ENDESA, S.A.

and Subsidiaries

Consolidated Management Report for the nine months ended 30 September 2016

Madrid, 8 November 2016

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

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1.1. Acquisition of ENEL Green Power España, S.L. (EGPE).

On 27 July 2016, ENDESA Generación, S.A.U., a company wholly-owned by ENDESA, S.A. (ENDESA), acquired 60% of the share capital of ENEL Green Power España, S.L. (EGPE), a company in which it previously had a 40% shareholding, from ENEL Green Power International B.V.

ENEL Green Power España, S.L. (EGPE) engages, directly or through companies it controls, in the production of electricity using renewable energy sources in Spain. It currently has approximately 93 wind power, hydroelectric, solar and biomass plants, with total installed capacity of 1,705 MW and output of 3,900 GWh.

The purchase transaction means that, at the date the transaction was finalised, ENDESA took control over ENEL Green Power España, S.L. (EGPE), compared to the significant influence that it held up until then as a result of its 40% shareholding.

Appendix II of this Consolidated Management Report lists the companies belonging to ENEL Green Power España, S.L. (EGPE) at the date it was acquired.

By means of this acquisition, ENDESA was able to reinforce its presence in the Iberian generation market by adding an attractive portfolio of renewable energy electricity production assets to its production mix.

The 60% shareholding was acquired for a total price of Euros 1,207 million and was fully paid on 27 July 2016. In order to meet this payment obligation, ENDESA, S.A. issued Euro Commercial Paper (ECP) through International ENDESA, B.V., the renewals of which are backed by irrevocable bank credit facilities in the amount of Euros 1,200 million and the amount was supplemented through the additional disposal of funds from these bank credit facilities (see Section 4.1 - Financial Management of this Consolidated Management Report). Accordingly, ENDESA, S.A. financed ENDESA Generación, S.A.U. through customary inter-company operations.

The net cash outflow from the acquisition of the 60% shareholding in ENEL Green Power España, S.L. (EGPE) was calculated as follows:

Millions of Euros	
Cash and cash equivalents of the acquiree	(31)
Net amount paid in cash (*)	1,209
TOTAL	**1,178**

(*) Includes acquisition costs recognised under "Other fixed operating expenses" in the consolidated income statement amounting to Euros 2 million.

In order to include ENEL Green Power España, S.L. in the consolidated financial statements of ENDESA, the purchase price was provisionally assigned, based on the fair value of the assets acquired the liabilities assumed (net assets acquired) of ENEL Green Power España, S.L. (EGPE) on the date of acquisition, to the following headings of the consolidated financial statements:

Millions of Euros

Non-current assets	**2,333**
Property, plant and equipment	1,275
Intangible assets	734
Investments accounted for using the equity method	34
Non-current financial assets	259
Deferred tax assets	31
Current assets	**144**
Inventories	29
Trade and other receivable	71
Current financial assets	13
Cash and cash equivalents	31
Non-current assets held for sale and discontinued operations	-
TOTAL ASSETS	**2,477**
NON-CONTROLLING INTERESTS	**150**
Non-current liabilities	**454**
Deferred income	9
Non-current provisions	65
Non-current interest-bearing loans and borrowings	141
Other non-current liabilities	9
Deferred tax liabilities	230
Current liabilities	**165**
Current interest-bearing loans and borrowings	86
Trade and other payables	79
Liabilities associated with non-current assets classified as held for sale and discontinued operations	-
TOTAL LIABILITIES	**619**
Fair value of net assets acquired	**1,708**

The difference between the cost of the business combination and the fair value of the aforementioned assets and liabilities recognised, while also taking into account the fair value of the investment previously held in 40% of the share capital of ENEL Green Power, S.L. (EGPE), gave rise to provisional goodwill in the amount of Euros 304 million.

As of the date of issue of this Consolidated Management Report, ENDESA continued to carry out the tasks aimed at definitively assigning the acquisition price.

The contribution of ENEL Green Power, S.L. (EGPE) to net profit during the first nine months of 2016 amounted to Euros 12 million and is detailed as follows:

Millions of Euros

	January-September 2016	**January-September 2015**
Net profit from the previous 40% shareholding (1)	7	17
Net profit from the 100% shareholding (2)	-	N/A
Revenue	41	N/A
Gross margin	36	N/A
EBITDA	24	N/A
EBIT	1	N/A
Impairment of the investment (3)	(72)	-
Net profit from measurement at fair value (4)	(4)	N/A
Reversal of deferred tax liabilities (5)	81	-
TOTAL	**12**	**17**

(1) Corresponds to the previous 40% shareholding until 27 July 2016, the date of the takeover.
(2) Corresponds to the 100% shareholding from 27 July 2016, the date of the takeover, until 30 September 2016.
(3) Corresponds to the impairment loss amounting to Euros 72 million recognised prior to the takeover, taking into consideration that the fair value of ENDESA's 40% ownership interest in ENEL Green Power España, S.L. (EGPE) was less than its book value.
(4) Corresponds to the net profit, at the date of the takeover, arising from the measurement at fair value of the non-controlling interest of 40% in ENEL Green Power España, S.L. (EGPE).
(5) As a result of the takeover of ENEL Green Power España, S.L. (EGPE), a deferred tax liability was reversed in the amount of Euros 81 million that ENDESA had recognised as a result of the earnings not distributed by ENEL Green Power España, S.L. (EGPE) generated subsequent to the loss of control over this company in year 2010 and that complied with the requirements for recognition.

1.2. Consolidated results

ENDESA reported net income of Euros 1,305 million in the first nine months of 2016 (+8.2%).

ENDESA reported net income of Euros 1,305 million in the first nine months of 2016, up 8.2% on the Euros 1,206 million reported in 9M15.

During the first nine months of 2016, net profit included the Euros 12 million generated as a result of ENDESA's previous 40% interest in the share capital of ENEL Green Power España, S.L. (EGPE) and the takeover thereof (see Section 1.1 - Acquisition of ENEL Green Power España, S.L. (EGPE) of this Consolidated Management Report).

Accordingly, net income for the January-September 2015 period included the profit of Euros 17 million as a result of recognising the 40% interest in the share capital of ENEL Green Power España, S.L. (EGPE) using the equity method and the Euros 132 million deriving from the recognition of the value of European Union Allowances (EUAs) obtained from the swap of Emission Reduction Units (ERUs) and Certified Emission Reductions (CERs) in accordance with the process established under EU Regulation 389/2013, articles 58-61, the sale of which was completed in December 2015.

Stripping out this impact, ENDESA's net income in 9M16 was up 22.3% year-on-year.

The table below shows the breakdown of net income in ENDESA's businesses and its year-on-year change:

Millions of Euros

	Net income			
	January-September 2016	January-September 2015	% chg	% contribution to total
Generation and supply (1)	699	579	20.7	53.6
Distribution	624	563	10.8	47.8
Structure and others (2)	(18)	64	N/A	(1.4)
TOTAL	**1,305**	**1,206**	**8.2**	**100.0**

(1) Includes the net income generated by ENEL Green Power España, S.L. (EGPE) in January-September 2016 and in January-September 2015 amounting to Euros 12 million and Euros 17 million, respectively.
(2) Structure, Services and Adjustments.

1.3. Analysis of results

ENDESA's gross margin in the January-September 2016 period amounted to Euros 4,338 million, Euros 128 million more than in the same last year (+3.0%). EBITDA for the nine-month period ended 30 September 2013 stood at Euros 2,869 million (+4.3%) and EBIT rose by Euros 76 million (+4.4%) to Euros 1,811 million.

The table below shows the breakdown of EBITDA and EBIT in ENDESA's businesses and their year-on-year change:

Millions of Euros

	EBITDA				EBIT			
	January-September 2016	January-September 2015	% chg	% contribution to total	January-September 2016	January-September 2015	% chg	% contribution to total
Generation and supply (1)	1,543	1,408	9.6	53.8	992	877	13.1	54.8
Distribution	1,400	1,323	5.8	48.8	910	853	6.7	50.2
Structure and others (2)	(74)	21	N/A	(2.6)	(91)	5	N/A	(5.0)
TOTAL	**2,869**	**2,752**	**4.3**	**100.0**	**1,811**	**1,735**	**4.4**	**100.0**

(1) In January-September 2016, this includes the EBITDA and EBIT generated by ENEL Green Power España, S.L. (EGPE) since the date of its takeover, 27 July 2016, amounting to Euros 24 million and Euros 1 million, respectively.
(2) Structure, Services and Adjustments.

