ENDESA, S.A.

and Subsidiaries

Consolidated Management Report for the six months ended 30 June 2018

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

Madrid, 23 July 2018

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ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2018

Contents.

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. Business trends and results in the first half of 2018.

1.1. Consolidated results.

ENDESA reported net income of Euros 752 million (+15.2%) in the first half of 2018

ENDESA reported net income of Euros 752 million in the first half of 2018, an increase of 15.2% on net profit from Euros 653 million reported in the first half of 2017.

The table below presents the distribution of net income amongst ENDESA's businesses during the first half 2018 and its variation compared with the same period in the previous year (see Section 1.4. Segment Information in this Consolidated Management Report):

Millions of Euros

	Net Income (2)			
	January - June 2018	January - June 2017	% Var.	% contribution to total
Generation and Supply	219	187	17.1	29.1
Distribution	514	476	8.0	68.4
Structure and Others (1)	19	(10)	(290.0)	2.5
TOTAL	**752**	**653**	**15.2**	**100.0**

(1) Structure, Services and Adjustments.
(2) See Note 19.2 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

1.2. Changes to accounting principles.

Appendix III of this Consolidated Management Report includes the effect on the Consolidated Statement of Financial Position at 1 January 2018 from the changes as a result of the application of IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments”.

As a result of the first application of IFRS 15 "Revenue from Contracts with Customers", ENDESA has capitalised under Non-Current Assets the incremental costs of obtaining these contracts with customers that, up to 1 January 2018, had been recognized in the Consolidated Statement of Financial Position.

This asset is amortised systematically based on the expected average life of the contracts with customers associated with these costs, which, on that date, fluctuates between 1.4 years and 9 years (see Note 2.1 of the Explicative Notes that form part of the Interim Condensed Consolidated Financial Statements corresponding to the six-month period ended 30 June 2018).

As a result of the entry into force of IFRS 9 "Financial Instruments" ENDESA has applied an impairment model based on the expected loss method (See Note 2.1 of the Explanatory Notes that are part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2018).

With regard to the transition alternative adopted in the first-time application of both standards, ENDESA has opted for retroactive application with the accumulated impact of the initial application at 1 January 2018.

Appendix IV of this Consolidated Management Report includes a breakdown of the impact of the application of IFRS 15 " Revenues from Contracts with Customers" and IFRS 9 "Financial Instruments" in the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2018.

1.3. Analysis of results.

The table below presents the detail of the most relevant figures in ENDESA's Consolidated Income Statement in the first half of 2018 and its variation compared with the same period in the previous year:

Millions of Euros

	Most significant figures			
	January - June 2018	January - June 2017	Difference	% Var.
Income	9,934	10,004	(70)	(0.7)
Contribution margin	2,823	2,624	199	7.6
EBITDA (1)	1,804	1,605	199	12.4
EBIT (2)	1,053	901	152	16.9
Net financial gain/(loss)	(70)	(59)	(11)	18.6
Profit/(loss) before tax	984	848	136	16.0
Net gain/(loss)	752	653	99	15.2

(1) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel Expenses - Other Fixed Operating Expenses.
(2) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.

EBITDA amounted to Euros 1,804 million, (+12.4%) in the first half of 2018. To analyse the performance during the period, we have to consider the improvement in the contribution margin of Euros 199 million (+7.6%) can be attributed, on the one hand, to the drop in power purchases (-7.9%) as a result, primarily, of the decrease in electricity prices on the wholesale market, the cumulative arithmetic price of which is Euros 50.1/MWh (-2.3%) and, on the other hand, the drop in fuel consumption (-10.9%) due to the decrease in thermal and nuclear output during the period, in addition to the reduction in average purchase price and in the tax on the value of electricity production.

EBIT for the first half of 2018 increase 16.9% year-on-year to Euros 1,053 million, mainly as a result of the 12.4% increase in EBITDA.

1.3.1. Income.

Income in the first half of 2018 totalled Euros 9,934 million, 70 million (+0.7%) less than income posted in the first half of last year.

The table below presents the detail of income in the first half of 2018 and its variation compared with the same period in the previous year:

Millions of Euros

	Income			
	January - June 2018 (1)	January - June 2017 (1)	Difference	% Var.
Revenue from Sales	9,560	9,792	(232)	(2.4)
Other Operating income	374	212	162	76.4
TOTAL	**9,934**	**10,004**	**(70)**	**(0.7)**

(1) See the Consolidated Income Statements for the six-month periods ending 30 June 2018 and 2017.

Market situation.

In the first half of 2018, electricity demand trends were as follows:

– Total mainland electricity demand rose by 1.2% year-on year (+1.1% adjusted for working days and temperature).

– The accumulated electricity demand in non-mainland territories closed out the first half of 2018 with a 1.4% increase in the Balearic Islands and a 0.3% decrease in the Canary Islands compared with the same period the previous year (+2.6% and -0.6% respectively, adjusted for the effect of working days and temperature).

The first half of 2018 saw lower prices, with the cumulative arithmetic price in the electricity wholesale market standing at Euros 50.1/MWh (-2.3%) mainly due to higher wind and hydroelectric output. The cumulative contribution of renewable energies to total mainland production was 42.1% (36.7% in the first half of 2017).

Against this backdrop:

– ENDESA's mainland electricity production during the half 2018 was 28,708 GWh, i.e., 8.5% lower than the first half of the previous year, as detailed below: combined cycle plants (1,753 GWh, -42.6%), coal-fired power plants (7,928 GWh, -23.5%), nuclear power plants (11,769 GWh, -10.1%), renewable and cogeneration plants (2,051 GWh, +15.9%) and hydroelectric plants (5,207 GWh, + 68.5%).

