

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

**Consolidated Management Report for the six-  
month period ended 30 June 2017**

(Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Madrid, 24 July 2017

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

**CONSOLIDATED MANAGEMENT REPORT FOR THE**

**SIX-MONTH PERIOD ENDED**

**30 JUNE 2017**

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## ENDESA, S.A. AND SUBSIDIARIES

### CONSOLIDATED MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED At 30 JUNE 2017

#### 1. Business trends and results in the first half of 2017.

##### 1.1. Consolidated results.

##### ENDESA reported net income of Euros 653 million (-18.0%) in the first half of 2017.

ENDESA reported net income of Euros 653 million in the first half of 2017, an 18.0% decrease compared to the Euros 796 million posted in the first half of 2016.

The table below shows the breakdown of net income among ENDESA's businesses during the first half of 2017 and changes with respect to the same period in the previous year:

Millions of Euros		Net income <sup>(3)</sup>			
		January - June 2017	January - June 2016	% Var.	% contrib. to total
Generation and Supply	(1)	187	391	(52.2)	28.6
Distribution		476	427	11.5	72.9
Structure and Other	(2)	(10)	(22)	(54.5)	(1.5)
<b>TOTAL</b>		<b>653</b>	<b>796</b>	<b>(18.0)</b>	<b>100.0</b>

(1) Includes the net income generated by ENEL Green Power España, S.L.U. (EGPE) in the first half of 2017 and 2016 amounting respectively to Euros 26 million, positive, and Euros 66 million, negative, (see Section 2.1, Scope of Consolidation, of this Consolidated Management Report).

(2) Structure, services and adjustments.

(3) See Note 17.2 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

##### 1.2. Analysis of results.

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

Millions of Euros		EBITDA <sup>(3) (5)</sup>				EBIT <sup>(4) (5)</sup>			
		January - June 2017	January - June 2016	% Var.	% contrib. to total	January - June 2017	January - June 2016	% Var.	% contrib. to total
Generation and supply	(1)	698	974	(28.3)	43.5	291	636	(54.2)	32.3
Distribution		936	952	(1.7)	58.3	667	624	6.9	74.0
Structure and other	(2)	(29)	(60)	(51.7)	(1.8)	(57)	(70)	(18.6)	(6.3)
<b>TOTAL</b>		<b>1,605</b>	<b>1,866</b>	<b>(14.0)</b>	<b>100.0</b>	<b>901</b>	<b>1,190</b>	<b>(24.3)</b>	<b>100.0</b>

(1) The first half of 2017 includes EBITDA and EBIT generated by ENEL Green Power España, S.L.U. (EGPE) amounting respectively to Euros 96 million and Euros 42 million (see Section 2.1, Scope of Consolidation, of this Consolidated Management Report).

(2) Structure, Services and Adjustments.

(3) EBITDA = Income - Procurements and services + Work carried out by the Group for its assets - Personnel expenses - Other fixed operating expenses.

(4) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.

(5) See Note 17.2 to the explanatory notes of Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

EBITDA was Euros 1,605 million in the first half of 2017, a decrease of 14% (Euros 261 million) compared to the same period in the previous year.

The first half of 2017 EBITDA includes the contribution of ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 96 million after control was acquired on 27 July 2016 (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).

Additionally, the following factors must be taken into account when looking at EBITDA for the first half of 2017:

- Higher cost of energy purchases (+32.6%) mainly resulting from increased electricity prices on the wholesale market, where cumulative arithmetic price was Euros 51.3/MWh (+70.4%).
- Increased fuel consumption (+70.0%) arising from greater thermal production in the period and higher fuel prices, together with the consequentially increased tax on the value of electricity production.

EBIT for the January-June period was Euros 901 million, a decrease of 24.3% (Euros 289 million) compared with the same period in the previous year primarily as a result of the 14.0% contraction in EBITDA.

During the first half of 2017, the item "Depreciation and amortisation, and impairment losses" posted an increase of Euros 28 million (+4.1%), amounting to Euros 704 million, and includes, among other things, the contribution of the full consolidation of ENEL Green Power España, S.L.U. (EGPE) for the amount of Euros 54 million.

During the period, ENDESA has also re-evaluated the useful service life of assets in operation, resulting in the modification of the depreciation policy for its hydro, wind and solar power facilities, which in turn reduced the depreciation expense for the first half of 2017 by Euros 38 million.

### 1.2.1. Revenues.

Revenues in the first half of 2017 totalled Euros 10,004 million, 801 million (+8.7%) higher than revenues posted in the first half last year. Of this amount, revenue from sales accounted for Euros 9,792 million (+10.8%), while other operating income accounted for Euros 212 million (-42.1%).

The table below shows the breakdown of sales and other operating income of ENDESA's businesses in the first half of 2017 and changes compared with the same period in the previous year:

Millions of Euros									
		Sales <sup>(3)</sup>				Other operating income <sup>(3)</sup>			
		January - June 2017	January - June 2016	% Var.	% contrib. to total	January - June 2017	January - June 2016	% Var.	% contrib. to total
Generation and supply	(1)	8,718	7,775	12.1	89.0	100	229	(56.3)	47.2
Distribution		1,157	1,132	2.2	11.8	133	157	(15.3)	62.7
Structure and other	(2)	(83)	(70)	18.6	(0.8)	(21)	(20)	5.0	(9.9)
<b>TOTAL</b>		<b>9,792</b>	<b>8,837</b>	<b>10.8</b>	<b>100.0</b>	<b>212</b>	<b>366</b>	<b>(42.1)</b>	<b>100.0</b>

(1) The first half of 2017 includes the sales of ENEL Green Power España, S.L.U. (EGPE) amounting respectively to Euros 142 million and other operating income of Euros 2 million (see Section 2.1, Scope of Consolidation, of this Consolidated Management Report).

(2) Structure, services and adjustments.

(3) See Note 17.2 to the explanatory notes of Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

The estimated mainland energy demand during the first half of 2017 is 1.1% greater than the demand for the same period in 2016. Correcting for the effect of working days and temperature, the electricity energy demand in January-June 2017 increased by 1.5% compared with the posted demand from the first half of the year before. Electricity demand in Non-mainland Territories closed out the first half of 2017 with a 3.0% increase in the Balearic Islands and a 2.2% increase in the Canary Islands compared with January-June 2016 (+1.5% and +1.9% respectively, corrected for the effect of working days and temperature).

The first half of 2017 featured higher prices, putting the cumulative arithmetic price on the wholesale market at €51.3/MWh (+70.4%) due mainly to reduced wind and hydroelectric production. Accumulated renewable generation during the period covered less than 40% of mainland electricity demand (36.7%).

In this environment, ENDESA's mainland electricity production under the ordinary arrangement during the first half 2017 was 29,601 GWh, 20.8% higher than the first half 2016 as detailed below: combined cycle plants (3,052 GWh, +208.3%), coal-fired plants (10,362 GWh, +82.2%), nuclear power plants (+13,096 GWh, +2.0%) and hydroelectric power plants (3,091 GWh, -38.1%). Nuclear and hydroelectric technologies accounted for 54.7% of Endesa's mainland generation mix under the ordinary arrangement, compared with 57.6% for the rest of the sector (72.8% and 74.8% respectively in the first half of 2016).

ENDESA's production in the first half of 2017 through renewable technologies other than hydroelectric was 1,814 GWh and production in Non-mainland Territories was 6,263 GWh (+5.5%).

As of 30 June 2017, ENDESA's market share reached 38.0% for ordinary mainland generation, 43.6% for ordinary regime generation and 35.3% for sales to customers in the deregulated market.

During the first half of 2017, gas demand was 6.5% higher than the same period in the previous year and, as of 30 June 2017, ENDESA's market share reached 17.2% for sales to customers in the deregulated market.

## Sales.

The table below presents the detail of ENDESA sales in the first half of 2017 and its variation compared with the same period in the previous year:

Millions of Euros	January - June 2017 <sup>(1)</sup> <sup>(2)</sup>	January - June 2016 <sup>(2)</sup>	Difference	% Var.
Electricity sales	7,240	6,437	803	12.5
Deregulated market sales	4,208	4,033	175	4.3
Supply to customers in deregulated markets outside Spain	503	469	34	7.2
Sales at regulated prices	1,267	1,154	113	9.8
Wholesale market sales	544	322	222	68.9
Non-mainland territories compensation	664	451	213	47.2
Other electricity sales	54	8	46	575.0
Gas sales	1,200	1,072	128	11.9
Regulated revenue from electricity distribution	1,026	1,024	2	0.2
Other sales and services rendered	326	304	22	7.2
<b>TOTAL</b>	<b>9,792</b>	<b>8,837</b>	<b>955</b>	<b>10.8</b>

(1) Includes sales of ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 142 million (see Section 2.1. Scope of Consolidation of this Consolidated Management Report).