When looking at EBITDA for 9M16, it must be taken into account that income of Euros 184 million was booked in the first nine months of 2015 deriving from the value of European Union Allowances (EUAs) obtained from the swap of Emission Reduction Units (ERUs) and Certified Emission Reductions (CERs) in accordance with the process established under EU Regulation 389/2013, articles 58-61, the sale of which was completed in December 2015.

Stripping out this impact and the takeover of ENEL Green Power España, S.L. (EGPE) on 27 July 2016, EBITDA was up by Euros 277 million (+10.8%) in the first nine months of 2016, due mainly to:

- Lower fuel consumption (-31.7%) [as a result of the drop in price of liquid fuels and energy purchases (-19.5%)] and lower taxes on electricity production, which offset the decrease in the average sale price.

- The decrease in other variable procurements and services by Euros 258 million (-16.4%) during the first nine months of 2016, mainly as a result of the drop in CO_2 emissions costs due to lower fossil-fuel output, the decrease in fees and taxes associated with electricity production due to lower electrical output in the period, and the correction of the nuclear tax for Catalonia following a ruling handed down by the Constitutional Court on 20 April 2016, in which the court declared the tax unconstitutional (Euros 78 million).

- The deregulated gas business was affected by greater competitive pressure, mainly in the wholesale market.

EBIT for the nine months ended 30 September 2016 rose by 4.4% to Euros 1,811 million, compared to 9M15, despite the 4.0% increase in depreciation and amortisation, and impairment losses, mainly as a result of the ENEL Green Power España, S.L. takeover (see Section 1.1 - Acquisition of ENEL Green Power España, S.L. (EGPE) of this Consolidated Management Report).

Without taking into account CO_2 emission allowance swaps or the takeover of ENEL Green Power España, S.L. (EGPE) mentioned in the paragraphs above, EBIT for the nine months ended 30 September 2016 rose by Euros 259 million (+16.7%).

Revenue: Euros 14,107 million (-8.5%).

Revenue totalled Euros 14,107 million in 9M16, compared to the Euros 15,412 million reported in the first nine months of 2015.

Of this amount, revenue from sales accounted for Euros 13,601 million (-7.2%), while other operating income accounted for Euros 506 million (-33.2%).

The table below shows the breakdown of sales and other operating income of ENDESA's businesses and their year-on-year change:

Millions of Euros

	Sales				Other operating income			
	January-September 2016	January-September 2015	% chg	% contribution to total	January-September 2016	January-September 2015	% chg	% contribution to total
Generation and supply (1)	12,011	13,067	(8.1)	88.3	295	576	(48.8)	58.3
Distribution	1,697	1,700	(0.2)	12.5	240	214	12.1	47.4
Structure and others (2)	(107)	(113)	(5.3)	(0.8)	(29)	(32)	(9.4)	(5.7)
TOTAL	**13,601**	**14,654**	**(7.2)**	**100.0**	**506**	**758**	**(33.2)**	**100.0**

(1) In January-September 2016, this includes the sales of ENEL Green Power España, S.L. (EGPE) since the date of its takeover, 27 July 2016, amounting to Euros 41 million.
(2) Structure, Services and Adjustments.

Sales

Sales in the first nine months of 2016 were as follows:

Millions of Euros

	January-September 2016	January-September 2015	Difference	% chg
Electricity sales	10,106	10,841	(735)	(6.8)
Sales to the deregulated market	6,238	6,378	(140)	(2.2)
Supply to customers in deregulated markets outside Spain	718	744	(26)	(3.5)
Sales at regulated prices	1,791	2,210	(419)	(19.0)
Wholesale market sales	609	641	(32)	(5.0)
Compensation for non-mainland territories	740	859	(119)	(13.9)
Other electricity sales	10	9	1	11.1
Gas sales	1,496	1,781	(285)	(16.0)
Regulated revenue from electricity distribution	1,537	1,526	11	0.7
Other sales and services rendered	462	506	(44)	(8.7)
TOTAL (1)	**13,601**	**14,654**	**(1,053)**	**(7.2)**

(1) In January-September 2016, this includes the sales of ENEL Green Power España, S.L. (EGPE) since the date of its takeover, 27 July 2016, amounting to Euros 41 million.

Mainland electricity demand rose by 0.1% year-on-year in the first nine months of 2016 (-0.1% after adjusting for working days and temperature).

The first nine months of 2016 were characterised by low prices, mainly due to high wind and hydro output and low commodity prices.

Against this backdrop, ENDESA's mainland electricity output totalled 40,451 GMh in the first nine months of the year, down 13.1% on the first nine months of 2015, with changes in output at coal-fired plants (-34.5%), combined cycle plants (-12.0%), nuclear plants (+1.1%) and hydroelectric plants (+3.6%).

Nuclear and hydro energy accounted for 64.8% of ENDESA's mainland generation mix under the ordinary regime (55.3% in January-September 2015), compared with 68.9% for the rest of the sector (50.4% in January-September 2015).

Since the date of the takeover of ENEL Green Power España, S.L. (EGPE), ENDESA's production through renewable technologies has been 506 GWh.

ENDESA's output in non-mainland territories was 9,449 GWh, an increase of 1.3% compared to the first nine months of 2015.

ENDESA obtained a market share of 35.2% in mainland generation, a 43.9% share in distribution and a 35.5% share in sales to customers in the deregulated market.

In the first nine months of 2016, gas demand was down by 1.7% year-on-year, and ENDESA reached a market share of 17.1% in sales to customers in the deregulated market.

Sales to customers in the deregulated market

At 30 September 2016, ENDESA had 5,338,794 customers in the deregulated market, a 5.0% increase on the number at 31 December 2015: 4,443,723 (+5.5%) in the Spanish mainland market, 731,547 (+5.6%) in the non-mainland territories market and 163,524 (-7.9%) in European deregulated markets other than Spain.

ENDESA sold a total of 60,204 GWh to these customers in the first nine months of 2016, a 3.0% increase on the same period in 2015.

In economic terms, sales in the Spanish deregulated market amounted to Euros 6,238 million in the first nine months of 2016, Euros 140 million less than the year-ago figure (-2.2%) as the increase in physical units sold failed to offset the decrease in the average sales price to end customers.

Revenue from sales to deregulated European markets other than Spain totalled Euros 718 million, down Euros 26 million (-3.5%) on the nine-month period ended 30 September 2015 due to the drop in both the average sales price and physical units sold.

Sales at regulated prices

During the first nine months of 2016, ENDESA sold 10,500 GWh to customers via its Supplier of Reference under regulated prices, which is 7.8% lower than the same period of 2015.

These sales generated revenue of Euros 1,791 million in the first nine months of 2016, down 19.0% year-on-year due to the drop in physical units sold and the lower average sales price.

Gas sales

ENDESA sold 56,313 GWh to customers in the natural gas market in the first nine months of 2016, which represents an increase of 5.7% on the 9M 2015 figure.

Revenue from gas sales totalled Euros 1,496 million, down Euros 285 million (-16.0%) on the figure for the first nine months of 2015 due to the drop in average sales prices.

Compensation for non-mainland territories

Compensation for non-mainland territories generation extra costs in the first nine months of 2016 amounted to Euros 740 million, down Euros 119 million (-13.9%) on the first nine months of 2015, due mainly to the drop in fuel prices brought about by changes in commodity prices.

Electricity distribution

ENDESA distributed 87,276 GWh in the Spanish market in the first nine months of 2016, roughly on par with the first nine months of 2015 (+0.8%).

Revenue from regulated distribution activities in the first nine months of 2016 totalled Euros 1,537 million, up Euros 11 million (+0.7%) on January-September 2015.

Other operating income

Other operating income totalled Euros 506 million in 9M16, down Euros 252 million year-on-year (-33.2%).

In the first nine months of 2015, "Other operating income" included Euros 184 million from the swap of 25 million tonnes of Emission Reduction Units (ERUs) / Certified Emission Reductions (CERs) for European Union Allowances (EUAs).