– Non-mainland Territories generation was 6,160 GWh (-2.3%).

– Nuclear and renewable technologies, including hydroelectrical, accounted for 54.8% of ENDESA's generation mix, compared with 83.6% for the rest of the sector (47.9% and 79.4% respectively in the first half of 2017).

At 30 June 2018, ENDESA held the following electricity market shares:

– 21.0% in mainland generation.

– 43.0% in electricity distribution.

– 33.8% in the sale of electricity.

In the first half of 2018 conventional gas demand was up by 7.7% year on year, and at 30 June 2018 ENDESA had secured a market share of 16.2% in gas sales to customers in the deregulated market.

Sales.

The table below presents the detail of ENDESA sales in the first half of 2018 and its variation compared with the same period in the previous year:

Millions of Euros

	January - June 2018 (1)	January - June 2017 (1)	Difference	% Var.
Electricity Sales	6,813	7,240	(427)	(5.9)
Deregulated Market Sales	4,054	4,208	(154)	(3.7)
Supply to Customers in Deregulated Markets outside Spain	478	503	(25)	(5.0)
Sales at the Regulated Price	1,133	1,267	(134)	(10.6)
Wholesale market sales	489	544	(55)	(10.1)
Non-mainland Territories compensations	607	664	(57)	(8.6)
Other Electricity Sales	52	54	(2)	(3.7)
Gas Sales	1,291	1,200	91	7.6
Regulated Revenue from Electricity Distribution	1,109	1,026	83	8.1
Other Sales and Services Rendered	347	326	21	6.4
TOTAL	**9,560**	**9,792**	**(232)**	**(2.4)**

(1) See Note 19.3 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

Electricity sales on the deregulated market.

At 30 June 2018, ENDESA had 5,668,962 electricity customers in the deregulated market, a 1.4% increase on numbers at 31 December 2017, as per the following breakdown:

– 4,605,055 (+0.1%) in the Spanish mainland market.

– 805,050 (+2.3%) in the non-mainland territories market.

– 258,857 (+26.3%) in deregulated markets outside Spain.

ENDESA sold a net total of 38,268 GWh to these customers in the first half of 2018, a 5.8% decrease on the same half of 2017.

In economic terms, sales on the deregulated market in the first half of 2018 rose totalled Euros 4,532 million (-3.8%), with the following breakdown:

- Sales in the Spanish deregulated market totalled Euros 4,054 million, Euros 154 million down on the figure for the previous year (-3.7%) due mainly to the lower number of physical units sold.

- Revenue from sales to deregulated European markets other than Spain totalled Euros 478 million, down by Euros 25 million (-5.0%) year on year, due mainly to the lower volume of electricity sold in Belgium, the Netherlands, France and Portugal.

Electricity sales at a regulated price.

During the first half of 2018:

- ENDESA sold 6,247 GWh to customers via its Supplier of Reference under the regulated price, which is down 4.1% on January-June 2017.

- These sales entailed an income of Euros 1,133 million, which is 10.6% lower than the figure in the first half of 2017, as a result of the decreased sales price and the drop in physical units sold.

Gas sales.

At 30 June 2018, ENDESA had 1,562,200 gas customers in the deregulated market, a 0.1% increase on numbers at 31 December 2017, as shown in the following breakdown:

- 237,548 (-3.7%) in the regulated market.

- 1,324,652 (+0.8%) in the deregulated market.

ENDESA sold 43,344 GWh to customers in the natural gas market in the first half of 2018, which represents a 2.3% increase on the first half 2017 figure.

Revenue from gas sales totalled Euros 1,291 million in the first half of 2018, up Euros 91 million (+7.6%) on the figure for the first half of 2017, as follows:

- Gas sales in the deregulated market totalled Euros 1,243 million, which is Euros 90 million more (+7.8%) than the figure for the first half of 2017, due mainly to the higher number of physical units sold in international and wholesale markets.

- Revenue from gas sales at the regulated price totalled Euros 48 million, in line with the figure in the first half of 2017 and in line with the performance of physical units sold.

Non-mainland Territories Generation Compensations.

Compensations in the first half of 2018 for the extra-costs of non-mainland territories generation totalled Euros 607 million, down by Euros 57 million (-8.6%) compared to the same period the year before, due, amongt other aspects, to the fact that the compensation for the extra-costs in the first half of 2017 included reliquidations amounting to Euros 52 million.

Electricity distribution.

During the first half of 2018, ENDESA distributed 57,351 GWh in the Spanish market, which is 0.5% less compared with the first half of 2017.

Revenue from regulated distribution activities in the first half of 2018 totalled Euros 1,109 million, up Euros 83 million (+8.1%) on the first half of 2017 according to the methodology deriving from Royal Decree 1048/2013, of 27 December.

Other operating income.

The table below shows the breakdown of other operating income in the first half of 2018 and their variation compared with the previous year:

Millions of Euros

	January - June 2018 (1)	January - June 2017 (1)	Difference	% Var.
Changes in fuel stock derivatives	216	29	187	644.8
Grants released to income	85	92	(7)	(7.6)
Contract Rights	19	24	(5)	(20.8)
Other	54	67	(13)	(19.4)
TOTAL	**374**	**212**	**162**	**76.4**

(1) See Note 19.3 of the Interim Condensed Consolidated Financial Statements for the six month periods ended 30 June 2018 and 2017.