(2) See Note 17.3 to the explanatory notes of Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

### Electricity sales to deregulated market customers.

ENDESA had 5,551,461 customers in the deregulated market as of 30 June 2017, which is a 2.4% increase compared with the amount of customers at 31 December 2016.

ENDESA sales to these customers amounted to 40,641 GWh in the first half of 2017, an increase of 4.7% compared with the first half of 2016.

In economic terms, sales in the Spanish regulated market during the first half of 2017 amounted to Euros 4,208 million, an increase of Euros 175 million compared with the first half of 2016 (+4.3%) due to the increase in physical units sold.

In turn, the revenues from sales to customers in deregulated markets outside Spain amounted to Euros 503 million, a Euros 34 million (+7.2%) increase over the first half of 2016.

### Electricity sales at regulated prices.

ENDESA sold 6,515 GWh through its reference supplier company in the first half of 2017, 5.0% less than the January-June period in 2016.

These sales generated revenue of Euros 1,267 million in the first half of 2017, which is 9.8% higher than the figure in the first half of 2016 as a result of the increased average sales price, which offset the reduction in physical units sold.

### Gas sales.

ENDESA had 1,334,736 customers in the deregulated market as of 30 June 2017, which is a 4.6% increase compared with the amount of customers at 31 December 2016.

ENDESA sold 42,352 GWh to customers in the natural gas market in the first half of 2017, which represents a 7.5% increase on the first half 2016 figure.

In economic terms, revenue from gas sales during the first half of 2017 amounted to Euros 1,200 million, an increase of Euros 128 million (+11.9%) compared with the first half of 2016, primarily because of the increase in physical units sold.

### Compensation for Non-mainland Territories systems.

During the first half of 2017, compensation for extra-costs of non-mainland territories generation amounted to Euros 664 million, representing an increase of Euros 213 million (+47.2%) compared to the first half of 2016, primarily because of the increase in production and sales, and fuel costs due to commodity prices.

## Electricity distribution.

During the first half of 2017, ENDESA distributed 57,654 GWh in the Spanish market, which is a 3.0% increase compared with the first half of 2016.

Regulated revenue from distribution during the first half of 2017 totalled Euros 1,026, in line with the amount posted for the first half of 2016 (+0.2%).

## Other operating income.

In January-June 2017, the amount for other operating income was Euros 212 million, which is Euros 154 million (-42.1%) lower than the amount posted for the first half of 2016.

In the first half of 2017, there was a reduction of Euros 148 (-83.6%) in income from the valuation and settlement of energy derivatives, offset partially by the Euros 82 million (-41.4%) reduction in valuation expenses and losses on the settlement of energy derivatives recognised under "Other variable procurements and services".

### 1.2.2. Operating expenses.

Operating expenses for January-June 2017 amounted to Euros 9,182 million, which is 13.9% higher compared to the same period the previous year.

The table below shows the detail of ENDESA's operating expenses in the first half of 2017 and variations compared with the same period in the previous year:

Millions of Euros				
	January - June 2017 <sup>(1)(2)</sup>	January - June 2016 <sup>(2)</sup>	Difference	% Var.
Procurements and services	7,380	6,367	1,013	15.9
Energy purchases	2,566	1,935	631	32.6
Fuel consumption	1,056	621	435	70.0
Transmission expenses	2,832	2,950	(118)	(4.0)
Other variable procurements and services	926	861	65	7.5
Personnel expenses	451	432	19	4.4
Other fixed operating expenses	647	589	58	9.8
Depreciation and amortisation, and impairment losses	704	676	28	4.1
<b>TOTAL</b>	<b>9,182</b>	<b>8,064</b>	<b>1,118</b>	<b>13.9</b>

(1) Includes operating costs pertaining to ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 102 million (see Section 2.1. Scope of Consolidation of this Consolidated Management Report).

(2) See the Consolidated Income Statements for the six-month periods ended 30 June 2017 and 2016.

## Procurements and services.

Procurements and services (variable costs) totalled Euros 7,380 million in the first half of 2017, 15.9% more than in the same period last year.

The following table shows the breakdown of the contribution margin by ENDESA's businesses in the first half of 2017 and their variation compared with the same period the previous year:

Millions of Euros				
	January - June 2017	January - June 2016	% Var.	% contrib. to total
Generation and supply <sup>(1)</sup>	7,363	6,352	15.9	99.8
Distribution	66	62	6.5	0.9
Structure and other <sup>(2)</sup>	(49)	(47)	4.3	(0.7)
<b>TOTAL</b>	<b>7,380</b>	<b>6,367</b>	<b>15.9</b>	<b>100.0</b>

(1) The first half of 2017 includes the procurements and services expenses of ENEL Green Power, S.L.U. (EGPE) amounting respectively to Euros 12 million (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).

(2) Structure, services and adjustments.

(3) Procurements and services = Energy purchases + Fuel consumption + Transmission expenses + Other variable procurements and services.

(4) See Note 17.2 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

The performance of these costs for the first half of 2017 was as follows:

- Energy purchases increased by Euros 631 million (+32.6%) to Euros 2,566 million, primarily because of the increase in the cumulative arithmetic price of electricity acquired in the wholesale market (Euros 51.3/MWh, +70.4%) and gas acquired for sale to end customers.
- Fuel consumption amounted to Euros 1,056 million, with an increase of 70.0% (Euros 435 million) due higher thermal output in the period and an increase in the average purchase price.
- “Other variable procurements and services” amounted to Euros 926 million, an increase of Euros 65 million (+7.5%) compared with the same period in 2016. This variation primarily entails:
  - o The Euros 82 million decrease (-41.4%) in expenses for fuel stock derivatives, offset partially by a Euros 148 million reduction in income in this connection (-83.6%), which is recognised under “Other operating income”, due mainly to trends in the measurement and settlement of gas derivatives.
  - o The Euros 30 million increase in the costs of carbon dioxide (CO<sub>2</sub>) emission rights, mostly due to increased thermal production.
  - o A Euros 70 million increase in the electricity production tax due to increased production during the period, of which Euros 10 million correspond to ENEL Green Power España, S.L.U. (EGPE).
  - o An increase of Euros 57 million in the Catalan nuclear taxes, bearing in mind that, in the first half of 2016, the tax then prevailing was regularised for the amount of Euros 63 million, following the ruling handed down by the Constitutional Court on 20 April 2016 declaring it to be unconstitutional.

The following table shows the breakdown of the contribution margin for ENDESA’s businesses in the first half of 2017 and variations compared with the same period the previous year:

Millions of Euros					
		Contribution margin <sup>(3) (4)</sup>			
		January - June 2017	January - June 2016	% Var.	% contrib. to total
Generation and supply	(1)	1,455	1,652	(11.9)	55.4
Distribution		1,224	1,227	(0.2)	46.6
Structure and other	(2)	(55)	(43)	27.9	(2.0)
<b>TOTAL</b>		<b>2,624</b>	<b>2,836</b>	<b>(7.5)</b>	<b>100.0</b>

(1) The first half of 2017 includes the contribution margin of ENEL Green Power España, S.L.U. (EGPE) amounting respectively to Euros 132 million (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).

(2) Structure, services and adjustments.

(3) Contribution margin = Revenues - Procurements and services.

(4) See Note 17.2 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

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

Fixed costs in the first half of 2017 totalled Euros 1,098 million, Euros 77 million (+7.5%) higher compared to the first half of 2016.

Personnel expenses during January-June 2017 amounted to Euros 451 million, which is Euros 19 million (+4.4%) higher than in the same period in 2016.

The following table shows the breakdown of the contribution margin for ENDESA’s businesses in the first half of 2017 and variations compared with the same period the previous year:

Millions of Euros					
		Personnel expenses <sup>(3)</sup>			
		January - June 2017	January - June 2016	% Var.	% contrib. to total
Generation and supply	(1)	236	228	3.5	52.3
Distribution		133	131	1.5	29.5
Structure and other	(2)	82	73	12.3	18.2
<b>TOTAL</b>		<b>451</b>	<b>432</b>	<b>4.4</b>	<b>100.0</b>

(1) The first half of 2017 includes the personnel expenses of ENEL Green Power, S.L.U. (EGPE) for the amount of Euros 7 million (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).

(2) Structure, services and adjustments.

(3) See Note 17.2 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

The following effects should be considered when examining personnel expenses during the first half of 2017:

- Personnel expenses during the first half of 2017 and 2016 were affected by the positive updates of the provisions under workforce restructuring and contract suspensions, which respectively amounted to Euros 13 million and Euros 8 million.
- The period comprising January-June 2017 includes the personnel expenses arising upon the incorporation of ENEL Green Power España, S.L.U. (EGPE) for to Euros 7 million.
- The increase of Euros 13 million in provisions for indemnities and occupational risks (net charge of Euros 5 million in the first half of 2017 and a net reversal of Euros 8 million in the first half of 2016).