Operating expenses

Operating expenses totalled Euros 12,376 million in the first nine months of 2016, 10.0% less than in 9M15.

The breakdown of operating expenses in the first nine months of 2016 is as follows:

Millions of Euros

	January-September 2016 (1)	January-September 2015	Difference	% chg
Procurements and services	9,769	11,202	(1,433)	(12.8)
Power purchased	2,909	3,615	(706)	(19.5)
Cost of fuel consumed	1,128	1,652	(524)	(31.7)
Transmission costs	4,420	4,365	55	1.3
Other variable procurements and services	1,312	1,570	(258)	(16.4)
Personnel expenses	690	689	1	0.1
Other fixed operating expenses	859	845	14	1.7
Depreciation and amortisation, and impairment losses	1,058	1,017	41	4.0
TOTAL	**12,376**	**13,753**	**(1,377)**	**(10.0)**

(1) This includes the operating expenses of ENEL Green Power España, S.L. (EGPE) since the date of its takeover, 27 July 2016, amounting to Euros 40 million.

Procurements and services (variable costs)

Procurements and services costs (variable costs) totalled Euros 9,769 million in the first nine months of 2016, 12.8% less than in the same period of 2015.

The breakdown of procurements and services (variable costs) in ENDESA's businesses and the year-on-year change was as follows:

Millions of Euros

	Procurements and services			
	January-September 2016	January-September 2015	% chg	% contribution to total
Generation and supply (1)	9,745	11,184	(12.9)	99.8
Distribution	97	107	(9.3)	1.0
Structure and others (2)	(73)	(89)	(18.0)	(0.8)
TOTAL	**9,769**	**11,202**	**(12.8)**	**100.0**

(1) In January-September 2016, this includes the procurements and services of ENEL Green Power España, S.L. (EGPE) since the date of its takeover, 27 July 2016, amounting to Euros 5 million.
(2) Structure, Services and Adjustments.

Details of these costs are as follows:

– Power purchased in the first nine months of 2016 dropped by Euros 706 million (-19.5%) to Euros 2,909 million, largely as a result of the reduction in the average purchase price of the electricity acquired in the market (the arithmetic mean price for the period was Euros 34.0/MWh, down 32.1%) and in the volume of gas acquired for sale to end customers.

– The cost of the fuel consumed in the first nine months of 2016 was Euros 1,128 million, down 31.7% (Euros 524 million) due to the drop in fossil-fuel output in the period and the reduction in the average purchase price.

- “Other variable procurements and services” totalled Euros 1,312 million, down Euros 258 million year-on-year. This change is mainly the result of:

  - The decrease of Euros 78 million (-25.1%) costs from energy derivatives valuation and settlement, which was offset by a Euros 68 million drop in revenues for this same item (-24.0%), recognised under “Other operating income”.

  - The decrease of Euros 57 million in CO_2 emissions costs as a result of lower fossil-fuel output.

  - The decrease of Euros 141 million in the amount of fees and taxes owing to the tax reduction on electricity production due to lower electrical output in the period, and the correction of the amount paid on account of the nuclear tax for Catalonia following a ruling handed down by the Constitutional Court on 20 April 2016, in which the court declared the tax unconstitutional (Euros 78 million).

The breakdown of the gross margin in ENDESA’s businesses and the year-on-year change was as follows:

Millions of Euros

	Gross margin			
	January-September 2016	January-September 2015	% chg	% contribution to total
Generation and supply (1)	2,561	2,459	4.1	59.0
Distribution	1,840	1,807	1.8	42.4
Structure and others (2)	(63)	(56)	12.5	(1.4)
TOTAL	**4,338**	**4,210**	**3.0**	**100.0**

(1) In January-September 2016, this includes the gross margin of ENEL Green Power España, S.L. (EGPE) since the date of its takeover, 27 July 2016, amounting to Euros 36 million.
(2) Structure, Services and Adjustments.

Personnel and other fixed operating expenses (fixed costs)

Fixed costs amounted to Euros 1,549 million in the first nine months of 2016, an increase of Euros 15 million (+1.0%) with regard to the same period of 2015.

The breakdown of the fixed costs in ENDESA’s businesses and the year-on-year change was as follows:

Millions of Euros

	Personnel expenses				Other operating expenses			
	January-September 2016	January-September 2015	% chg	% contribution to total	January-September 2016	January-September 2015	% chg	% contribution to total
Generation and supply (1)	351	347	1.2	50.9	669	707	(5.4)	77.9
Distribution	218	240	(9.2)	31.6	298	317	(6.0)	34.7
Structure and others (2)	121	102	18.6	17.5	(108)	(179)	(39.7)	(12.6)
TOTAL	**690**	**689**	**0.1**	**100.0**	**859**	**845**	**1.7**	**100.0**

(1) In January-September 2016, this includes the personnel expenses and other operating fixed expenses of ENEL Green Power España, S.L. (EGPE) since the date of its takeover, 27 July 2016, amounting to Euros 3 million and Euros 9 million, respectively.
(2) Structure, Services and Adjustments.

“Personnel expenses” were Euros 690 million in the period, up Euros 1 million (+0.1%) on the first nine months of 2015.

In the first nine months of 2016 and 2015, provisions were adjusted to account for obligations relating to ongoing workforce restructuring plans and for voluntary redundancy programmes, generating income of Euros 12 million and Euros 29 million, respectively. In addition, the provision recognised in the nine-month period ended 30 September 2016 for voluntary redundancy programmes amounted to Euros 30 million.

Excluding these effects and the inclusion of ENEL Green Power España, S.L. (EGPE), personnel expenses would have fallen by Euros 49 million (-6.8%), largely due to a 5.1% reduction in the average workforce.

“Other fixed operating expenses” in the first nine months of 2016 stood at Euros 859 million, up Euros 14 million (+1.7%) compared to 9M 2015.

In the first nine months of 2016, this heading included a net provision of Euros 11 million to cover the risk of infringement proceedings, compared to a net reversal of Euros 1 million in this connection in the first nine months of 2015. Stripping-out this effect and the inclusion of ENEL Green Power España, S.L. (EGPE), the amount recognised under “Other fixed operating expenses” is similar in both periods (-0.8%).

Depreciation and amortisation, and impairment losses

Depreciation and amortisation, and impairment losses totalled Euros 1,058 million in the first nine months of 2016, up Euros 41 million (+4.0%) on the same period in 2015 largely due to the inclusion of ENEL Green Power España, S.L. (EGPE) in the scope of consolidation (see Section 1.1 - Acquisition of ENEL Green Power España, S.L. (EGPE) of this Consolidated Management Report), with a cumulative depreciation and amortisation expense of Euros 23 million since the date of the takeover.

The breakdown of the depreciation and amortisation, and impairment losses in ENDESA’s businesses and the year-on-year change was as follows:

Millions of Euros

		Depreciation and amortisation, and impairment losses			
		January-September 2016	January-September 2015	% chg	% contribution to total
Generation and supply	(1)	551	531	3.8	52.1
Distribution		490	470	4.3	46.3
Structure and others	(2)	17	16	6.3	1.6
TOTAL		**1,058**	**1,017**	**4.0**	**100.0**

(1) In January-September 2016, this includes the depreciation and amortisation, and impairment losses of ENEL Green Power España, S.L. (EGPE) since the date of its takeover, 27 July 2016, amounting to Euros 23 million.

(2) Structure, Services and Adjustments.

Net financial loss: Euros 158 million (+11.3%).

The net financial loss for the first nine months of 2016 was Euros 158 million, a year-on-year increase of Euros 16 million (+11.3%).

The breakdown of the net financial loss in the first nine months of 2016 is as follows:

Millions of Euros

	January-September 2016 (1)	January-September 2015	Difference	% chg
Financial income	35	48	(13)	(27.1)
Financial expenses	(193)	(183)	(10)	5.5
Net exchange differences	-	(7)	7	N/A
TOTAL	**(158)**	**(142)**	**(16)**	**11.3**

(1) This includes the net financial loss of ENEL Green Power España, S.L. (EGPE) since the date of its takeover, 27 July 2016, amounting to Euros 2 million.

In the first nine months of 2016, net financial expenses totalled Euros 158 million, a year-on-year increase of Euros 23 million (+17.0%). This includes the net financial expense of ENEL Green Power España, S.L. (EGPE) since the date of its takeover, 27 July 2016, amounting to Euros 2 million.