In the period of January-June 2018, the amount of other operating income amounted to Euros 374 million, an increase of 76.4% over the same period of the previous year, mainly as a result of the increase of Euros 187 million in income from the valuation and liquidation energy derivatives due to the performance of the valuation and liquidation of gas and electricity derivatives that is partially offset by the Euros 62 million increase (+51.8%) in expenses for the same item recorded in the "Other Operating Expenses" section.

1.3.2. Operating expenses.

Operating expenses totalled Euros 8,961 million in the January-June 2018 period, 2.4% less than in the same period the previous year.

The table below shows the breakdown of Operating expenses in the first half of 2018 and their variation compared with the previous year:

Millions of Euros

	January - June 2018 (1)	January - June 2017 (1)	Difference	% Var.
Procurements and Services	7,111	7,380	(269)	(3.6)
Energy Purchases	2,363	2,566	(203)	(7.9)
Fuel Consumption	941	1,056	(115)	(10.9)
Transmission Expenses	2,769	2,832	(63)	(2.2)
Other Variable Procurements and Services	1,038	926	112	12.1
Personnel expenses	473	451	22	4.9
Other Fixed Operating Expenses	626	647	(21)	(3.2)
Depreciation and amortisation, and impairment losses	751	704	47	6.7
TOTAL	**8,961**	**9,182**	**(221)**	**(2.4)**

(1) See the Consolidated Income Statements for the six-month periods ending 30 June 2018 and 2017.

Procurements and services (variable costs).

Procurements and services (variable costs) totalled Euros 7,111 million in the first half of 2018, 3.6% less than in the same period the previous year.

The performance of these costs for the first half of 2018 was:

- Energy purchases decreased by Euros 203 million (-7.9%) to Euros 2,363 million, primarily because of the lower volume of electricity and gas purchases and the decrease in the average arithmetic price in the wholesale electricity market (Euros 50.1/MWh, -2.3%).

- The cost of the fuel consumed was Euros 941 million, down 10.9% (Euros 115 million) due to the drop in thermal and nuclear output in the period and the fall in the average purchase price.

– "Other variable procurements and services" totalled Euros 1,038 million, up Euros 112 million (+12.1%) year-on-year. This change can be attributed in large part to:

  - The Euros 35 million decrease as a result of the capitalisation of incremental costs incurred in acquiring customer contracts from 1 January 2018 onwards (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

  - The increase of Euros 62 million (+51.8%) in expenses relating to energy derivatives, offset in part by a Euros 187 million increase in income in this connection, which is recognised under "Other operating income", mainly due to changes in the valuation and settlement of gas and electricity derivatives.

  - The Euros 35 million increase in the cost of value added services, as a result of the increased billing corresponding to these activities (Euros 40 million).

  - The increase in the hydraulic tax due to a greater hydraulic production amounting to Euros 21 million.

  - The Euros 16 million increase in the cost of CO_2 emissions, despite the drop in thermal output, as a result of the increase in market prices.

Personnel and other fixed operating expenses (fixed costs).

In the first half of 2018, fixed costs amounted to Euros 1,099 million, practically unchanged (+0.1%) compared to the first half of 2017.

The table below presents the breakdown of fixed costs in the first half of 2018 and their variation compared with the previous year:

Millions of Euros

	Fixed Costs			
	January - June 2018 (1)	January - June 2017 (1)	Difference	% Var.
Personnel expenses	473	451	22	4.9
Other Fixed Operating Expenses	626	647	(21)	(3.2)
TOTAL	**1,099**	**1,098**	**1**	**0.1**

(1) See the Consolidated Income Statements for the six-month periods ending 30 June 2018 and 2017.

Personnel expenses

Personnel expenses for the first half of 2018 amounted to Euros 473 million, with an increase of Euros 22 million (+4.9%) compared to the first half of 2017.

In the first halves of 2018 and 2017, personnel expenses were affected by the development of the update of the provisions for current workforce reduction plans and contract suspension agreements(Euros 6 million, positive, in the first half of 2018 and Euros 13 million, positive, in the first half of 2017), and the provisioning to deal with redundancy plans, compensations and other tax and labour risks (Euros 24 million in the first half of 2018 and Euros 4 million in the first half of 2017).

Stripping out these two effects, personnel expenses for the first half of 2018 would have decreased by Euros 5 million (-1.1%), due mainly to the reduction of the average workforce of 232 employees (-2.3%).

Other fixed operating expenses.

Other fixed operating expenses in the half of 2018 stood at Euros 626 million, down Euros 21 million (-3.2%) compared to the first half of 2017.

In the first half of 2018, a net reversal of Euros 11 million for infringement proceedings was recognised, whilst a net cost of Euros 12 million was recognised for this item in the first half of 2017.

Isolating these effects, other fixed operating expenses in the first half of 2018 would have increased by Euros 2 million (+0.3%).

Depreciation and amortisation and impairment losses

The table below presents the detail of depreciation and impairment costs in the first half of 2018 and its variation compared to the previous year:

Millions of Euros

	Depreciation and amortisation, and impairment losses			
	January - June 2018 (1)	January - June 2017 (1)	Difference	% Var.
Provision for the depreciation of property, plant and equipment	608	583	25	4.3
Impairment of property, plant and equipment and investment property	-	(15)	15	100.0
Provision for amortisation of intangible assets	101	78	23	29.5
Provision for impairment losses on intangible assets	(1)	-	(1)	N/A
Provisions for bad debts and other	43	58	(15)	(25.9)
TOTAL	**751**	**704**	**47**	**6.7**

(1) See the Consolidated Income Statements for the six-month periods ending 30 June 2018 and 2017.