Stripping out these effects, personnel expenses in the first half of 2017 would have increased by Euros 4 million (+0.9%) in line with the average workforce during the period (+0.2%).

Other fixed operating expenses in January-June 2017 stood at Euros 647 million, up by Euros 58 million (+9.8%) compared to the first half of 2016.

The following table shows the breakdown of the contribution margin for ENDESA's businesses in the first half of 2017 and variations compared with the same period the previous year:

Millions of Euros					
		January - June 2017	Other fixed operating expenses <sup>(3)</sup> January - June 2016	% Var.	% contrib. to total
Generation and supply	(1)	532	451	18.0	82.2
Distribution		215	193	11.4	33.2
Structure and other	(2)	(100)	(55)	81.8	(15.4)
<b>TOTAL</b>		<b>647</b>	<b>589</b>	<b>9.8</b>	<b>100.0</b>

(1) The first half of 2017 includes Other fixed operating expenses of ENEL Green Power, S.L.U. (EGPE) amounting to Euros 29 million (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).

(2) Structure, services and adjustments.

(3) See Note 17.2 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Stripping out the effect of the incorporation of ENEL Green Power España, S.L.U. (EGPE), in the first half of 2017, other fixed operating expenses would have increased by Euros 29 million (+4.9%) compared with the first half of 2016.

### Depreciation and amortisation, and impairment losses.

The following table contains the breakdown of the "Depreciation and amortisation, and impairment losses" for ENDESA's businesses in the first half of 2017 and their variation compared with the same period last year:

Millions of Euros					
		January - June 2017	Depreciation and amortisation, and impairment losses <sup>(3)</sup> January - June 2016	% Var.	% contrib. to total
Generation and supply	(1)	407	338	20.4	57.8
Distribution		269	328	(18.0)	38.2
Structure and other	(2)	28	10	180.0	4.0
<b>TOTAL</b>		<b>704</b>	<b>676</b>	<b>4.1</b>	<b>100.0</b>

(1) The first half of 2017 includes the depreciation and amortisation, and impairment losses of ENEL Green Power, S.L.U. (EGPE) for the amount of Euros 54 million (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).

(2) Structure, services and adjustments.

(3) See Note 17.2 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Depreciation and amortisation, and impairment losses totalled Euros 704 million in the first half of 2017, Euros 28 million (+4.1%) higher than the first half of 2016.

In the first half of 2017, ENDESA concluded its analysis on the useful service life of its assets in operation. As a result thereof and in light of the current circumstances, the depreciation policy has been amended as follows:

- The best current useful service life estimate of wind and solar power facilities was extended to 30 years from the previously considered 25 years and 20 years, respectively.



- Regarding hydroelectric power plants, depreciation of the civil engineering cost will now be over a term of 100 years (initially 65 years), and the electromechanical equipment thereof will be over 50 years (initially 35 years), both with the limit on the concession term.

Effective as of 1 January 2017, both measures have had a favourable impact on the first half depreciation expense in 2017 of Euros 17 million and Euros 21 million, respectively.

January-June 2017 also saw the reversal of impairment losses for property, plant and equipment recognised on certain lands in previous years for the amount of Euros 15 million.

Excluding the effects described above, depreciation and amortisation, and impairment losses in the first half of 2017 would have increased by 12.0% (Euros 81 million) primarily as a result of the integration of ENEL Green Power España, S.L.U. (EGPE) (Euros 54 million).

### 1.2.3. Net financial profit/(loss).

Net financial income in the first half of 2017 was a negative Euros 59 million, thus a Euros 42 million (-41.6%) reduction compared with the same period in the previous year.

The following table shows the breakdown of the net financial profit/(loss) of ENDESA's businesses in the first half of 2017 and their variation compared with the same period the previous year:

Millions of Euros					
	Net financial profit/(loss) <sup>(2)</sup>				
	January - June 2017 <sup>(1)</sup>	January - June 2016	% Var.	% contrib. to total	
Finance income	34	32	6.3	(57.6)	
Finance expenses	(94)	(133)	(29.3)	159.3	
Net exchange differences	1	-	N/A	(1.7)	
<b>TOTAL</b>	<b>(59)</b>	<b>(101)</b>	<b>(41.6)</b>	<b>100.0</b>	

(1) Includes the net financial results generated by ENEL Green Power España, S.L.U. (EGPE) amounting to Euros -2 million (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).

(2) See the consolidated income statements for the six-month periods ended 30 June 2017 and 2016.

Net financial expenses stood at Euros 60 million in the first half of 2017, or Euros 41 million less (-40.6%) than those recorded in the first half of 2016.

The following effects should be considered when examining net financial expenses during the first half of 2017:

- The performance in the long-term interest rates during the first half of 2017 and 2016 entailed an adjustment in the provisions to account for obligations arising from the ongoing workforce restructuring and contract suspension provisions, which had a positive impact of Euros 15 million and negative impact of Euros 48 million respectively.
- In the first half of 2017, net financial expenses also include the effect of incorporating ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 2 million.
- In the first half of 2016, Euros 12 million was recognised for revenues associated with the adjustment of interests for financing the deficit of income in regulated activities in Spain.

Excluding the effects indicated in the paragraphs above, net financial expenses would have increased by Euros 8 million (+12.3%) as the lower average cost of gross financial debt, which fell from 2.7% in January-June 2016 to 2.3% in January-June 2017, has not offset the increase in the average gross financial debt in the two periods, which rose from Euros 4,799 million in January-June 2016 to Euros 5,910 million in January-June 2017.

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

In the first half of 2017, companies accounted for using the equity method contributed a net positive result of Euros 10 million, compared to the net loss of Euros 38 million in the first half of 2016.

In January-June 2017 this item includes the negative impact of Euros 7 million corresponding to the 50% stake in Nuclenor, S.A.

In January-June 2016, this heading included the net profit contributed by the 40% holding in ENEL Green Power España, S.L.U. (EGPE) for the amount of Euros 66 million, negative, due to the impairment of the previous stake held in this company for Euros 72 million. Later, on 27 July 2016 ENDESA acquired 60% of ENEL Green Power España, S.L.U. (EGPE), and the company was then fully consolidated (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).

#### 1.2.5. Gains (loss) on the sale of assets.

On 30 June 2017 ENDESA had sold its stakes in Aquilae Solar, S.L., Cefeidas Desarrollo Solar, S.L., Cephei Desarrollo Solar, S.L., Desarrollo Photosolar, S.L., Fotovoltaica Insular, S.L. and Sol de Media Noche Fotovoltaica, S.L. The total price agreed for the transaction was Euros 16 million, with a gross gain of Euros 4 million (see section 2.1. Scope of Consolidation of this Consolidated Management Report).

In the first half of 2017 and 2016, this heading also included the expense for factoring transaction commissions, amounting to Euros 14 million.

#### 1.2.6. Corporate Income Tax.

In the first half of 2017, the expense for corporate income tax amounted to Euros 190 million, which is Euros 55 million (-22.4%) lower than the amount posted for the first half of 2016.

The effective rate in January-June 2017 was 22.4% (23.5% in January-June 2016).

#### 1.2.7. Net income.

In the first half of 2017, net income stood at Euros 653 million, which is Euros 143 million (-18.0%) lower than the amount obtained in the first half of 2016.

## 2. Other information.

### 2.1. Scope of Consolidation.

#### Eléctrica de Jafre, S.A.

On 31 May 2017 ENDESA Red, S.A.U. acquired 52.54% of the share capital of Eléctrica de Jafre, S.A., a company that performs power transmission and distribution activities, in addition to water and electricity meter rental and reading services, in which it previously held a stake of 47.46%.

As a result of this transaction ENDESA took control of Eléctrica de Jafre, S.A. compared to the significant influence it exerted until then, strengthening its distribution business.

The net cash outflow resulting from the acquisition of Eléctrica de Jafre, S.A. totalled Euros 1 million, corresponding mainly to the agreed transaction price.

The provisional purchase price was set according to the fair value of the assets acquired and liabilities assumed (net assets acquired) from Eléctrica de Jafre, S.A. on the acquisition date, in the following lines of the consolidated financial statements:

Millions of Euros	
	Fair value <sup>(1)</sup>
<b>Non-current assets</b>	<b>4</b>
Property, plant & equipment	4
<b>TOTAL ASSETS</b>	<b>4</b>
<b>Non-current liabilities</b>	<b>1</b>
Deferred income	1
<b>Current Liabilities</b>	<b>1</b>
Trade and other current liabilities	1
<b>TOTAL LIABILITIES</b>	<b>2</b>
<b>Fair value of net assets acquired</b>	<b>2</b>

(1) See Note 4.2 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

To establish the fair value of the assets acquired and the liabilities assumed, the projected discounted cashflows were considered applying the remuneration system in force at the acquisition date.

Revenue and net profit generated by this company from the acquisition date of 31 May 2017 are not significant. Additionally, if the acquisition had taken place on 1 January 2017, revenue and net profit generated by this transaction in the first half of 2017 would have been less than Euros 1 million.