Changes in long-term interest rates in the first nine months of 2016 and 2015 meant that provisions to cover obligations relating to ongoing workforce restructuring plans and voluntary redundancy programmes had a negative impacto of Euros 61 million and Euros 7 million, respectively.

Stripping out this impact, net financial expenses would have dropped by Euros 45 million (-31.7%) due to:

- The decrease in the average gross financial debt, which amounted to Euros 5,062 million for the nine months ended 30 September 2016 compared to Euros 6,160 million for the same period in 2015.

- The decrease in the average cost of the gross financial debt, which dropped from 2.8% at 30 September 2015 to 2.6% at 30 September 2016 (see Section 4.1 - Financial Management of this Consolidated Management Report).

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

In the first nine months of 2016, companies accounted for using the equity method contributed a net loss of Euros 35 million, compared to a net profit of Euros 1 million in the same period of 2015.

This loss during the first nine months of 2016 includes the net loss contributed by ENEL Green Power España, S.L. (EGPE) until the date of its takeover, 27 July 2016, amounting to Euros 69 million, in accordance with the following breakdown:

- Euros 7 million relating to the net profit generated by the previous 40% shareholding in this company until the date of the takeover.

- Euros 72 million relating to the impairment loss on the carrying amount of the ownership interest held prior to 27 July 2016 as the recoverable amount was lower than the book value.

- Euros 4 million relating to the net loss incurred on the measurement at fair value of the previous 40% shareholding at the date of acquisition.

As a result of the takeover of ENEL Green Power España, S.L. (EGPE) (see Section 1.1 - Acquisition of ENEL Green Power España, S.L. (EGPE) of this Consolidated Management Report), from 27 July 2016 the company's profit or loss was no longer accounted for using the equity method as ENEL Green Power España, S.L. (EGPE) is now fully consolidated.

In the nine months ended 30 September 2015, this heading included net profit in the amount of Euros 17 million relating to the 40% interest in the share capital of ENEL Green Power España, S.L. (EGPE).

In the first nine months of 2015, this heading included a loss of Euros 40 million on the 50% interest in Nuclenor, S.A. due to recognition of a provision to cover the estimated higher costs the company was to incur given the extra time the Nuclear Safety Council (CSN) was taking to issue its statutory report on the request to renew the operating licence for the Santa María de Garoña nuclear power plant.

Results from asset divestments

In the first nine months of 2016, this heading mainly included expenses for factoring transaction fees in the amount of Euros 22 million (Euros 19 million in the same nine-month period of 2015).

Similarly, in the period ended 30 September 2015, this heading included the gross gains generated amounting to a total of Euros 11 million on the sale of the assets associated with Chira-Soria hydroelectric power plant, all shares of Compañía Transportista de Gas Canarias, S.A., the 22% interest in the share capital of Ayesa Advanced Technologies, S.A. and the entire shareholding that ENDESA had in Gasificadora Regional Canaria, S.A.

Income tax

The income tax expense for the first nine months of 2016 amounted to Euros 296 million, down Euros 83 million year-on-year (-21.9%).

In the first nine months of 2016, as a result of the takeover of ENEL Green Power España, S.L. (EGPE) (see Section 1.1 - Acquisition of ENEL Green Power España, S.L. (EGPE) of this Consolidated Management Report), a deferred tax liability was reversed in the amount of Euros 81 million that ENDESA recognised as a result of the earnings not distributed by ENEL Green Power España, S.L. (EGPE) generated subsequent to the loss of control over this company in year 2010 and that complied with the requirements for recognition.

Stripping out this impact, the income tax expense stood at Euros 377 million (-0.5%).

2. Other Information

2.1. Risk management policy

ENDESA followed the same risk management policy in the nine months ended 30 September 2016 as that described in its annual consolidated financial statements for the year ended 31 December 2015. In this regard, 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 the year ended 31 December 2015.

2.2. Scope of consolidation

On 30 March 2016, ENDESA acquired 48,854 shares from EDP - Gestão de Produção de Energia, S.A. representing 4.86% of the share capital of Tejo Energia - Produção e Distribução de Energia Eléctrica, S.A., in which ENDESA previously held a stake of 38.89%. As a result of the transaction, the consideration of which amounted to Euros 7 million, ENDESA has increased its investment in the share capital of Tejo Energia - Produção e Distribução de Energia Eléctrica, S.A. to 43.75%.

On 24 May 2016, ENDESA sold its entire stake in ENEL Insurance N.V. (representing 50% of its share capital) to ENEL Investment Holding B.V. in a deal worth Euros 114 million. The transaction did not generate any gain or loss in the consolidated income statement for the first nine months of 2016.

On 27 July 2016, ENDESA Generación, S.A.U. acquired 60% of the share capital of ENEL Green Power España, S.L. (EGPE), a company in which it previously had a 40% shareholding, from ENEL Green Power International B.V. (see Section 1.1 - Acquisition of ENEL Green Power España, S.L. (EGPE) of this Consolidated Management Report). Appendix II of this Consolidated Management Report lists the companies that were included in the scope of consolidation as a result of this purchase transaction.

On 28 July 2016, ENDESA has acquired the entire share capital of Eléctrica del Ebro, S.A. in exchange for Euros 21 million. The purchase price was provisionally assigned, based on the fair value of the assets acquired the liabilities assumed (net assets acquired) of Eléctrica del Ebro, S.A. on the date of acquisition, to the following headings of the consolidated financial statements:

Millions of Euros	
Non-current assets	**27**
Property, plant and equipment	26
Deferred tax assets	1
Current assets	**6**
Trade and other receivable	3
Current financial assets	1
Cash and cash equivalents	2
TOTAL ASSETS	**33**
Non-current liabilities	**8**
Deferred income	3
Deferred tax liabilities	5
Current liabilities	**6**
Current provisions	2
Trade and other payables	4
TOTAL LIABILITIES	**14**
Fair value of net assets acquired	**19**

The difference between the cost of the business combination and the fair value of the aforementioned assets and liabilities recognised gave rise to provisional goodwill in the amount of Euros 2 million.

As of 30th September 2016, "Non current assets held for sale and from interrupted activities" and "Liabilities related to non current assets held for sale and from interrupted activities" headings include indirect holdings in Energías de la Mancha Enema, S.A. and Energía de la Loma, S.A. by ENEL Green Power Spain, S.L. (EGPE), in accordance with the resolutions adopted to initiate a plan to sell them.

2.3. Dividends

Approval was given at ENDESA's General Shareholders' Meeting of 26April 2016 to pay shareholders a total dividend charged against 2015 profit of a gross Euros 1.026 per share (Euros 1,086 million).

Taking into consideration the interim gross dividend of Euros 0.4 per share (Euros 424 million) paid on 4 January 2016, the final dividend charged to 2015 profit amounts to Euros 0.626 gross per share (Euros 633 million) and was paid on 1 July 2016.

2.4. Other information

There were no one-off events involving significant amounts during the first nine months of 2016 other than those discussed herein.

Therefore, during the nine-month period ended 30 September 2016, no new significant contingent liabilities arose other than those described in the consolidated financial statements for the year ended 31 December 2015.

3. Regulatory Framework

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

Remuneration of the distribution activity

On 28 November 2015, the Official State Gazette published Royal Decree 1073/2015, of 27 November 2015, which modifies certain provisions in the Royal Decrees on the remuneration of electricity networks (Royal Decree 1047/2013, of 27 December 2013, for transmission, and Royal Decree 1048/2013, of 27 December 2013, for distribution). Among other aspects, the Royal Decree eliminates the yearly update of unitary values based on the CPI, in accordance with Law 2/2015, of 30 March 2015, on de-indexing the economy.

On 12 December 2015, Ministerial Order IET/2660/2015, of 11 December 2015, was published, establishing the types of installations and unitary value to be used in calculating distribution remuneration. This Order sets the beginning of the first regulatory period as 1 January 2016.

On 17 June 2016, Ministerial Order IET/980/2016, of 10 June 2016, was published in the Official State Gazette, setting remuneration on distribution activity for 2016 and awarding ENDESA Euros 2,014 million in remuneration for this activity. ENDESA has also been awarded quality and anti-fraud incentives of Euros 7 million and Euros 2 million, respectively.