The following factors must be taken into account when looking at depreciation and amortisation charges for the first half of 2018:

– As a result of the activation as of 1 January 2018 in the Non-Current Asset of the Consolidated Statement of Financial Position of the incremental costs incurred in obtaining the contracts with customers, the first half of 2018 saw an increase of Euros 23 million in the depreciation expense for this item (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

– During the period January-June 2017, there was a reversal of losses due to the impairment of tangible fixed assets endowed in previous years on certain land, amounting to Euros 15 million.

Without considering the effects described in the paragraph above, depreciation and amortisation and impairment losses in the first half of 2018 would have increased by Euros 9 million (+1.3%) compared to the same period in the previous year.

1.3.3. Net financial gain/(loss).

The net financial result in the first halves of 2018 and 2017 has been negative for the amount of Euros 70 million and Euros 59 million, respectively.

The table below presents the detail of net financial profit/(loss) in the first half of 2018 and its variation compared with the same period in the previous year:

Millions of Euros

	Net Financial Gain/(Loss) (1) (2)			
	January - June 2018	January - June 2017	Difference	% Var.
Financial Income	18	34	(16)	(47.1)
Financial Expenses	(87)	(94)	7	(7.4)
Net Exchange Differences	(1)	1	(2)	(200.0)
TOTAL	**(70)**	**(59)**	**(11)**	**18.6**

(1) Net financial profit/(loss) = Financial Income - Financial Expense + Net Exchange Differences.
(2) See the Consolidated Income Statements for the six-month periods ending 30 June 2018 and 2017.

In the first half of 2018, net financial expenses totalled Euros 69 million, up Euros 9 million (+15.0%) year on year.

In the first half of 2018, net exchange rate differences were negative for the amount of Euros 1 million (Euros 1 million, positive, in the first half of 2017).

In order to analyse the development of the net financial expense, it must be taken into account that there was an update in the provisions associated with the obligations derived from the current workforce reduction plans and contract suspension agreements and the dismantling of facilities in both periods, as well as the impairment of the value of financial assets in accordance with IFRS 9 "Financial Instruments" (see Section 1.2. Changes in the Accounting Principles of this Consolidated Management Report) for a net amount of Euros 5 million, negative, in the first half of 2018 and Euros 10 million, positive, in the first half of 2017.

Without considering the impact indicated in the previous paragraph, net financial expenses would have decreased by Euros 6 million (-8.6%) due to the combination of the following factors (see Section 4.1. Financial Management of this Consolidated Management Report):

- The lower average cost of gross financial debt, which has gone from 2.3% in January-June 2017 to 2.0% in January-June 2018, which has offset;

- The increase in average gross debt of both periods, which went from Euros 5,910 million in January-June 2017 to Euros 6,335 million in January-June 2018.

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

In the first half of 2018, the net result of companies using the equity method was Euros 20 million compared to Euros 10 million, both positive, in the first half of 2017, the detail being as follows:

Millions of euros

	Net Profit/(Loss) of Companies Accounted for using the Equity Method	
	January - June 2018 (1)	**January - June 2017 (1)**
Associates	**5**	**2**
Tecnatom, S.A.	-	(4)
Gorona del Viento El Hierro, S.A.	-	3
Other	5	3
Joint Ventures	**15**	**8**
Tejo Energia - Produção e Distribução de Energia Eléctrica, S.A.	4	4
Nuclenor, S.A.	-	(7)
Énergie Électrique de Tahhadart, S.A.	1	3
Suministradora Eléctrica de Cádiz, S.A.	2	1
Elecgas, S.A.	4	4
Other	4	3
TOTAL	**20**	**10**

(1) See the Consolidated Income Statements for the six-month periods ending 30 June 2018 and 2017.

1.3.5. Profit/(loss) on asset sales

In the first half of 2018, the sale of assets amounted to Euros 19 million compared to Euros 5 million, both negative, in the first half of 2017, the detail being as follows:

Millions of euros

	Profit/(Loss) from Asset Sales	
	January - June 2018 (1)	**January - June 2017 (1)**
Proceeds from sale of investments in group companies	-	4
Aquilae Solar, S.L., Cefeidas Desarrollo Solar, S.L., Cephei Desarrollo Solar, S.L., Desarrollo Photosolar, S.L., Fotovoltaica Insular, S.L. y Sol de Media Noche Fotovoltaica, S.L.	-	4
Proceeds from sale of property, plant and equipment	(3)	-
Factoring transaction fees	(16)	(14)
Other gains/losses	-	5
TOTAL	**(19)**	**(5)**

(1) See the Consolidated Income Statements for the six-month periods ending 30 June 2018 and 2017.

1.3.6. Income tax

In the first half of 2018, the expense on Corporate Income Tax amounted to Euros 228 million, which is Euros 38 million (+20.0%) higher than the amount posted for the first half of 2017.

The effective rate in January-June 2018 was 23.2% (22.4% in January-June 2017).

In the first half of 2018, this heading of the Consolidated Income Statement includes an amount of Euros 9 million as a result of the inspection carried out by the Tax Agency in relation to Corporation Tax for 2011 to 2014, Value Added Tax (VAT) for the 2012 to 2014, and the Withholdings for 2011 to 2014 and partially 2015 to 2017 (see Note 12.2 of the Explanatory Notes that are part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2018).

Without considering the effect described in the previous paragraph, the effective rate for the January-June 2018 period would be 22.3%.