Net profit generated at the date control was taken as a result of the fair value valuation of the non-controlling 47.46% stake previously held in Eléctrica de Jafre, S.A. was less than Euros 1 million.

### Other stakes.

On 30 June 2017, ENDESA sold its stakes in Aquilae Solar, S.L., Cefeidas Desarrollo Solar, S.L., Cephei Desarrollo Solar, S.L., Desarrollo Photosolar, S.L., Fotovoltaica Insular, S.L. and Sol de Media Noche Fotovoltaica, S.L. The transaction generated a gross gain of Euros 4 million in the consolidated income statement for the six-month period ended 30 June 2017 (see Section 1.2.5, Gains (loss) on the sale of assets of this Consolidated Management Report).

### ENEL Green Power España, S.L.U. (EGPE).

On 27 July 2016, ENDESA Generación S.A.U., a fully owned subsidiary of ENDESA S.A. (ENDESA), acquired to ENEL Green Power International B.V 60% of the share capital of ENEL Green Power España, S.L.U. (EGPE), company in which it previously held a 40% interest in its share capital.

On the date of execution of the purchase, ENDESA assumed control over ENEL Green Power España, S.L.U. (EGPE) compared to the significant influence that it had previously held as a result of holding 40% of the latter's share capital.

As a result thereof, the consolidated income statement for the first half of 2017 includes the income and expenses of the fully consolidated ENEL Green Power España, S.L.U. (EGPE).

The contribution of ENEL Green Power España, S.L.U. (EGPE) to net profit (loss) in the first half of 2017 was Euros 26 million, with the following breakdown:

Millions of Euros

	Contribution of ENEL Green Power España, S.L.U. (EGPE)	
	January - June 2017	January - June 2016
Net result of the prior interest of 40% <sup>(1)</sup>	N/A	(66) <sup>(4)</sup>
Net result of the Interest of 100%	26	N/A
Revenues	144	N/A
Contribution margin	132	N/A
EBITDA <sup>(2)</sup>	96	N/A
EBIT <sup>(3)</sup>	42	N/A
Net financial loss	(2)	N/A
Net profit (loss) of companies according to the equity method and other investments	3	N/A
Corporate income tax	(12)	-
Non-controlling Interests	(5)	-
<b>TOTAL</b>	<b>26</b>	<b>(66)</b>

(1) Corresponding to the 40% stake that ENDESA, S.A. held through ENDESA Generación, S.A.U. until the date when it assumed control.

(2) EBITDA = Income - Procurements and Services + Work carried out by the Group for its assets - Personnel expenses - Other Fixed Operating Expenses.

(3) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.

(4) Includes the negative impact of Euros 72 million corresponding to impairment of the carrying amount of the 40% stake in ENEL Green Power España, S.L.U. (EGPE) held by ENDESA at 30 June 2016.

As of 30 June 2017, the key data of ENEL Green Power España, S.L.U. (EGPE) are as follows:

	January - June 2017
Electricity generation (GWh)	1,814
Gross installed capacity (MW) <sup>(1)</sup>	1,675
Net installed capacity (MW) <sup>(1)</sup>	1,675
Electricity sales (GWh)	1,814

(1) At 30 June 2017.

## 2.2. Acquisition of the systems and telecommunications activity (ICT).

On 29 December 2016, ENDESA, S.A., acting through its fully owned subsidiary ENDESA Medios y Sistemas, S.L.U. (formerly ENDESA Servicios, S.L.U.), and ENEL Iberia, S.L.U. entered into an Assignment Contract for the Branch of the Systems and Telecommunications Activity for the acquisition to the latter of the systems and telecommunications activity (ICT) within the ENDESA sphere.

The transaction entailed the transfer of materials, human resources and contracts with third parties affected in the implementation of these activities.

The effective date of the transaction was 1 January 2017 and entailed a reorganisation of systems and telecommunications support activities (ICT) at ENDESA with a view to rendering them more adaptable to the needs of its corporate perimeter, simplifying internal and administrative management procedures.

The price stipulated for purchasing this activity was Euros 246 million and payment thereof was settled on the date when the contract was formalised. The transaction was recognised through the acquisition method, and provisionally assigned to the following items in the consolidated financial statements:

Millions of Euros	
	Fair value <sup>(1)</sup>
<b>Non-current assets</b>	<b>95</b>
Property, plant & equipment	64
Intangible assets	31
<b>TOTAL ASSETS</b>	<b>95</b>
<b>Non-current liabilities</b>	<b>8</b>
Non-current provisions	8
<b>Current liabilities</b>	<b>2</b>
Trade and other current liabilities	2
<b>TOTAL LIABILITIES</b>	<b>10</b>
<b>Fair value of net assets acquired</b>	<b>85</b>

(1) See Note 4.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

The difference between the cost of combining the businesses and the fair value of the recognised assets and liabilities indicated above generated goodwill of Euros 161 million because of the synergies to secure in transactions based on aspects such as the prospects of greater autonomy for ENDESA in the future management of ICT activities, simplification and improvement of operations and management and a reduction in expected costs.

The fair value of the assets acquired and the liabilities assumed was determined by discounting free cashflows according to the business plan and the performance of the ICT sector.

## 3. Regulatory Framework.

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

### 2017 electricity tariff.

On 29 December 2016 the Official State Gazette (BOE) published Order ETU/1976/2016 of 23 December, which establishes the access tariffs for 2017.

In accordance with this Order, the access tariffs remained unchanged.

### Natural gas tariff for 2017

Under Order ETU/1977/2016 of 23 December access tariffs in force in 2016 were largely maintained.

### Energy Efficiency.

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

Order IET/258/2017 of 24 March entailed a contribution by ENDESA to the Energy Efficiency National Fund of Euros 29.3 million, corresponding to its 2017 obligations.

### **Renewable energy auction.**

The Ministry for Energy, Tourism and the Digital Agenda has rolled out a series of requirements for auctions with regard to adherence to the specific remuneration regime for new renewable energy generation plants.

On 1 April 2017 the Official State Gazette (BOE) published Royal Decree 359/2017 of 31 March, establishing a call for assigning the specific remuneration system for new renewable energy production facilities through an auction with a maximum installed power limit of 3,000 MW.

This Royal Decree was enacted by Order ETU/315/2017, of 6 April, regulating the procedure for assigning the specific remuneration system in each auction, in addition to the remuneration parameters for reference and standard facilities, and characteristics of the auction, and the Resolutions issued by the Secretary of State for Energy on 10 April 2017, approving the call for an auction, and the terms and conditions thereof.

As a result of this auction, which took place on 17 May 2017, ENDESA, through ENEL Green Power España, S.L.U. (EGPE), was awarded 540 MW of wind power capacity (see Note 4.3 Investments, of this Consolidated Management Report).

Additionally, on 17 June 2017, Royal Decree 650/2017 of 16 June was published in the Official State Gazette (BOE), establishing a new installed capacity quota of 3,000 MW for new plants that generate power using renewable energy sources, enacted by Order ETU/615/2017, of 27 June, that establishes the assignment procedure and remuneration parameters for the auction, and the Resolution issued by the Secretary of State for Energy on 30 June 2017, calling for a new auction on 26 July 2017.

### **Fee for the use of continental waters to produce electric power.**

On 10 June 2017, Royal Decree Law 10/2017 of 9 June was published in the Official State Gazette (BOE), establishing specific urgent measures to mitigate the effects of drought in certain river basins, amending the current Water Law.

Among other aspects, this Royal Decree Law modifies the tax on the fee for using continental waters to produce electric power from 22% to 25.5%, with a reduction for plants with capacity of up to 50 MW to offset the tax increase.

### **Social Bonus.**

Royal Decree Law 7/2016 of 23 December was published on 24 December 2016, regulating the mechanism for financing the cost of the social bonus and other measures designed to protect vulnerable power users.

To enact this Royal Decree Law, the Ministry of Energy, Tourism and the Digital Agenda has started work on a draft Royal Decree to regulate vulnerable power users, the social bonus and loss of supply conditions for consumers using 10 kW or less.

Among other aspects, three categories of customers are identified according to income level, measured using the Public Indicator of Income with Multiple Effects (IPREM) to establish different discounts for each category.

## 4. Liquidity and Capital Resources.

### 4.1. Financial management.

#### Financial debt.

The reconciliation of ENDESA's gross and net financial debt at 30 June 2017 and 31 December 2016 is as follows:

Millions of Euros					
	30 June 2017	31 December 2016	Difference	% Change	
Non-current financial debt <sup>(1)</sup>	4,748	4,223	525	12.4	
Current financial debt <sup>(1)</sup>	1,326	1,144	182	15.9	
<b>Gross financial debt</b>	<b>6,074</b>	<b>5,367</b>	<b>707</b>	<b>13.2</b>	
Cash and cash equivalents <sup>(2)</sup>	(451)	(418)	(33)	7.9	
Derivatives recognised as financial assets <sup>(3)</sup>	(9)	(11)	2	(18.2)	
<b>Net financial debt</b>	<b>5,614</b>	<b>4,938</b>	<b>676</b>	<b>13.7</b>	
(1)	See Note 13.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.				
(2)	See Note 10 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.				
(3)	See Note 14.3.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.				