This Order sets the base remuneration for the entire regulatory period, running from 1 January 2016 through to 31 December 2019.

Social tariff

Law 24/2013, of 26 December 2013, required that the social tariff cost must be assumed, as a public service obligation, by parent companies or vertically-integrated groups of companies carrying out electricity generation, distribution and supply activities, in proportion to a percentage based on both their number of connections to distribution grids and the number of customers supplied. The CNMC will calculate this percentage annually, without prejudice to approval by a Ministry of Industry, Energy and Tourism order.

On 10 September 2016, the Official State Gazette published Ministerial Order IET/1451/2016, of 8 September, approving the final percentages for sharing out the social tariff for 2016, under which ENDESA, S.A. would be entitled to bear 41.10%.

The Administrative Litigation Division of the Supreme Court has declared inapplicable the financing scheme of the social tariff set by Law 24/2013 of 26 December, as it is incompatible with Directive 2009/72/EC of the European Parliament and Council of 13 July 2009 concerning common rules for the internal market in electricity.

Draft Royal Decree on the procedure for calculating the supply margin to be considered to the Small Consumer Voluntary Price (SCVP)

The Ministry of Industry, Energy and Tourism is now preparing a draft Royal Decree to set out the procedure for calculating the supply margin on the Small Consumer Voluntary Price (SCVP), thus complying with various rulings handed down by the Supreme Court that annulled the supply margin contained in Royal Decree 216/2014, of 28 March, establishing the procedure for calculating Small Consumer Voluntary Prices (SCVP) for electricity and the legal framework for arranging power.

2016 electricity tariff

On 18 December 2015, Ministerial Order IET/2735/2015, of 17 December 2015, establishing access fees for 2016 was published in the Official State Gazette.

Pursuant to this Order, tariffs remained unchanged, except for high-voltage access tariff 6.1B (30<kV≤36). However, the unit price paid by customers to finance capacity payments were reduced by 21.5% from those existing on 31 December 2015.

Natural gas tariff for 2016

Ministerial Order IET/2736/2015, of 17 December 2015, generally maintained the access tariffs with respect to 2015, having updated the Last Resort Tariffs with an average 3% reduction, resulting from lower raw material costs.

Energy efficiency

Law 18/2014, of 15 October 2014, approving urgent measures to boost growth, competitiveness and efficiency, created, in the context of energy efficiency, the Energy Efficiency National Fund with the aim of achieving energy savings.

Ministerial Order IET/359/2016, of 17 March 2016, establishes ENDESA's contribution to the Energy Efficiency National Fund at Euros 29.7 million for 2016.

4. Liquidity and Capital Resources

4.1. Financial management

Financial debt

The reconciliation of ENDESA's gross and net financial debt at 30 September 2016 and 31 December 2015 is as follows:

Millions of Euros

	30 September 2016	31 December 2015	Difference	% chg
Non-current interest-bearing loans and borrowings	5,628	4,680	948	20.3
Current interest-bearing loans and borrowings	11	-	11	-
Gross financial debt	**5,639**	**4,680**	**959**	**20.5**
Cash and cash equivalents	(663)	(346)	(317)	91.6
Derivatives recognised as financial assets	(12)	(11)	(1)	9.1
Net financial debt	**4,964**	**4,323**	**641**	**14.8**

ENDESA had net financial debt of Euros 4,964 million at 30 September 2016, an increase of Euros 641 million (+14.8%) compared to 31 December 2015, mainly as a result of:

- The consolidation of the net financial debt of ENEL Green Power España, S.L. (EGPE) and its subsidiaries in the amount of Euros 188 million, and

- The increase in the outstanding balance of Euro Commercial Paper (ECP) issued during the period in order to make the payment for the acquisition of ENEL Green Power España, S.L. (EGPE) (see Section 1.1 - Acquisition of ENEL Green Power España, S.L. (EGPE) of this Consolidated Management Report).

The structure of ENDESA's gross financial debt at 30 September 2016 and 31 December 2015 was as follows:

Millions of Euros

Currency	30 September 2016	31 December 2015	Difference	% chg
Euro	5,639	4,680	959	20.5
TOTAL	**5,639**	**4,680**	**959**	**20.5**
Fixed rate	3,682	3,537	145	4.1
Floating rate	1,957	1,143	814	71.2
TOTAL	**5,639**	**4,680**	**959**	**20.5**
Average life (years)	6.6	8.0	-	-
Average cost	2.6	2.7	-	-

At 30 September 2016, 65% of the Company's gross financial debt accrued interest at fixed rates, while the remaining 35% accrued interest at floating rates.

At this date, 100% of the Company's gross financial debt was denominated in euros.

Main financial transactions

During the period ended 30 September 2016, ENDESA issued Euro Commercial Paper (ECP) through International ENDESA B.V., whereby the outstanding balance at 30 September 2016 amounted to Euros 1,210 million, the renewal of which is backed by irrevocable bank credit facilities.

The increase in the outstanding balance of this programme is mainly a result of the issues launched to make the payment for the purchase of the 60% shareholding in ENEL Green Power España, S.L. (EGPE) (see Section 1.1 - Acquisition of ENEL Green Power España, S.L. (EGPE) of this Consolidated Management Report).

Liquidity

ENDESA had liquidity of Euros 3,869 million at 30 September 2016 (Euros 3,533 million at 31 December 2015), sufficient to meet its total debt repayments over the next 20 months.

This amount includes Euros 663 million in cash and cash equivalents and Euros 3,206 million in undrawn and irrevocable lines of credit, of which Euros 1,000 million correspond to the line of credit with ENEL Finance International, N.V.

Treasury investments under "Cash and cash equivalents" mature within three months from their acquisition date and earn interest at market rates for this type of deposit.

Leverage ratio

Details of the consolidated leverage ratio at 30 September 2016 and 31 December 2015 are as follows:

Millions of Euros

	Leverage ratio	
	30 September 2016	31 December 2015
Net financial debt:	**4,964**	**4,323**
Non-current interest-bearing loans and borrowings	5,628	4,680
Current interest-bearing loans and borrowings	11	-
Cash and cash equivalents	(663)	(346)
Derivatives recognised as financial assets	(12)	(11)
Equity:	**9,903**	**9,039**
Of the Parent	9,751	9,036
Of non-controlling interests	152	3
Leverage ratio (%) (*)	**50.1**	**47.8**

(*) Net financial debt / Equity.

Credit rating

ENDESA's credit ratings are as follows:

	30 September 2016 (*)			31 December 2015 (*)		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Standard & Poor's	BBB	A-2	Stable	BBB	A-2	Positive
Moody's	Baa2	P-2	Stable	Baa2	P-2	Stable
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Stable

(*) At the respective dates of approval of the Consolidated Financial Statements.

4.2. Cash flows

At 30 September 2016, cash and cash equivalents amounted to Euros 663 million.

ENDESA's net cash flow for the first nine months of 2016 and 2015, broken down into operating, investing and financing activities, was as follows:

Millions of Euros

	Statement of Cash Flows	
	January-September 2016 (*)	January-September 2015
Net cash flows from operating activities	2,554	1,693
Net cash flows used in investing activities	(1,898)	(575)
Net cash flows used in financing activities	(339)	(1,538)

(*) The net cash flow of ENEL Green Power España, S.L. (EGPE) since the date of its takeover arising from operating, investing and financing activities amounted to Euros 9 million, Euros 29 million and Euros -2 million, respectively.

In the nine-month period ended 30 September 2016, the cash flow generated from operating activities (Euros 2,554 million) enabled the company to carry out the net investments needed to develop ENDESA's businesses (Euros 1,898 million). During this same period, ENDESA also paid out dividends to its shareholders in the amount of Euros 1,087 million.

Net cash flows from operating activities

Net cash flow from operating activities in the first nine months of 2016 rose to Euro 2,554 million compared to Euro 1,693 million over the same period in 2015. This increase of Euros 861 million is largely due to the changes in working capital as well as the lower Income Tax payment of Euros 328 million.