1.3.7. Net profit/(loss).

Net profit attributable to the parent company in the first half of 2018 stood at Euros 752 million, an increase of Euros 99 million year on year (+15.2%).

1.4. Segment Information.

The table below shows the breakdown of the most important figures for ENDESA's businesses in the first half of 2018:

Millions of Euros

	January-June 2018				January-June 2017			
	Generation and Supply	Distribution	Structure and others (3)	TOTAL	Generation and Supply	Distribution	Structure and others (3)	TOTAL
Income	8,649	1,387	(102)	9,934	8,818	1,290	(104)	10,004
Contribution margin	1,591	1,286	(54)	2,823	1,455	1,224	(55)	2,624
EBITDA (1)	795	1,012	(3)	1,804	698	936	(29)	1,605
EBIT (2)	371	707	(25)	1,053	291	667	(57)	901
Net financial gain/(loss)	(83)	(36)	49	(70)	(50)	(46)	37	(59)
Profit/(loss) before tax	283	676	25	984	235	629	(16)	848
Net gain/(loss)	219	514	19	752	187	476	(10)	653

(1) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel Expenses - Other Fixed Operating Expenses.
(2) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.
(3) Structure, Services and Adjustments.

1.4.1. Contribution margin.

The table below presents the distribution of the sales and other operating income among ENDESA Businesses in the first half of 2018 and variations compared with the same period of the previous year:

Millions of Euros

	Sales (2)				Other Operating Income (2)			
	January-June 2018	January-June 2017	% Var.	% contribution to total	January-June 2018	January-June 2017	% Var.	% contribution to total
Generation and Supply	8,374	8,718	(3.9)	87.6	275	100	175.0	73.5
Non-mainland Territories generation	984	965	2.0	10.3	3	5	(40.0)	0.8
Other Generation and Supply	7,858	8,188	(4.0)	82.2	272	95	186.3	72.7
Adjustments	(468)	(435)	7.6	(4.9)	-	-	-	-
Distribution	1,265	1,157	9.3	13.2	122	133	(8.3)	32.6
Structure and Others (1)	(79)	(83)	(4.8)	(0.8)	(23)	(21)	9.5	(6.1)
TOTAL	**9,560**	**9,792**	**(2.4)**	**100.0**	**374**	**212**	**76.4**	**100.0**

(1) Structure, Services and Adjustments.
(2) See Note 19.2 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

The following table contains the breakdown of procurements and services between ENDESA's Businesses in the first half of 2018 and variations compared with the same period of the previous year:

Millions of Euros

	Procurements and Services (2) (3)			
	January - June 2018	January - June 2017	% Var.	% contribution to total
Generation and Supply	7,058	7,363	(4.1)	99.3
Non-mainland Territories generation	677	605	11.9	9.5
Other Generation and Supply	6,847	7,190	(4.8)	96.3
Adjustments	(466)	(432)	7.9	(6.5)
Distribution	101	66	53.0	1.4
Structure and Others (1)	(48)	(49)	(2.0)	(0.7)
TOTAL	**7,111**	**7,380**	**(3.6)**	**100.0**

(1) Structure, Services and Adjustments.
(2) Procurements and Services = Energy Purchases + Fuel Consumption + Transmission Expenses + Other Variable Procurements and Services.
(3) See Note 19.2 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

The following table contains the breakdown of the contribution margin between ENDESA's businesses in the first half of 2018 and variations compared with the same period of the previous year:

Millions of Euros

	Contribution Margin (2) (3)			
	January - June 2018	January - June 2017	% Var.	% Contribution to total
Generation and Supply	1,591	1,455	9.3	56.3
Non-mainland generation	310	365	(15.1)	11.0
Other Generation and Supply	1,283	1,093	17.4	45.4
Adjustments	(2)	(3)	(33.3)	(0.1)
Distribution	1,286	1,224	5.1	45.6
Structure and Others (1)	(54)	(55)	(1.8)	(1.9)
TOTAL	**2,823**	**2,624**	**7.6**	**100.0**

(1) Structure, Services and Adjustments.
(2) Contribution Margin = Revenues - Procurements and Services.
(3) See Note 19.2 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

Generation and Supply

The contribution margin in the Generation and Supply segment in the first half of 2018 totalled Euros 1,591 million, up Euros 136 million year on year (+9.3%), due mainly to the following factors:

– Decrease in electricity prices on the wholesale market (Euros 50.1/MWh; -2.3%) and the subsequent decrease in power purchase costs (-7.9%).

– The drop in thermal and nuclear output and the decrease in fuel prices, resulting in a decrease in fuel consumed (-10.9%).

– The Euros 35 million decrease as a result of the capitalisation of incremental costs under Non-Current Assets of the Consolidated Statement of Financial Position incurred in acquiring customer contracts from 1 January 2018 onwards (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

– The Euros 16 million increase in the cost of CO_2 emissions, despite the drop in thermal output, as a result of the increase in market prices.

Distribution.

The contribution margin in the Distribution segment in the first half of 2018 totalled Euros 1,286 million, up Euros 62 million (+5.1%) year on year, due mainly to the remuneration from the distribution activity.

Structure and Others.

The contribution margin of Structure and Others in the first half of 2018 amounted to Euros 54 million, negative, and mainly includes the cost of the Social Bonus according to Royal Decree 897/2017, of 6 October 2017 (see Section 3. Regulatory Framework of this Consolidated Management Report).