At 30 June 2017, ENDESA had net financial debt of Euros 5,614 million, an increase of Euros 676 million (+13.7%) compared to 31 December 2016.

When assessing net debt, it must be borne in mind that on 2 January 2017 ENDESA paid shareholders an Interim dividend against 2016 results of Euros 0.7 per share (gross), hence a payout of Euros 741 million.

The structure of ENDESA's gross financial debt at 30 June 2017 and 31 December 2016 is as follows:

Millions of Euros					
		30 June 2017	31 December 2016	Difference	% Change
Euro		6,074	5,367	707	13.2
<b>TOTAL</b>		<b>6,074</b>	<b>5,367</b>	<b>707</b>	<b>13.2</b>
Fixed rate		3,647	3,661	(14)	(0.4)
Floating rate		2,427	1,706	721	42.3
<b>TOTAL</b>		<b>6,074</b>	<b>5,367</b>	<b>707</b>	<b>13.2</b>
Average life (years)	(1)	6.2	6.5	-	-
Average cost	(2)	2.3	2.5	-	-
(1) Average life (years) = (Principal * Number of valid days) / (Valid principal at the close of the period * Number of days in the period).					
(2) Average cost (%) = (Cost of gross financial debt) / Average gross financial debt.					

At 30 June 2017, gross financial debt bearing fixed interest rates accounted for 60% of the total, while 40% was at floating rates.

As of this date, the entire gross financial debt is in euros.

#### Main financial transactions.

Within the framework of the financial transaction (ENDESA Network Modernisation) concluded with the European Investment Bank (EIB) in 2014, Tranches B and C (each one of Euros 150 million) were available on 18 January 2017 and 20 February 2017, thus completing the provision of the transaction for a total amount of Euros 600 million. Both provisions are at floating rate, with a 12-year maturity which may be repaid from 2021.

In January-June 2017, ENDESA in turn concluded agreements with different financial institutions for the extension to three years with a possibility of extending to five years of most of its credit lines for Euros 1,985 million.

At 30 June 2017 ENDESA, S.A. had renegotiated the terms and conditions of the inter-company credit line arranged with ENEL Finance International N.V., extending its maturity to 30 June 2020 and reducing the margin and applicable non-drawdown fee to 55 basis points and 18 basis points, respectively.

In the first half of 2017, ENDESA maintained the Euro Commercial Paper (EPC) emissions programme through International ENDESA, B.V., and the active balance thereof as of 30 June 2017 is Euros 1,200 million, and its renewal is backed by irrevocable bank credit lines.

## Liquidity.

As of 30 June 2017, ENDESA had liquidity of Euros 3,260 million (Euros 3,620 million at 31 December 2016) as detailed below:

Millions of Euros					
		Liquidity <sup>(3)</sup>			
		30 June 2017	31 December 2016	Difference	% Var.
Cash and cash equivalents		451	418	33	7.9
Available through unconditional credit facilities	(1)	2,809	3,202	(393)	(12.3)
<b>TOTAL</b>		<b>3,260</b>	<b>3,620</b>	<b>(360)</b>	<b>(9.9)</b>
Coverage of debt maturities (months)	(2)	32	17	15	88.2

(1) At 30 June 2017 and 31 December 2016, Euros 1,000 million correspond to the credit line available with ENEL Finance International, N.V.

(2) Coverage of maturities = maturity period (months) for vegetative debt that could be covered with the liquidity available.

(3) See Note 13.2.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Treasury investments considered as "Cash and Cash Equivalents" are high liquidity and entail no risk of changes in value, mature within three months from their contract date and accrue interest at the market rates for such instruments.

Restrictions that could affect the availability of funds for ENDESA are described in Notes 10 and 13.2 to the explanatory notes of the Interim Consolidated Financial Statements for the six-month period ended on 30 June 2017.

## Leverage.

Consolidated leverage level at 30 June 2017 and 31 December 2016 was as follows:

Millions of Euros			
		Leverage <sup>(1)</sup>	
		30 June 2017	31 December 2016
<b>Net financial debt:</b>		<b>5,614</b>	<b>4,938</b>
Non-current financial debt <sup>(2)</sup>		4,748	4,223
Current financial debt <sup>(2)</sup>		1,326	1,144
Cash and cash equivalents <sup>(3)</sup>		(451)	(418)
Derivatives recognised as financial assets <sup>(4)</sup>		(9)	(11)
<b>Equity: <sup>(5)</sup></b>		<b>9,035</b>	<b>9,088</b>
of the parent company		8,894	8,952
of non-controlling Interests		141	136
<b>Leverage (%)</b>		<b>62.1</b>	<b>54.3</b>

(1) Leverage = Net Financial Debt / Equity

(2) See Note 13.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(3) See Note 10 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(4) See Note 14.3.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(5) See Note 11 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

## Credit rating.

ENDESA's credit ratings are as follows:

	30 June 2016 <sup>(1)(2)</sup>			31 December 2016 <sup>(1)(2)</sup>		
	Long term	Short term	Outlook	Long term	Short term	Outlook
Standard & Poor's	BBB	A-2	Positive	BBB	A-2	Stable
Moody's	Baa2	P-2	Stable	Baa2	P-2	Stable
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Stable

(1) On the respective approval dates of the Consolidated Financial Statements.

(2) See Note 11 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

ENDESA's credit rating is restricted to the rating of its parent company ENEL according to the methods employed by rating agencies and, as of 30 June 2017, has been classified as "investment grade" by all the rating agencies.



## 4.2. Cash Flows.

At 30 June 2017, cash and cash equivalents stood at Euros 451 million (Euros 674 million at 30 June 2016).

ENDESA's net cash flows in the first half of 2017 and 2016, classified by activities (operation, investment and financing) were:

Millions of Euros		
	Statement of cash flows <sup>(2)</sup>	
	January - June 2017 <sup>(1)</sup>	January - June 2016
Net cash flows from/(used in) operating activities	675	1,470
Net cash flows from/(used in) investment activities	(608)	(475)
Net cash flows from/(used in) financing activities	(34)	(667)

(1) Includes net cash flows from the operation, investment and financing activities of ENEL Green Power, S.L.U. (EGPE) amounting to Euros 92 million, Euros 59 million (negative) and Euros 25 million (negative), respectively.

(2) See the consolidated cash flow statements for the six-month periods ended 30 June 2017.

In the first half of 2017, net investments necessary for developing ENDESA businesses and the payment of dividends to shareholders were covered with the net cash flows from operating activities and an increase in the net financial debt.

### Net cash flows from/(used in) operating activities

Net cash flow from operating activities in January-June 2017 totalled Euros 675 million, Euros 795 million (-54.1%) lower than in the same period in 2016 due to:

- The decline in gross earnings before tax and minority interests during the period (Euros 193 million)
- The trend in working capital (Euros 618 million), mainly as a result of the reduction in compensation for extra-costs in non-mainland territories generation (Euros 827 million).

As of 30 June 2017 and 31 December 2016, working capital comprised the following items:

Millions of Euros		
	30 June 2017	31 December 2016
<b>Current assets <sup>(1)</sup></b>	<b>4,987</b>	<b>5,015</b>
Inventories <sup>(2)</sup>	1,118	1,202
Trade and other accounts receivable <sup>(3)</sup>	3,240	3,452 <sup>(4)</sup>
Current financial assets	629 <sup>(5)</sup>	361 <sup>(6)</sup>
<b>Current liabilities <sup>(7)</sup></b>	<b>5,839</b>	<b>6,377</b>
Current provisions <sup>(8)</sup>	315	567
Trade and other current liabilities <sup>(9)</sup>	5,524 <sup>(10)</sup>	5,810 <sup>(11)</sup>

(1) Excluding "Cash and cash equivalents" and Financial derivative assets corresponding to financial debt.

(2) See Note 8 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(3) See Note 9 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(4) Including the acquisition price of the systems and telecommunications activity (ICT), paid on 29 December 2016 for the amount of Euros 246 million.

(5) Including Euros 502 million relating to collection rights for financing for the revenue shortfall from regulated activities and compensations for extra-costs in non-mainland territories generation.

(6) Including Euros 258 million relating to collection rights for financing the revenue shortfall from regulated activities.

(7) Excluding "Current financial debt" and financial derivative liabilities corresponding to financial debt.

(8) See Note 12.1 to the explanatory notes of the Interim consolidated financial statements for the six-month period ended 30 June 2017.