At 30 September 2016 and 31 December 2015, working capital comprised the following items:

Millions of Euros

	30 September 2016	31 December 2015
Current assets (*)	**4,298**	**4,633**
Inventories	1,019	1,262
Trade and other receivable	2,893	2,977
Current financial assets	344	353
Non-current assets held for sale	42	41
Current liabilities (**)	**5,200**	**5,871**
Current provisions	485	638
Trade and other payables	4,704	5,233
Liabilities associated with non-current assets classified as held for sale	11	-

(*) Excludes "Cash and cash equivalents" and derivatives recognised as financial assets corresponding to debt. At 30 September 2016, it included the current assets of ENEL Green Power España, S.L. (EGPE) for a total of Euros 135 million (Euros 25 million in inventories, Euros 53 million in trade and other receivables, Euros 15 million and current financial assets and Euros 42 million in non-current assets held for sale).
(**) Excludes "Financial debt" and derivatives recognised as financial liabilities corresponding to debt. At 30 September 2016, it included the current liabilities of ENEL Green Power España, S.L. (EGPE) for a total of Euros 84 million (Euros 73 million in trade and other payables and Euros 11 million in liabilities associated with non-current assets classified as held for sale).

Net cash flows used in investing activities

During the first nine months of 2016, the net cash flow applied to investing activities amounted to Euros 1,898 million and includes, among other items, the following:

– The acquisition of 60% of the share capital of ENEL Green Power España, S.L. (EGPE) for a gross total of Euros 1,207 million, to which the costs incurred in the transaction (Euros 2 million) and the cash and cash equivalents contributed thereby (Euros 31 million) must be added (see Section 1.1 - Acquisition of ENEL Green Power España, S.L. (EGPE) of this Consolidated Management Report).

– The acquisition of 4.86% of the share capital of Tejo Energia – Produção e Distribução de Energia Eléctrica, S.A. for a net amount of Euros 7 million (see Section 2.2 - Scope of Consolidation of this Consolidated Management Report

– The acquisition of all share capital of Eléctrica del Ebro, S.A., which represented a net outflow of cash of Euros 18 million (see Section 2.2 - Scope of Consolidation of this Consolidated Management Report).

– The sale of the 50% interest in ENEL Insurance N.V. for Euros 114 million (see Section 2.2 - Scope of Consolidation of this Consolidated Management Report), and

– Net payments for investments in property, plant and equipment and intangible assets in the amount of Euros 686 million (Euros 595 million in the first nine months of 2015) (see Section 4.3 - Investments of this Consolidated Management Report).

Net cash flows used in financing activities

In the first nine months of 2016, net cash flows used in financing activities totalled Euros 339 million (Euros 1,538 million in the first nine months of 2015) and mainly include the payment of Euros 1,086 million for the ENDESA, S.A. dividend against 2015 profit (Euros 805 million in the first nine months of 2015) (see Section 2.3 - Dividends of this Consolidated Management Report).

4.3. Investments

In the first nine months of 2016 ENDESA made gross investments of Euros 735 million. Of this amount, Euros 633 million related to capex and investments in intangible assets, and the remaining Euros 102 million to financial investments, as follows:

Millions of Euros

	January-September 2016	January-September 2015	% chg
Generation and supply (1)	213	187	13.9
Distribution	353	367	(3.8)
TOTAL CAPEX	**566**	**554**	**2.2**
Generation and supply	32	16	100
Distribution	20	20	-
Other	15	17	(11.8)
TOTAL INTANGIBLE ASSETS	**67**	**53**	**26.4**
FINANCIAL INVESTMENTS	**102**	**38**	**168.4**
TOTAL INVESTMENTS	**735**	**645**	**14.0**

(1) In January-September 2016, this includes the gross capex of ENEL Green Power España, S.L. (EGPE) since the date of its takeover, 27 July 2016, amounting to Euros 3 million.

Gross investment in generation in the first nine months of 2016 largely relate to plants that were already operating at 31 December 2015, including investments in the Litoral power plant for Euros 56 million, in order to adapt to European environmental law, which imply its useful life extension.

Gross investment in supply mainly correspond to the development of the activities related to added-value products and services.

Gross investment in distribution are related to network extensions and expenditure aimed at optimising the functioning and quality of the network in order to improve the efficiency and quality of the service provided. It also included investment for the widespread installation of smart meters and their operating systems.

Gross investment in intangible assets mainly related to software.

Financial investments in the nine months ended 30 September 2016 include mainly the guarantees provided for transactions on the market amounting to Euros 40 million and the contribution of funds to Nuclenor, S.A. for Euros 25 million.

Appendix I: Statistical information

Key figures

GWh

Electricity generation output		January-September 2016	January-September 2015	% chg
Mainland		**40,451**	**46,564**	**(13.1)**
Nuclear		19,983	19,760	1.1
Coal		11,800	18,017	(34.5)
Hydroelectric		6,223	6,009	3.6
Combined cycle (CCGT)		2,445	2,778	(12.0)
Non-Mainland Territories		**9,449**	**9,326**	**1.3**
Renewables and Cogeneration	(2)	**506**	**-**	**N/A**
TOTAL	(1)	**50,406**	**55,890**	**(9.8)**

(1) At power plant busbars
(2) In January-September 2016, this includes the energy generated by ENEL Green Power España, S.L. (EGPE) since the date of its takeover, 27 July 2016.

MW

Gross installed capacity		30 September 2016	31 December 2015	% chg
Hydroelectric		4,765	4,765	-
Conventional thermal		8,278	8,278	-
Nuclear		3,443	3,443	-
Combined cycle (CCGT)		5,678	5,678	-
Renewables and cogeneration	(1)	1,705	-	N/A
TOTAL		**23,869**	**22,164**	**7.7**

(1) Relates to the gross installed capacity of ENEL Green Power España, S.L. (EGPE) at 30 September 2016.

MW

Net installed capacity		30 September 2016	31 December 2015	% chg
Hydroelectric		4,721	4,721	-
Conventional thermal		7,585	7,723	(1.8)
Nuclear		3,318	3,318	-
Combined cycle (CCGT)		5,445	5,445	-
Renewables and cogeneration	(1)	1,705	-	N/A
TOTAL		**22,774**	**21,207**	**7.4**

(1) Relates to the net installed capacity of ENEL Green Power España, S.L. (EGPE) at 30 September 2016.

GWh

Electricity sales	January-September 2016	January-September 2015	% chg
Reference supply	10,500	11,391	(7.8)
Deregulated market	60,204	58,455	3.0
TOTAL	**70,704**	**69,846**	**1.2**

Thousands

Number of customers (electricity)	(1)	30 September 2016	31 December 2015	% chg
Reference supply customers		5,688	6,029	(5.7)
Supply on the deregulated market		5,339	5,083	5.0
TOTAL		**11,027**	**11,112**	**(0.8)**

(1) Connections to the distribution grid.

Percentage (%)

Trends in demand for electricity	(1)	January-September 2016	January-September 2015
Business in Spain and Portugal	(2)	0.1	2.5

(1) Source: Red Eléctrica de España, S.A. (REE).
(2) Adjusted for working days and temperature, trends in demand were -0.1% in January-September 2016 and +1.1% in January-September 2015.

Percentage (%)

Market share (electricity) [1]	30 September 2016	31 December 2015
Generation [2]	35.2	38.8
Distribution	43.9	43.5
Deregulated market	35.5	35.7

(1) Source: In-house
(2) Mainland

GWh

Gas sales	January-September 2016	January-September 2015	% chg
Deregulated market	35,272	34,414	2.5
Regulated market	1,033	588	75.7
International market	13,833	11,084	24.8
Wholesale business	6,175	7,188	(14.1)
TOTAL [1]	**56,313**	**53,274**	**5.7**

(1) Excluding own generation consumption

Thousands

Number of customers (gas) [1]	30 September 2016	31 December 2015	% chg
Regulated market	268	288	(6.9)
Deregulated market	1,260	1,173	7.4
TOTAL	**1,528**	**1,461**	**4.6**

(1) Supply points.

Percentage (%)

Trends in demand for gas [1]	January-September 2016	January-September 2015
Business in Spain and Portugal	(1.7)	5.0

(1) Source: Enagás, S.A.