1.4.2. EBITDA.

The table below presents the distribution of the EBITDA amongst ENDESA businesses in the first half of 2018 and variations compared with the same period of the previous year:

Millions of Euros

	EBITDA (2) (3)			
	January - June 2018	January - June 2017	% Var.	% contribution to total
Generation and Supply	795	698	13.9	44.1
Non-mainland Territories generation	176	235	(25.1)	9.8
Other Generation and Supply	619	463	33.7	34.3
Adjustments	-	-	-	-
Distribution	1,012	936	8.1	56.1
Structure and Others (1)	(3)	(29)	(89.7)	(0.2)
TOTAL	**1,804**	**1,605**	**12.4**	**100.0**

(1) Structure, Services and Adjustments.
(2) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel Expenses - Other Fixed Operating Expenses.
(3) See Note 19.2 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

The following table contains the breakdown of personnel expenses and other fixed operating costs for ENDESA's businesses in the first half of 2018 and variations compared with the same period of the previous year:

Millions of Euros

	Personnel Expenses (2)				Other Fixed Operating Expenses (2)			
	January-June 2018	January-June 2017	% Var.	% Contribution to total	January-June 2018	January-June 2017	% Var.	% Contribution to total
Generation and Supply	269	236	14.0	56.9	544	532	2.3	86.9
Non-mainland Territories generation	41	45	(8.9)	8.7	93	84	10.7	14.9
Other Generation and Supply	228	191	19.4	48.2	453	451	0.4	72.3
Adjustments	-	-	-	-	(2)	(3)	(33.3)	(0.3)
Distribution	125	133	(6.0)	26.4	206	215	(4.2)	32.9
Structure and Others (1)	79	82	(3.7)	16.7	(124)	(100)	24.0	(19.8)
TOTAL	**473**	**451**	**4.9**	**100.0**	**626**	**647**	**(3.2)**	**100.0**

(1) Structure, Services and Adjustments.
(2) See Note 19.2 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

Generation and Supply.

EBITDA for this segment amounted to Euros 795 million, (+13.9%) in the first half of 2018. The following factors must be taken into account when looking at EBITDA for the first half of 2018:

– The 9.3% increase in the contribution margin.

– The 14.0% increase in personnel expenses, as a result of the increased average workforce during the period (29 employees) and the development of the update of the provisions for current workforce reduction plans and contract suspension agreements (Euros 2 million, negative, in the first half of 2018 and Euros 6 million, positive, in the first half of 2017), and the provisioning to deal with redundancy plans, compensations and other tax and labour risks (Euros 31 million in the first half of 2018 and Euros 1 million in the first half of 2017).

Distribution.

For the first half of 2018, EBITDA for this segment was Euros 1,012 million (+8.1%), including:

– The positive performance of the contribution margin (+5.1%).

– The performance of fixed operating costs, which have been reduced by Euros 17 million as a result of lower personnel expenses (-6.0%), mainly due to the decrease in the average workforce (-5.0%), and the reduction in other fixed operating expenses (-4.2%), mainly due to the Euros 15 million reduction in fines.

Structure and Others.

The gross operating result (EBITDA) of the first half of 2018 of Structure and Others was Euros 3 million, negative, which represented an improvement of Euros 26 million compared to the same period of the previous year (Euros 29 million, negative) and includes the Euros 3 million reduction in personnel expenses due to the lower average workforce for the period (-6.2%).

1.4.3. EBIT.

The table below presents the distribution of the EBIT amongst ENDESA businesses in the first half of 2018 and variations compared with the same period of the previous year:

Millions of Euros

	EBIT (2) (3)			
	January - June 2018	January - June 2017	% Var.	% Contribution to the Total
Generation and Supply	371	291	27.5	35.2
Non-mainland Territories generation	92	154	(40.3)	8.7
Other Generation and Supply	279	137	103.6	26.5
Adjustments	-	-	-	-
Distribution	707	667	6.0	67.2
Structure and Others (1)	(25)	(57)	(56.1)	(2.4)
TOTAL	**1,053**	**901**	**16.9**	**100.0**

(1) Structure, Services and Adjustments.
(2) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.
(3) See Note 19.2 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

The following table contains the distribution of depreciation and amortisation and impairment losses between ENDESA's businesses in the first half of 2018 and variations compared with the same period of the previous year:

Millions of Euros

	Depreciation and Amortisation, and Impairment Losses (2)			
	January - June 2018	January - June 2017	% Var.	% contribution to total
Generation and Supply	424	407	4.2	56.5
Non-mainland territories generation	84	82	2.4	11.2
Other Generation and Supply	340	325	4.6	45.3
Adjustments	-	-	-	-
Distribution	305	269	13.4	40.6
Structure and Others (1)	22	28	(21.4)	2.9
TOTAL	**751**	**704**	**6.7**	**100.0**

(1) Structure, Services and Adjustments.
(2) See Note 19.2 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

Generation and Supply.

In the first half of 2018, EBIT for the Generation and Supply segment was Euros 371 million (+27.5%), including:

– The 13.9% increase in EBITDA.

– The increase in the cost of depreciations and amortisations in the first half of 2018 by Euros 17 million (+4.2%) due to the increase of Euros 23 million as a result of the capitalisation of incremental costs incurred in the acquisition of customer contracts under the Non-Current Assets on the Consolidated Statement of Financial Position, from 1 January 2018 onwards (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

Distribution.

EBIT for the Distribution segment in the first half of 2018 grew by Euros 40 million year-on-year (+6.0%), mainly as a result of the 8.1% rise in EBITDA.

Structure and Others.

EBIT in the Structure and Others segment has improved by Euros 32 million against the same period of the previous year.

