRICITY PRODUCTION AND DISTRIBUTION AND HOLDING COMPANY
EÓLICA FAZENDA NOVA - GERAÇÃO E COMERCIALIZAÇÃO DE ENERGIA, S.A.	99.95	51.13	FC	RÍO GRANDE DO NORTE (BRAZIL)	WIND FARM PROJECTS
GASATACAMA CHILE, S.A.	99.95	36.80	FC	SANTIAGO (CHILE)	COMPLETE ELECTRICITY CYCLE
GASATACAMA, S.A.	100.00	36.82	FC	SANTIAGO (CHILE)	COMPANY ADMINISTRATION AND MANAGEMENT
GASODUCTO ATACAMA ARGENTINA, S.A.	99.97	36.80	FC	SANTIAGO (CHILE)	NATURAL GAS TRANSMISSION
GASODUCTO TALTAL, S.A.	100.00	36.80	FC	SANTIAGO (CHILE)	NATURAL GAS TRANSMISSION
GENERALIMA, S.A.C.	100.00	60.62	FC	LIMA (PERU)	HOLDING COMPANY
GENERANDES PERÚ, S.A.	100.00	45.83	FC	LIMA (PERU)	HOLDING COMPANY
GNL CHILE, S.A.	33.33	12.12	EM	SANTIAGO (CHILE)	PROMOTION OF PROJECT TO SUPPLY LIQUEFIED GAS
GNL NORTE, S.A.	100.00	36.80	FC	SANTIAGO (CHILE)	PRODUCTION, TRANSPORT, DISTRIBUTION, STORAGE AND SUPPLY OF ENERGY AND FUELS
GNL QUINTERO, S.A.	20.00	7.27	EM	SANTIAGO (CHILE)	DESIGN, DEVELOPMENT AND SUPPLY OF A LIQUEFIED NATURAL GAS REGASIFICATION TERMINAL
HIDROELÉCTRICA EL CHOCÓN, S.A.	67.67	23.77	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION AND SUPPLY
HIDROINVEST, S.A.	96.09	34.94	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY
ICT SERVICIOS INFORMÁTICOS LTDA.	100.00	60.62	FC	SANTIAGO (CHILE)	IT, TELECOMMUNICATIONS AND DATA TRANSMISSION SERVICES
INGENDESA DO BRASIL LTDA. (IN LIQUIDATION)	100.00	37.27	FC	RIO DE JANEIRO (BRAZIL)	PROJECT ENGINEERING CONSULTANCY SERVICES
INKIA HOLDINGS (ACTER) LIMITED	100.00	60.62	FC	GRAND CAYMAN (CAYMAN ISLANDS)	HOLDING COMPANY
INMOBILIARIA MANSO DE VELASCO LTDA.	100.00	60.62	FC	SANTIAGO (CHILE)	CONSTRUCTION WORK
INVERSIONES DISTRILIMA, S.A.C.	100.00	60.46	FC	LIMA (PERU)	HOLDING COMPANY
INVERSIONES GASATACAMA HOLDING LTDA.	100.00	36.82	FC	SANTIAGO (CHILE)	NATURAL GAS TRANSMISSION
INVERSORA CODENSA S.A.S.	100.00	29.34	FC	BOGOTA D.C. (COLOMBIA)	INVESTMENTS IN PUBLIC RESIDENTIAL ENERGY SERVICES
INVERSORA DOCK SUD, S.A.	57.14	34.64	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY
LATIN AMERICA HOLDING I LTD.	100.00	60.62	FC	GRAND CAYMAN (CAYMAN ISLANDS)	HOLDING COMPANY
LATIN AMERICA HOLDING II LTD.	100.00	60.62	FC	GRAND CAYMAN (CAYMAN ISLANDS)	HOLDING COMPANY
LUZ ANDES LTDA.	100.00	60.07	FC	SANTIAGO (CHILE)	TRANSPORT, DISTRIBUTION AND SALE OF ENERGY AND FUELS
PROGAS, S.A.	100.00	36.80	FC	SANTIAGO (CHILE)	GAS DISTRIBUTION
SACME, S.A.	50.00	21.71	EM	BUENOS AIRES (ARGENTINA)	ELECTRICITY SYSTEM OVERSIGHT AND CONTROL
SOCIEDAD AGRÍCOLA DE CAMEROS LTDA.	57.50	34.86	FC	SANTIAGO (CHILE)	REAL ESTATE INVESTMENT
SOCIEDAD CONCESIONARIA TÚNEL EL MELÓN, S.A.	100.00	36.36	FC	SANTIAGO (CHILE)	DESIGN, CONSTRUCTION AND OPERATION OF THE EL MELÓN TUNNEL
SOCIEDAD PORTUARIA CENTRAL CARTAGENA, S.A.	99.85	23.15	FC	BOGOTA D.C. (COLOMBIA)	PORT-RELATED SERVICES
SOUTHERN CONE POWER ARGENTINA, S.A.	100.00	36.38	FC	BUENOS AIRES (ARGENTINA)	HOLDING COMPANY
SOUTHERN CONE POWER LTD.	100.00	60.62	FC	GRAND CAYMAN (CAYMAN ISLANDS)	HOLDING COMPANY
SOUTHERN CONE POWER PERÚ, S.A.A.	100.00	60.62	FC	LIMA (PERU)	HOLDING COMPANY
TERMOELÉCTRICA JOSÉ DE SAN MARTÍN, S.A.	25.60	6.29	EM	BUENOS AIRES (ARGENTINA)	CONSTRUCTION AND OPERATION OF A COMBINED CYCLE PLANT
TERMOELÉCTRICA MANUEL BELGRANO, S.A.	25.60	6.29	EM	BUENOS AIRES (ARGENTINA)	CONSTRUCTION AND OPERATION OF A COMBINED CYCLE PLANT
TRANSMISORA ELÉCTRICA DE QUILLOTA LTDA.	50.00	18.64	EM	SANTIAGO (CHILE)	ELECTRICITY TRANSMISSION AND DISTRIBUTION
TRANSPORTADORA DE ENERGÍA, S.A.	100.00	51.15	FC	BUENOS AIRES (ARGENTINA)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION
YACYLEC, S.A.	22.22	13.47	EM	BUENOS AIRES (ARGENTINA)	ELECTRICITY TRANSMISSION

FC: Full consolidation; PC: Proportionate consolidation; EM: Equity method