Percentage (%)

Gas market share [1]	30 September 2016	31 December 2015
Deregulated market	17.1	16.5

(1) Source: In-house

GWh

Energy distributed [1]	January-September 2016	January-September 2015	% chg
Business in Spain and Portugal	87,276	86,599	0.8

(1) At power plant busbars

KM

Distribution and transmission networks	30 September 2016	31 December 2015	% chg
Business in Spain and Portugal	316,285	317,675	(0.4)

Percentage (%)

Energy losses	January-September 2016	January-September 2015
Business in Spain and Portugal	11.0	11.1

Personnel

Number of employees

Workforce		30 September 2016 (1)	31 December 2015	% chg
Final headcount		**9,836**	**10,000**	**(1.6)**
Generation and supply		5,218	5,108	2.2
Distribution		3,230	3,502	(7.8)
Structure and others	(2)	1,388	1,390	(0.1)

(1) Includes the final workforce of ENEL Green Power España, S.L. (EGPE) (220 employees) and of Eléctrica del Ebro, S.A. (20 employees) at 30 September 2016.
(2) Structure and services.

Workforce		January-September 2016 (1)	January-September 2015	% chg
Average headcount		**9,832**	**10,308**	**(4.6)**
Generation and supply		5,087	5,204	(2.2)
Distribution		3,353	3,623	(7.5)
Structure and others	(2)	1,392	1,481	(6.0)

(1) In January-September 2016, this includes the average workforce of ENEL Green Power España, S.L. (EGPE) (49 employees) and of Eléctrica del Ebro, S.A. (4 employees) since their respective takeover dates.
(2) Structure and services.

Economic and Financial Data

Euros

Valuation parameters (Euros)		30 September 2016	30 September 2015		% chg
Net earnings per share	(1)	1.23	1.14		8.2
Cash flow per share	(2)	2.41	1.60		50.9
Book value per share	(3)	9.21	8.53	(4)	7.9

(1) Income 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
(4) At 31 December 2015

Millions of Euros

		Leverage ratio	
		30 September 2016 (1)	31 December 2015
Net financial debt:		**4,964**	**4,323**
Non-current interest-bearing loans and borrowings		5,628	4,680
Current interest-bearing loans and borrowings		11	-
Cash and cash equivalents		(663)	(346)
Derivatives recognised as financial assets		(12)	(11)
Equity:		**9,903**	**9,039**
Of the Parent		9,751	9,036
Of non-controlling interests		152	3
Leverage ratio (%)	(2)	**50.1**	**47.8**

(1) Includes net financial debt of ENEL Green Power España, S.L. (EGPE) in the amount of Euros 188 million at 30 September 2016.
(2) Net financial debt / Equity

Ratings

	30 September 2016 (*)			31 December 2015 (*)		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Standard & Poor's	BBB	A-2	Stable	BBB	A-2	Positive
Moody's	Baa2	P-2	Stable	Baa2	P-2	Stable
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Stable

(*) At the respective dates of approval of the Consolidated Financial Statements.

Stock Market Information

Percentage (%)

Share price trend	January-September 2016	January-September 2015
ENDESA, S.A.	**3.0**	**13.8**
Ibex-35	(8.0)	(7.0)
Eurostoxx 50	(8.1)	(1.5)
Eurostoxx Utilities	(5.1)	(11.3)

Stock market data		30 September 2016	31 December 2015	% chg
Market capitalisation	(Million Euros)	20,201	19,613	3.0
Number of shares outstanding		1,058,752,117	1,058,752,117	-
Nominal share value	(Euros)	1.2	1.2	-
Cash	(Thousand Euros)	8,174,820	16,500,861	(50.5)
Madrid stock exchange	(Shares)			
Trading volume		462,179,424	919,800,874	(49.8)
Average daily trading volume		2,394,712	3,592,972	(33.4)
P.E.R.	(1)	11.6	18.1	-

(1) Price to Earnings Ratio (P.E.R.) = Closing price / Earnings per share

Euros

Share price	January-September 2016	January-December 2015	% chg
Maximum	19.08	20.59	(7.3)
Minimum	15.74	15.57	1.1
Average in the period	17.80	18.23	(2.4)
Closing price	19.08	18.52	3.0

Appendix II: ENEL Green Power España, S.L. (EGPE) shareholdings at the date of acquisition.

Subsidiaries

Company (in alphabetical order)	% of ownership as of 27 July 2016 Control	Ownership	Consolidation method	Registered office	Activity
AGUILÓN 20, S.A.	51.00	51.00	FC	ZARAGOZA (SPAIN)	WIND FARMS
ALMUSSAFES SERVICIOS ENERGÉTICOS, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	BARCELONA (SPAIN)	COGENERATION POWER PLANT
ENEL GREEN POWER GRANADILLA, S.L.	65.00	65.00	FC	SANTA CRUZ DE TENERIFE (SPAIN)	WIND FARMS
ENERGÍA DE LA LOMA, S.A.	60.00	60.00	FC	JAEN (SPAIN)	BIOMASS
ENERGÍAS ALTERNATIVAS DEL SUR, S.L.	53.77	53.77	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS
ENERGÍAS DE ARAGÓN II, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	ZARAGOZA (SPAIN)	HYDROELECTRIC POWER PLANTS
ENERGÍAS DE GRAUS, S.L.	66.67	66.67	FC	ZARAGOZA (SPAIN)	HYDROELECTRIC POWER PLANTS
ENERGÍAS DE LA MANCHA ENEMAN, S.A.	68.42	68.42	FC	CIUDAD REAL (SPAIN)	BIOMASS
ENERGÍAS ESPECIALES DE CAREÓN, S.A.	77.00	77.00	FC	LA CORUÑA (SPAIN)	WIND FARMS
ENERGÍAS ESPECIALES DE PEÑA ARMADA, S.A.	80.00	80.00	FC	MADRID (SPAIN)	WIND FARMS
ENERGÍAS ESPECIALES DEL ALTO ULLA, S.A. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	MADRID (SPAIN)	WIND FARMS
EÓLICA DEL NOROESTE, S.L.	51.00	51.00	FC	LA CORUÑA (SPAIN)	WIND FARMS
EÓLICA VALLE DEL EBRO, S.A.	50.50	50.50	FC	ZARAGOZA (SPAIN)	WIND FARMS
EÓLICAS DE AGAETE, S.L.	80.00	80.00	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS
EÓLICAS DE FUENCALIENTE, S.A.	55.00	55.00	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS
EÓLICOS DE TIRAJANA, A.I.E.	60.00	60.00	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS
EXPLOTACIONES EÓLICAS DE ESCUCHA, S.A.	70.00	70.00	FC	ZARAGOZA (SPAIN)	WIND FARMS
EXPLOTACIONES EÓLICAS EL PUERTO, S.A.	73.60	73.60	FC	TERUEL (SPAIN)	WIND FARMS
EXPLOTACIONES EÓLICAS SASO PLANO, S.A.	65.00	65.00	FC	ZARAGOZA (SPAIN)	WIND FARMS
EXPLOTACIONES EÓLICAS SIERRA COSTERA, S.A.	90.00	90.00	FC	ZARAGOZA (SPAIN)	WIND FARMS
EXPLOTACIONES EÓLICAS SIERRA LA VIRGEN, S.A.	90.00	90.00	FC	ZARAGOZA (SPAIN)	WIND FARMS
HISPANO GENERACIÓN DE ENERGÍA SOLAR, S.L.	51.00	51.00	FC	BADAJOZ (SPAIN)	PHOTOVOLTAIC PLANTS
PARAVENTO, S.L.	90.00	90.00	FC	LUGO (SPAIN)	WIND FARMS
PARQUE EÓLICO A CAPELADA, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	LA CORUÑA (SPAIN)	WIND FARMS
PARQUE EÓLICO ARAGÓN, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	ZARAGOZA (SPAIN)	WIND FARMS
PARQUE EÓLICO BELMONTE, S.A.	50.16	50.16	FC	MADRID (SPAIN)	WIND FARMS
PARQUE EÓLICO CARRETERA DE ARINAGA, S.A.	80.00	80.00	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS
PARQUE EÓLICO DE BARBANZA, S.A.	75.00	75.00	FC	LA CORUÑA (SPAIN)	WIND FARMS
PARQUE EÓLICO DE SAN ANDRÉS, S.A.	82.00	82.00	FC	LA CORUÑA (SPAIN)	WIND FARMS
PARQUE EÓLICO DE SANTA LUCÍA, S.A.	65.67	65.67	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS
PARQUE EÓLICO FINCA DE MOGÁN, S.A.	90.00	90.00	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS
PARQUE EÓLICO MONTES DE LAS NAVAS, S.A.	75.50	75.50	FC	MADRID (SPAIN)	WIND FARMS
PARQUE EÓLICO PUNTA DE TENO, S.A.	52.00	52.00	FC	SANTA CRUZ DE TENERIFE (SPAIN)	WIND FARMS
PARQUE EÓLICO SIERRA DEL MADERO, S.A.	58.00	58.00	FC	MADRID (SPAIN)	WIND FARMS
PLANTA EÓLICA EUROPEA, S.A.	56.12	56.12	FC	SEVILLE (SPAIN)	WIND FARMS
PRODUCTOR REGIONAL DE ENERGÍA RENOVABLE, S.A.	85.00	85.00	FC	VALLADOLID (SPAIN)	WIND FARMS
PRODUCTOR REGIONAL DE ENERGÍAS RENOVABLES III, S.A.	82.89	82.89	FC	VALLADOLID (SPAIN)	WIND FARMS
PROMOCIONES ENERGÉTICAS DEL BIERZO, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	LEÓN (SPAIN)	RENEWABLE ENERGY