2. Other information.

2.1. Consolidation scope

Corporate transactions related to capacity awarded in renewable power auctions.

As a result of the capacity auctions, which took place on 17 May 2017 and 26 July 2017, ENDESA, through ENEL Green Power España, S.L.U. (EGPE) was awarded 540 MW of wind capacity and 339 MW of photovoltaic capacity in the first half of 2018, respectively, formally arranged through the following corporate acquisitions:

	Inclusions of Companies January - June 2018					
	Acquisition Date	Technology	% Ownership at 30 June 2018		% Ownership at 31 December 2017	
			Control	Ownership	Control	Ownership
Valdecaballero Solar, S.L.U.	9 January 2018	Photovoltaic	100.00	100.00	-	-
Navalvillar Solar, S.L.U.	9 January 2018	Photovoltaic	100.00	100.00	-	-
Castiblanco Solar, S.L.U.	9 January 2018	Photovoltaic	100.00	100.00	-	-
Parque Eólico Muniesa, S.L.U.	12 January 2018	Wind	100.00	100.00	-	-
Parque Eólico Farlán, S.L.U.	12 January 2018	Wind	100.00	100.00	-	-
Aranort Desarrollos, S.L.U.	19 January 2018	Wind	100.00	100.00	-	-
Bosa del Ebro, S.L.	21 February 2018	Wind	51.00	51.00	-	-
Tauste Energía Distribuida, S.L.	23 March 2018	Wind	51.00	51.00	-	-
Eólica del Cierzo, S.L.U.	23 March 2018	Wind	100.00	100.00	-	-
San Francisco de Borja, S.A.	23 March 2018	Wind	66.67	66.67	-	-
Energía Eólica Alto del Llano, S.L.U.	11 May 2018	Wind	100.00	100.00	-	-

The price agreed for all the aforementioned transactions was less than Euros 1 million (see Section 4.2. Cash Flows of this Consolidated Management Report).

ENDESA has recognised the acquisition of these companies as a business combination, and using the acquisition method, has definitively recognised the acquired assets and assumed liabilities (net acquired assets) of each one of these companies at fair value on its acquisition date under the following consolidated financial statement headings:

Millions of Euros

	Fair Value
Non-current assets	**2**
Property, plant and equipment	2
TOTAL ASSETS	**2**
Current Liabilities	**1**
Current Financial Debt	1
TOTAL LIABILITIES	**1**
Fair Value of Net Assets Acquired	**1**

The companies acquired are currently applying for permits and licences to carry out their projects. Therefore, construction work has not yet started on the renewable power facilities, and therefore, no revenue has been generated since the acquisition date.

Parques Eólicos Gestinver, S.L.U.

On 3 April 2018, an agreement was signed, through its subsidiary ENEL Green España, S.L.U. (EGPE), for the acquisition of 100% of the share capital of Parques Eólicos Gestinver, S.L.U. and Parques Eólicos Gestinver Gestión, S.L.U., for the sum of Euros 42 million.

Parques Eólicos Gestinver, S.L.U. has an installed wind power capacity of 132 MW, distributed across 5 wind farms located in the regions of Galicia and Catalonia.

Through this acquisition, ENDESA reinforces its presence in the Iberian generation market by expanding the portfolio of renewable assets in its production mix.

The net cash outflow from the acquisition of Parques Eólicos Gestinver, S.L. was calculated as follows:

Millions of Euros

	Sections	
Cash and cash equivalents of the acquiree		(12)
Net Amount Paid in Cash (1) (2)		57
TOTAL	4.2	**45**

(1) The purchase costs booked under "Other fixed operating expenses" in the consolidated income statement were Euros 1 million.
(2) Of the total, Euros 42 million correspond to the price of the shareholding in the company and Euros 15 million to the subordinated debt held by the company's former shareholders.

The purchase price was provisionally allocated on the basis of the acquisition-date fair value of the assets acquired and liabilities assumed (Net Assets Acquired) from Parques Eólicos Gestinver, S.L. under the following items in the Consolidated Financial Statements:

Millions of Euros

	Fair value
Non-Current assets	**181**
Property, plant and equipment	139
Intangible Assets	34
Deferred Tax Assets	8
Current assets	**19**
Trade and other accounts receivable	5
Current Financial Assets	2
Cash and Cash Equivalents	12
TOTAL ASSETS	**200**
Non-Current liabilities	**140**
Non-current Provisions	1
Non-current Financial Debt (1)	130
Deferred Tax Liabilities	9
Current Liabilities	**18**
Current Financial Debt	12
Trade Payables and Other Current Liabilities	6
TOTAL LIABILITIES	**158**
Fair Value of Net Assets Acquired	**42**

(1) **Includes debts with credit institutions for an amount of Euros 104 million (see Note 13.1** of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018**), derivatives for an amount of Euros 11 million and debts with Group and Associated Companies for an amount of Euros 15 million.**

When determining the fair value of the assets acquired and the liabilities assumed, the expected discounted cash flows were taken into consideration in line with the remuneration system in force at the acquisition date.

The contribution of the acquired company from the date of acquisition until 30 June 2018 was as follows:

Millions of Euros

	3 April 2018 - 30 June 2018
Revenue	5
Profit/(Loss) After Tax	(1)

Likewise, if the acquisition had taken place on 1 January 2018, the contribution of the company acquired in the six-month period ended 30 June 2018 would have been as follows:

Millions of Euros

	January - June 2018
Revenue	13
Profit After Tax	1

Eólica del Principado, S.A.U.