(9) See Note 16 to the explanatory notes of the Interim consolidated financial statements for the six-month period ended 30 June 2017.

(10) Including the final dividend for 2016 amounting to Euros 670 million paid on 3 July 2017.

(11) Including the Interim dividend paid against 2016 profits, for the amount of Euros 741 million paid on 2 January 2017 and Euros 296 million related to compensations for extra-costs in non-mainland territories generation.

### Net cash flows from/(used in) investment activities

During the first half of 2017, the net cash flows applied to investment activities were Euros 608 million (compared with Euros 475 million in the first half of 2016) and mainly include net cash payments applied to the acquisition of property, plant and equipment amounting to Euros 559 million (compared with Euros 486 million in January-June 2016) (see Section 4.3 Investments of this Consolidated Management Report).



## Net cash flows from/(used in) financing activities

In the first half of 2017, the net cash flows applied to financing activities amounted to Euros 34 million (Euros 667 million in the first half of 2016) and primarily include the payment of Euros 741 million corresponding to the Interim dividend paid against 2016 profits (Euros 424 million in January-June 2016) (see Section 4.4. Dividends, of this Consolidated Management Report).

## 4.3. Investments.

In the first half of 2017 ENDESA made gross investments of Euros 392 million, as follows:

Millions of Euros	January - June 2017 <sup>(1)</sup>	January - June 2016	% Var.
Generation and supply	88	140	(37.1)
Distribution	221	230	(3.9)
Structure and other	-	-	-
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT <sup>(2)</sup></b>	<b>309</b>	<b>370</b>	<b>(16.5)</b>
Generation and supply	15	18	(16.7)
Distribution	15	11	36.4
Structure and other	11	8	37.5
<b>TOTAL INTANGIBLE ASSETS <sup>(3)</sup></b>	<b>41</b>	<b>37</b>	<b>10.8</b>
<b>FINANCIAL INVESTMENTS</b>	<b>42</b>	<b>77</b>	<b>(45.5)</b>
<b>TOTAL INVESTMENT</b>	<b>392</b>	<b>484</b>	<b>(19.0)</b>

(1) Includes investments in property, plant and equipment of ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 9 million. Does not include the acquisition of the systems and telecommunications activity (ICT) or the controlling stake taken in Eléctrica de Jafre, S.L. (see Section 2.1. Scope of Consolidation, and Section 2.2. Acquisition of the systems and telecommunications activity (ICT) of this Consolidated Management Report).

(2) See Note 5.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(3) See Note 6.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

## Investments in Property, Plant and Equipment.

Gross investments in generation in the first half of 2017 mostly correspond to investments made on plants that were already operating at 31 December 2016, prominently including the Euros 7 million investment in the Litoral power plant to adapt it to European environmental legislation and also entailed extending its useful service life.

Gross investments in supply correspond primarily to the development of the activity concerning Value Added Products and Services (VAPS).

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

ENDESA, through ENEL Green Power España, S.L.U. (EGPE), was awarded wind plant capacity of 540 MW in the auction held by the Ministry of Energy, Tourism and the Digital Agenda on 17 May 2017 (see Section 3. Regulatory Framework of this Consolidated Management Report) and expects to invest approximately Euros 600 million in building the wind energy capacity awarded.

## Investment in Intangible Assets.

Gross investments in the first half of 2017 primarily correspond to computer software and ongoing investments in the systems and telecommunications activity (ICT), including the change from the ERP accounting system to the new E4E SAP system.

## Financial investments.

Gross investments in the first half of 2017 include, primarily, the contribution of Euros 21 million to Nuclenor, S.A.

## 4.4. Dividends.

At its meeting of 22 November 2016, ENDESA, S.A.'s Board of Directors approved the following shareholder remuneration for 2016-2019:

- 2016: the ordinary dividend per share distributed against the year will be the equivalent to 100% of net profit attributable to the parent company set down in the consolidated annual financial statements provided that this amount is higher than the result of applying a minimum 5% increase to the ordinary dividend paid with a charge to the prior year.
- 2017 to 2019: the ordinary dividend per share to be distributed in these years will be the equivalent to 100% of ordinary net profit attributable to the parent company set down in the consolidated annual financial statements of the Group headed by this company. Specifically, for 2017, this ordinary dividend will be at least the same as Euros 1.32 gross per share.

The General Shareholders' Meeting of ENDESA, S.A. held on 26 April 2017 approved the distribution of a total dividend to its shareholders charged against the 2016 profit of a gross figure of Euros 1.333 per share (Euros 1,411 million), which is equal to the consolidated net profit of ENDESA for the year ended on 31 December 2016.

In consideration of the gross Interim dividend of Euros 0.70 per share (Euros 741 million) paid out on 2 January 2017, the gross supplementary dividend (final dividend) charged against 2016 results is Euros 0.633 per share (Euros 670 million) and paid out on 3 July 2017.

## 5. Major risks and uncertainties in the second half of 2017.

Information relating to the main risks and uncertainties relating to ENDESA's activities is provided in Note 7 of the Consolidated Management Report for the year ended 31 December 2016.

The major risks and uncertainties facing ENDESA in the second half of 2017 relate mainly to the following issues:

- ENDESA's sales in the second half of 2017 will largely depend on electricity and gas demand in Spain during the period, which will be shaped by the Spanish economy and primarily by GDP growth.
- Rainfall and wind conditions will impact electricity production costs and market prices, and hence margins in the second half of the year.
- Wholesale electricity and fuel prices, fundamentally coal and gas prices, will impact business costs and sale prices. Although ENDESA has fuel price hedges in place and has signed agreements for power sold to customers for the next few months, variations in the market price for both fuel and electricity will affect the group's costs and income, and consequently, its margins.
- Interest rates will also have an impact on ENDESA's results in the second half of the year because of the part of the group's net financial debt that bears a floating rate. To mitigate this impact, ENDESA has arranged an interest rate hedge via derivatives.
- The earnings and fair value of ENDESA investees in which the company does not have control and which are recognised in the consolidated financial statements using the equity method, could impact results in the second half of 2017. Specifically, developments in the status of Nuclenor, S.A. could have a significant effect on the results of these companies.
- ENDESA is involved in certain legal proceedings, the resolution of which could have an impact on the consolidated financial statements. Information concerning lawsuits and arbitration is included in Note 12.2 to the the explanatory notes of the Interim Consolidated Financial Statements for the six-month period ended 30 June 2017.

## 6. Information on related-party transactions.

Information concerning related-party transactions is included in Note 18 to the the explanatory notes of the Interim Consolidated Financial Statements for the six-month period ended 30 June 2017.

## **7. Other information.**

There were no one-off events involving significant amounts during the first half of 2017 other than those referred to in the Consolidated Management Report.

Therefore, no new significant contingent liabilities arose during the period ended 30 June 2017 other than those described in the consolidated financial statements for the year ended 31 December 2016.

Information concerning lawsuits, arbitrage and contingent assets is included in Note 12.2 to the explanatory notes of the Interim Consolidated Financial Statements for the six-month period ended 30 June 2017.

## **8. Subsequent Events.**

Information concerning events after the reporting period is included in Note 21 to the explanatory notes of the Interim Consolidated Financial Statements for the six-month period ended 30 June 2017.

## Appendix I: Statistical information.

### Industrial data.

GWh

Electricity generation	(2)	January - June 2017	January - June 2016	% Var.
<b>Mainland</b>		<b>29,601</b>	<b>24,512</b>	<b>20.8</b>
Nuclear		13,096	12,843	2.0
Coal		10,362	5,687	82.2
Hydroelectric		3,091	4,992	(38.1)
Combined-cycle (CCGT)		3,052	990	208.3
<b>Non-mainland territories</b>		<b>6,263</b>	<b>5,938</b>	<b>5.5</b>
<b>Renewables and cogeneration</b>		<b>1,814</b>	<b>-</b>	<b>N/A</b>
<b>TOTAL</b>	(1)	<b>37,678</b>	<b>30,450</b>	<b>23.7</b>

(1) Corresponding to the first half 2017 energy generated by ENEL Green Power España, S.L.U. (EGPE).

(2) At busbar cost.