Company	% of ownership as of 27 July 2016			Registered office	Activity
SERRA DO MONCOSO-CAMBÁS, S.L. (SOCIEDAD UNIPERSONAL)	100.00	100.00	FC	LA CORUÑA (SPAIN)	WIND FARMS
SISTEMAS ENERGÉTICOS MAÑÓN ORTIGUEIRA, S.A.	96.00	96.00	FC	LA CORUÑA (SPAIN)	RENEWABLE ENERGY
SOCIEDAD EÓLICA DE ANDALUCÍA, S.A.	64.73	64.73	FC	SEVILLE (SPAIN)	WIND FARMS
SOCIEDAD EÓLICA LOS LANCES, S.A.	60.00	60.00	FC	SEVILLE (SPAIN)	WIND FARMS
VIRULEIROS, S.L.	67.00	67.00	FC	LA CORUÑA (SPAIN)	WIND FARMS

FC: Full consolidation

Joint ventures and associates

Company (in alphabetical order)	% of ownership as of 27 July 2016 Control	Ownership	Consolidation method	Registered office	Activity
BOIRO ENERGÍA, S.A.	40.00	40.00	EM	LA CORUÑA (SPAIN)	RENEWABLE ENERGY
CENTRAL HIDRÁULICA GÜEJAR-SIERRA, S.L.	33.33	33.33	EM	SEVILLE (SPAIN)	HYDROELECTRIC POWER PLANTS
COGENERACIÓN EL SALTO, S.L. (IN LIQUIDATION)	20.00	20.00	EM	ZARAGOZA (SPAIN)	COGENERATION POWER PLANT
COMPAÑÍA EÓLICA TIERRAS ALTAS, S.A.	35.63	35.63	EM	SORIA (SPAIN)	WIND FARMS
CONSORCIO EÓLICO MARINO CABO DE TRAFALGAR, S.L.	50.00	50.00	EM	CADIZ (SPAIN)	MARINE WIND FARMS
CORPORACIÓN EÓLICA DE ZARAGOZA, S.L.	25.00	25.00	EM	ZARAGOZA (SPAIN)	WIND FARMS
DEPURACIÓN DESTILACIÓN RECICLAJE, S.L.	40.00	40.00	EM	LA CORUÑA (SPAIN)	RECYCLING PLANT
ENERGÍAS ESPECIALES DEL BIERZO, S.A.	50.00	50.00	EM	LEÓN (SPAIN)	WIND FARMS
ENERLASA, S.A. (IN LIQUIDATION)	45.00	45.00	EM	MADRID (SPAIN)	RENEWABLE ENERGY
EÓLICA DEL PRINCIPADO, S.A.	40.00	40.00	EM	ASTURIAS (SPAIN)	WIND FARMS
EÓLICAS DE FUERTEVENTURA, A.I.E.	40.00	40.00	EM	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS
EÓLICAS DE LANZAROTE, S.L.	40.00	40.00	EM	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS
EÓLICAS DE LA PATAGONIA, S.A.	50.00	50.00	EM	CAPITAL FEDERAL (ARGENTINA)	WIND FARMS
EÓLICAS DE TENERIFE, A.I.E.	50.00	50.00	EM	SANTA CRUZ DE TENERIFE (SPAIN)	WIND FARMS
ERECOSALZ, S.L.	33.00	33.00	EM	ZARAGOZA (SPAIN)	COGENERATION POWER PLANT
HIDROELÉCTRICA DE OUROL, S.L.	30.00	30.00	EM	LA CORUÑA (SPAIN)	HYDROELECTRIC POWER PLANTS
MINICENTRALES DEL CANAL IMPERIAL-GALLUR, S.L.	36.50	36.50	EM	ZARAGOZA (SPAIN)	HYDROELECTRIC POWER PLANTS
OXAGESA, A.I.E. (IN LIQUIDATION)	33.33	33.33	EM	TERUEL (SPAIN)	COGENERATION POWER PLANT
PARC EOLIC LA TOSSA-LA MOLA D'EN PASCUAL, S.L.	30.00	30.00	EM	BARCELONA (SPAIN)	WIND FARMS
PARC EOLIC LOS ALIGARS, S.L.	30.00	30.00	EM	BARCELONA (SPAIN)	WIND FARMS
PRODUCTORA DE ENERGÍAS, S.A.	30.00	30.00	EM	BARCELONA (SPAIN)	HYDROELECTRIC POWER PLANTS
PROYECTOS UNIVERSITARIOS DE ENERGÍAS RENOVABLES, S.L.	33.33	33.33	EM	ALICANTE (SPAIN)	RENEWABLE ENERGY
SALTO DE SAN RAFAEL, S.L.	50.00	50.00	EM	SEVILLE (SPAIN)	HYDROELECTRIC POWER PLANTS
SANTO ROSTRO COGENERACIÓN, S.A. (IN LIQUIDATION)	45.00	45.00	EM	SEVILLE (SPAIN)	COGENERATION POWER PLANT
SISTEMA ELÉCTRICO DE CONEXIÓN VALCAIRE, S.L.	28.12	28.12	EM	MADRID (SPAIN)	HYDROELECTRIC POWER PLANTS
SOCIEDAD EÓLICA EL PUNTAL, S.L.	50.00	50.00	EM	SEVILLE (SPAIN)	WIND FARMS
SOTAVENTO GALICIA, S.A.	36.00	36.00	EM	LA CORUÑA (SPAIN)	WIND FARMS
TERMOTEC ENERGÍA, A.I.E. (IN LIQUIDATION)	45.00	45.00	EM	VALENCIA (SPAIN)	COGENERATION POWER PLANT
TOLEDO PV, A.I.E.	33.33	33.33	EM	MADRID (SPAIN)	PHOTOVOLTAIC PLANTS
UFEFYS, S.L. (IN LIQUIDATION)	40.00	40.00	EM	MADRID (SPAIN)	RENEWABLE ENERGY
YEDESA COGENERACIÓN, S.A. (IN LIQUIDATION)	40.00	40.00	EM	ALMERIA (SPAIN)	COGENERATION POWER PLANT

EM: Equity method.

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 changes in generation and market share; expected changes in demand for gas and gas sourcing; management strategy and goals; estimated cost reductions; tariffs and pricing structure; estimated capital expenditures; estimated asset disposals; estimated changes in capacity and capacity mix; repowering of capacity and macroeconomic conditions. The main assumptions on which these expectations and targets are related to the regulatory framework, exchange rates, commodities, divestments, increases in production and installed capacity in markets where ENDESA operates, increases in demand in these markets, allocation of production amongst different technologies, increases in costs associated with higher activity that do not exceed certain limits, electricity prices not below certain levels, the cost of CCGT plants, and the availability and cost of the gas, coal, fuel oil and emission rights necessary to run our business at the desired levels.

In these statements, ENDESA avails itself of the protection provided by the Private Securities Litigation Reform Act of 1995 of the United States of America with respect to forward-looking statements.

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

Economic and industry conditions; factors related to liquidity and financing; operating factors; strategic and regulatory, legal, fiscal, environmental, political and governmental factors; reputational factors and transaction and commercial factors.

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

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