MW

Gross installed capacity		30 June 2017	31 December 2016	% Var.
Hydroelectric		4,765	4,765	-
Conventional thermal		8,094	8,130	(0.4)
Thermal nuclear		3,443	3,443	-
Combined cycle		5,678	5,678	-
Renewables and cogeneration		1,675	1,675	-
<b>TOTAL</b>		<b>23,655</b>	<b>23,691</b>	<b>(0.2)</b>

MW

Net installed capacity		30 June 2017	31 December 2016	% Var.
Hydroelectric		4,721	4,721	-
Conventional thermal		7,585	7,585	-
Thermal nuclear		3,318	3,318	-
Combined cycle		5,445	5,445	-
Renewables and cogeneration		1,675	1,675	-
<b>TOTAL</b>		<b>22,744</b>	<b>22,744</b>	<b>-</b>

GWh

Electricity sales		January - June 2017	January - June 2016	% Var.
Regulated Price		6,515	6,859	(5.0)
Deregulated Market		40,641	38,825	4.7
<b>TOTAL</b>		<b>47,156</b>	<b>45,684</b>	<b>3.2</b>

Thousands

Number of customers (Electricity)	(1)	30 June 2017	31 December 2016	% Var.
Regulated market customers		5,391	5,593	(3.6)
Mainland Spain		4,526	4,692	(3.5)
Non-mainland territories		865	901	(4.0)
Deregulated market customers		5,551	5,423	2.4
Mainland Spain		4,581	4,505	1.7
Non-mainland territories		773	744	3.9
Outside Spain		197	174	13.2
<b>TOTAL</b>		<b>10,942</b>	<b>11,016</b>	<b>(0.7)</b>

(1) Supply points.

Percentage (%)

Electricity demand trends	(1)	January - June 2017	January - June 2016	% Var.
Mainland	(2)	1.1	0.2	(0.2)
Non-mainland territories	(3)	2.4	0.8	0.8

(1) Source: Red Eléctrica de España, S.A. (REE).

(2) Corrected for working days and temperature effects, the mainland demand trend is +1.5% in the first half of 2017 and -0.1% in the first half of 2016.

(3) Corrected for working days and temperature effects, the non-mainland territories demand trend is +1.7% in the first half of 2017 and +1.6% in the first half of 2016.

Percentage (%)

Market Share (Electricity)	(1)	30 June 2017	31 December 2016
Ordinary Mainland Generation		38.0	35.1
Renewable Generation	(2)	3.7	3.5
Distribution		43.6	43.7
Deregulated Market		35.3	35.3

(1) Source: Endesa data.

(2) Excluding hydroelectric.

GWh

Gas Sales		January - June 2017	January - June 2016	% Var.
Deregulated Market		24,938	25,347	(1.6)
Regulated Market		810	876	(7.5)
International Market		12,854	10,013	28.4
Wholesale		3,750	3,166	18.4
<b>TOTAL</b>	(1)	<b>42,352</b>	<b>39,402</b>	<b>7.5</b>

(1) Excluding own generation consumption.

Thousands

Customers (Gas)	(1)	30 June 2017	31 December 2016	% Var.
Regulated Market		252	262	(3.8)
Mainland Spain		224	233	(3.9)
Non-Mainland Territories		28	29	(3.4)
Deregulated Market		1,335	1,276	4.6
Mainland Spain		1,235	1,167	5.8
Non-Mainland Territories		62	86	(27.9)
Outside Spain		38	23	65.2
<b>TOTAL</b>		<b>1,587</b>	<b>1,538</b>	<b>3.2</b>

(1) Supply points.

Percentage (%)

Gas Demand Trend	(1)	January - June 2017	January - June 2016
Domestic Market		6.5	(1.4)
Domestic Conventional		4.2	1.2
Electricity Sector		19.7	(14.5)

(1) Source: Enagás, S.A.

Percentage (%)

Market Share (Gas)	(1)	30 June 2017	31 December 2016
Deregulated Market		17.2	16.9

(1) Source: Endesa data.

GWh

Distributed Energy	(1)	January - June 2017	January - June 2016	% Var.
Spain and Portugal		57,654	55,959	3.0

(1) At busbar cost.

km

Distribution and Transmission Grids		30 June 2017	31 December 2016	% Var.
Spain and Portugal		317,244	316,562	0.2

Percentage (%)

Energy losses	(1)	January - June 2017	January - June 2016
Spain and Portugal		10.9	10.6

(1) Source: Endesa data.

## Workforce.

### Number of employees

Number of employees	Period-end headcount <sup>(2)</sup>							% Var.
	30 June 2017			31 December 2016				
	Men	Women	Total	Men	Women	Total		
Generation and Supply	4,082	982	5,064	4,140	989	5,129	(1.3)	
Distribution	2,555	434	2,989	2,707	467	3,174	(5.8)	
Structure and Other <sup>(1)</sup>	924	820	1,744	679	712	1,391	25.4	
<b>TOTAL</b>	<b>7,561</b>	<b>2,236</b>	<b>9,797</b>	<b>7,526</b>	<b>2,168</b>	<b>9,694</b>	<b>1.1</b>	

(1) Structure and Services.

(2) See Note 19 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

### Number of employees

Number of employees	Average headcount <sup>(3)</sup>						
	January - June			January - June			% Var.
	Men	Women	Total <sup>(1)</sup>	Men	Women	Total	
Generation and Supply	4,099	982	5,081	4,096	962	5,058	0.5
Distribution	2,612	445	3,057	2,928	481	3,409	(10.3)
Structure and Other <sup>(2)</sup>	921	819	1,740	696	697	1,393	24.9
<b>TOTAL</b>	<b>7,632</b>	<b>2,246</b>	<b>9,878</b>	<b>7,720</b>	<b>2,140</b>	<b>9,860</b>	<b>0.2</b>

(1) Including the average workforce of ENEL Green Power España, S.L.U. (170 employees), Eléctrica del Ebro, S.A. (20 employees) and the ICT activity ENDESA Medios y Sistemas, S.L.U. (327 employees).

(2) Structure and Services.

(3) See Note 19 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

## Financial Data.

### Millions of Euros

		Consolidated Income Statement <sup>(5)</sup>		
		January - June 2017	January - June 2016	% Var.
Sales		9,792	8,837	10.8
Contribution margin	(1)	2,624	2,836	(7.5)
EBITDA	(2)	1,605	1,866	(14.0)
EBIT	(3)	901	1,190	(24.3)
Net Income	(4)	653	796	(18.0)

(1) Contribution margin = Revenues - Procurements and services.

(2) EBITDA = Income - Procurements and services + Work carried out by the Group for its assets - Personnel expenses - Other Fixed Operating Expenses.

(3) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.

(4) Net Income: Parent company.

(5) See the consolidated income statement for the six-month periods ended 30 June 2017 and 2016.

### Euros

Key valuation figures		January - June	January - June	% Var.
		2017	2016	
Net earnings per share <sup>(1)</sup>		0.62	0.75	(18.0)
Cash flow per share <sup>(2)</sup>		0.64	1.39	(54.1)
Book value per share <sup>(3)</sup>		8.40 <sup>(4)</sup>	8.46 <sup>(5)</sup>	(0.6)

(1) Net earnings per share = Parent company's profit in the period / Shares.

(2) Cash flow per share = Net cash flow of operating activities / Shares.

(3) Equity of the Parent / No. shares.

(4) At 30 June 2017.

(5) At 31 December 2016.

### Millions of Euros

		Consolidated Balance Sheet <sup>(2)</sup>		
		30 June 2017	31 December 2016	% Var.
Total Assets		30,897	30,964	(0.2)
Equity		9,035	9,088	(0.6)
Net financial debt	(1)	5,614	4,938	13.7

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

(2) See the Consolidated statements of financial position at 30 June 2017 and 31 December 2016.

Millions of Euros

	Leverage <sup>(1)</sup>		% Var.
	30 June 2017	31 December 2016	
<b>Net Financial Debt:</b>	<b>5,614</b>	<b>4,938</b>	<b>13.7</b>
Non-current financial debt <sup>(2)</sup>	4,748	4,223	12.4
Current financial debt <sup>(2)</sup>	1,326	1,144	15.9
Cash and cash equivalents <sup>(3)</sup>	(451)	(418)	7.9
Derivatives recognised as financial assets <sup>(4)</sup>	(9)	(11)	(18.2)
<b>Equity: <sup>(5)</sup></b>	<b>9,035</b>	<b>9,088</b>	<b>(0.6)</b>
of the Parent company	8,894	8,952	(0.6)
of Non-controlling interests	141	136	3.7
<b>Leverage (%)</b>	<b>62.1</b>	<b>54.3</b>	<b>-</b>

(1) Leverage = Net financial debt / Equity

(2) See Note 13.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(3) See Note 10 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(4) See Note 14.3.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(5) See Note 11 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Financial Indicators	30 June 2017	31 December 2016
Liquidity ratio <sup>(1)</sup>	0.76	0.72
Solvency ratio <sup>(2)</sup>	0.93	0.92
Debt ratio <sup>(3)</sup>	38.32	35.21
Debt coverage ratio <sup>(4)</sup>	1.75	1.44

(1) Liquidity = Current assets / Current liabilities.

(2) Solvency = (Equity + Non-current liabilities) / Non-current assets.

(3) Debt = Net financial debt / (Equity + Net financial debt) (%).

(4) Debt coverage = Net financial debt / EBITDA.

## Rating.

	30 June 2017 <sup>(1)(2)</sup>			31 December 2016 <sup>(1)(2)</sup>		
	Long term	Short term	Outlook	Long term	Short term	Outlook
Standard & Poor's	BBB	A-2	Positive	BBB	A-2	Stable
Moody's	Baa2	P-2	Stable	Baa2	P-2	Stable
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Stable

(1) On the respective approval dates of the Consolidated financial statements.

(2) See Note 11 to the explanatory notes of Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

## Stock market information.

Percentage (%)

Share price performance	January - June 2017	January - June 2016
<b>ENDESA, S.A.</b>	<b>0.2</b>	<b>(2.7)</b>
Ibex-35	11.7	(14.5)
Eurostoxx 50	4.6	(12.3)
Eurostoxx Utilities	11.0	(3.2)

Euros

ENDESA share price	January - June 2017	January - December 2016	% Var.
High	22.760	20.975	8.5
Low	18.950	15.735	20.4
Period Average	20.917	18.151	15.2
Period Close	20.170	20.125	0.2

Stock market data	30 June 2017	31 December 2016	% Var.
Market cap <sup>(1)</sup>	21,355	21,307	0.2
Number of outstanding shares	1,058,752,117	1,058,752,117	-
Nominal share value <sup>(2)</sup>	1.2	1.2	-
Cash <sup>(3)</sup>	5,431	10,784	(49.6)
Continuous market <sup>(4)</sup>			
Trading volume <sup>(5)</sup>	257,389,964	596,186,291	(56.8)
Average daily trading volume <sup>(6)</sup>	2,026,693	2,319,791	(12.6)
PER <sup>(7)</sup>	16.35	15.10	-
Price / Book value <sup>(8)</sup>	2.40	2.38	-

(1) Market Cap = Number of Shares at the Close of the Period \* Share Price at the Close of the Period.

(2) Cash = Sum of all the operations made over the value in the reference period (Source: Madrid Stock Exchange).

(3) Trading Volume = Total volume of stock in ENDESA, S.A. traded in the period (Source: Madrid Stock Exchange).

(4) Average daily trading volume = Arithmetic mean of stock in ENDESA, S.A. traded per session during the period (Source: Madrid Stock Exchange).

(5) Price to Earnings ratio (PER) = Share price at the close of the period / Earnings per share.

(6) Price to Book value = Market cap / Equity of the Parent

## Dividends.

		2016	2015	% Var.
Share capital	(Millions of Euros) (1)	1,271	1,271	-
Number of shares	(1)	1,058,752,117	1,058,752,117	-
Consolidated net profit	(Millions of Euros)	1,411	1,086	29.9
Individual net profit	(Millions of Euros)	1,419	1,135	25.0
Net earnings per share	(Euros) (2) (3)	1.333	1.026	29.9
Gross dividend per share	(Euros) (4)	1.333 (5)	1.026 (6)	29.9
Consolidated pay-out	(%) (7)	100.0	100.0	-
Individual pay-out	(%) (8)	99.4	95.7	

(1) See Note 11.1 to the the explanatory notes of Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(2) Corresponding to the Consolidated financial statements.

(3) Net earnings per share = Parent company's profit in the period / Number of shares at the close of the period.

(4) See Note 11.2 to the explanatory notes of Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(5) Gross Interim dividend of Euros 0.7 per share, paid out on 2 January 2017 plus the gross supplementary dividend of Euros 0.633 per share paid out on 3 July 2017.

(6) Gross Interim dividend of Euros 0.4 per share, paid out on 4 January 2016 plus the gross supplementary dividend of Euros 0.626 per share paid out on 1 July 2016.

(7) Consolidated pay-out = (Gross dividend per share \* Number of shares at the close of the period) / Parent company's profit in the period.

(8) Individual pay-out = (Gross dividend per share \* Number of shares at the close of the period) / ENDESA, S.A's profit in the period.



## Appendix II: Alternative Performance Measures.

Alternative Performance Measures	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs) at 30 June 2017	Relevance of Use
EBITDA <sup>(1)</sup>	Millions of Euros	Income - Procurements and services + Work carried out by the Group for its assets – Personnel expenses - Other fixed operating expenses.	Euros 1,605 million = Euros 10,004 million - Euros 7,380 million + Euros 79 million - Euros 451 million - Euros 647 million	Measure of operating performance excluding interest, taxes, provisions and depreciation and amortisation.
EBIT <sup>(1)</sup>	Millions of Euros	EBITDA - Depreciation and amortisation, and impairment losses.	Euros 901 million = Euros 1,605 million - Euros 704 million	Measure of operating performance excluding interest and taxes.
Contribution margin <sup>(1)</sup>	Millions of Euros	Income - Procurements and services	Euros 2,624 million = Euros 10,004 million - Euros 7,380 million	Measure of operating performance including direct variable production costs.
Procurements and services <sup>(1)</sup>	Millions of Euros	Energy purchases + Fuel consumption + Transmission expenses + Other variable procurements and services.	Euros 7,380 million = Euros 2,566 million + Euros 1,056 million + Euros 2,832 million + Euros 926 million	Goods and services for production.
Net financial debt <sup>(2)</sup>	Millions of Euros	Non-current financial debt + Current financial debt – Cash and cash equivalents – Financial derivatives recognised under assets	Euros 5,614 million = Euros 4,748 million + Euros 1,326 million - Euros 451 million - Euros 9 million	Short and long-term financial debt, less cash and cash equivalents.
Leverage <sup>(2)</sup>	%	Net financial debt / Equity	62.1% = Euros 5,614 million / Euros 9,035 million	Measure to assess the weighting of funds used to finance the company's activities.
Debt <sup>(2)</sup>	%	Net financial debt / (Equity + Net financial debt)	38.32% = Euros 5,614 million / (Euros 9,035 million + Euros 5,614 million)	Measure to assess the weighting of funds used to finance the company's activities.
Average life of gross financial debt	Number of years	(Principal * Number of valid days) / (Valid principal at the close of the period * Number of days in the period).	6.2 years = 37,279/6,053	Measure of the duration of financial debt to maturity.
Average cost of gross financial debt	%	(Cost of gross financial debt) / Average gross financial debt	2.3% = (Euros 69 million * 2) / Euros 5,910 million	Measure of effective rate on financial debt.
Liquidity <sup>(2)</sup>	N/A	Current assets / Current liabilities	0.76 = Euros 5,439 million / Euros 7,165 million	Measure of capacity to meet short term commitments.
Solvency <sup>(2)</sup>	N/A	(Equity + Non-current liabilities) / Non-current assets.	0.93 = (Euros 9,035 million + Euros 14,697 million) / Euros 25,458 million	Measure of capacity to meet obligations.
Debt coverage <sup>(1)(2)</sup>	N/A	Net financial debt / EBITDA	1.75 = Euros 5,614 million / (Euros 1,605 million * 2)	Measure of the amount of cashflow available to cover principal payments on financial debt.
Net earnings per share <sup>(1)</sup>	Euros	Parent company's profit for the period / No. shares.	Euros 0.62 = Euros 653 million / 1,058,752,117 shares	Measure of the amount of net profit corresponding to each of the shares outstanding.
Cash flow per share <sup>(3)</sup>	Euros	Cash flow from operating activities / Number of shares	Euros 0.64 = Euros 675 million / 1,058,752,117 shares	Measure of the amount of funds generated corresponding to each of the shares outstanding.
BVPS <sup>(2)</sup>	Euros	Equity of the parent / No. shares.	Euros 8.40 = Euros 8,894 million / 1,058,752,117 shares	Measure of the amount of own funds generated corresponding to each of the shares outstanding.
Market cap	Millions of Euros	Number of shares at the close of the period * Share price at the close of the period.	Euros 21,355 million = 1,058,752,117 shares * Euros 20.170	Measure of the total value of the company according to the price of its shares.
Price to Earnings ratio (PER)	N/A	Share price at the close of the period / Net earnings per share	16.35 = Euros 20.170 / (Euros 0.62 * 2)	Measure of the number of times earnings per share can be contained in the market price.
Price / Book value	N/A	Market cap / Total equity of the Parent	2.40 = Euros 21,355 million / Euros 8,894 million	Measure that compares the total value of the company according to the price of its shares with its book value.
Consolidated pay-out	%	(Gross dividend per share * Number of shares at the close of the period) / Parent company's profit for the period.	100% = (Euros 1.333 * 1,058,752,117 shares) / Euros 1,411 million	Measure of the portion of earnings used to remunerate shareholders through the payment of dividends (consolidated group).
Individual pay-out	%	(Gross dividend per share * Number of shares at the close of the period) / ENDESA, S.A.'s profit for the period.	99.4% = (Euros 1.333 * 1,058,752,117 shares) / Euros 1,419 million	Measure of the portion OF earnings used to remunerate shareholders through the payment of dividends (individual company).

(1) See the Consolidated income statement for the six-month period ended 30 June 2017.

(2) See the Consolidated statement of financial position at 30 June 2017.

(3) See the Consolidated statement of cash flow for the six-month period ended 30 June 2017.