On 22 May 2018, ENEL Green Power España, S.L.U. (EGPE) acquired 60.0% of the share capital of Eólica del Principado, S.A.U., a company whose activity consists in the generation of electricity through renewable wind technology, and on which it previously held a 40.0% stake.

As a result of this transaction, ENDESA went from having significant influence to full control of Eólica del Principado, S.A.U. that it maintained to date.

The net outflow of cash originated by the acquisition of Eólica del Principado, S.A.U. has amounted to less than Euros 1 million.

The purchase price was finally allocated, on the basis of the fair value of the assets acquired and the liabilities undertaken (Net Assets Acquired) from Eólica del Principado, S.A.U. on the acquisition date, under the following headings in the consolidated financial statements:

Millions of Euros

	Fair Value
Non-Current assets	**1**
Property, plant and equipment	1
TOTAL ASSETS	**1**
Fair Value of Net Assets Acquired	**1**

In the first half of 2018, revenue and profit after taxes generated by the company since the acquisition date until 30 June 2018 were insignificant. Additionally, had the acquisition taken place on 1 January 2018, revenue and profit after taxes generated from this transaction during the first half of 2018 would have amounted to less than Euros 1 million.

The net gain at the date control was obtained from the measure at fair value of the previously held non-controlling interest of 40.0% in Eólica del Principado, S.A.U. was less than Euros 1 million.

Other information

On 19 June 2018, ENDESA Red, S.A.U., made a binding offer to purchase all of the share capital of Empresa de Alumbrado Eléctrico de Ceuta, S.A. The price offered was Euros 13.21 per share, which represents a total amount of Euros 88 million, in the case of acquiring the entire share capital.

The purchase was previously conditioned to obtaining the mandatory authorisation from the Spanish competition authorities, as well as ENDESA Red, S.A.U. acquiring at least a controlling interest in excess of 50.01% of the capital share of Empresa de Alumbrado Eléctrico de Ceuta, S.A.

As of the date of approval of this Consolidated Management Report, shareholders holding 94.4% of the company's share capital have attended the abovementioned binding purchase offer, having obtained authorization without conditions from the Spanish Commission of the Markets and the Competition (CNMC) for the closing of the operation.

Consequently, the bidding process is successfully completed and it is expected that before 31 July 2018 the agreed price will be paid to the shareholders accepting the offer and to the acquisition of their representative securities, which represent 94.4 % of the share capital of Empresa de Alumbrado Eléctrico de Ceuta, S.A.

On 17 July 2018, through its subsidiary ENEL Green España, S.L.U. (EGPE), ENDESA acquired 100% of the shares of Sistemas Energéticos Campoliva, S.A. to Siemens Gamesa Renewable Energy Invest, S.A.U. for Euros 3 million, which includes Euros 1 million for debt repayment.

Also on 17 July 2018, through its subsidiary ENEL Green España, S.L.U. (EGPE), it signed agreements with Siemens Gamesa Renewable Invest, S.A.U. to purchase 100% of the shares of Sistemas Energéticos Sierra del Carazo, S.A. and Sistemas Energéticos Alcohujate, S.A. in the coming months, for Euros 2 million.

3. Regulatory Framework.

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

2018 electricity tariff

On 27 December 2017, the Official State Gazette (BOE) published Order ETU/1282/2017 of 22 December, which establishes the access tariffs for 2018.

Access tariffs remained unchanged in the Order.

Natural gas tariff for 2018

Under Order ETU/1283/2017 of 22 December access tariffs in force in 2017 were largely maintained, having updated the Last Resort Tariffs with an average increase of 5% resulting from higher raw material costs.

On 30 June 2018, the Resolution of 28 June 2018 was published in the Official State Gazette (BOE), publishing the LRT for natural gas to be applied from 1 July 2018, resulting in an average increase of approximately 3.4%, derived from the increase in the cost of the raw material.

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 ETU/257/2018 of 16 March entailed a contribution by ENDESA to the Energy Efficiency National Fund of Euros 29 million, corresponding to its 2018 obligations.

Social Bonus

In March 2018, the Energy, Tourism and Digital Agenda (now the Ministry for the Ecological Transition) started processing a proposed Order that sets the financing distribution percentage of the 2018 Social Bonus, with the percentage proposed for ENDESA set at 37.15%, whereas the current percentage provided for under Royal Decree Law 7/2016, of 23 December, standing at 37.7%.

Furthermore, on 7 April 2018, Order ETU/361/2018 was published, amending the Social Bonus application forms established in Order ETU/943/2017, of 6 October, which implements Royal Decree 897/2017, of 6 October, regulating the figure of the vulnerable consumers, the Social Bonus and other protection measures for domestic consumers of electricity. Furthermore, this Order extends the existing transitional period until 8 October 2018 for consumers of electricity who, on the date of entry into force of Order ETU/943/2017, of 6 October, were beneficiaries of the Social Bonus, to prove the status of vulnerable consumer in accordance with the provisions of Royal Decree 897/2017, of October 6.

4. Liquidity and Capital Resources.

4.1. Financial management.

Financial debt

As of 30 June 2018, ENDESA had net financial debt of Euros 5,956 million, an increase of Euros 971 million (+19.5%) compared to the debt at 31 December 2017.

The reconciliation of ENDESA's gross and net financial debt at 30 June 2018 and 31 December 2017 is as follows:

Millions of Euros

	30 June 2018	31 December 2017	Difference	% chg
Non-Current Financial Debt (1)	5,556	4,414	1,142	25.9
Current Financial Debt (1)	1,287	978	309	31.6
Gross Financial Debt	**6,843**	**5,392**	**1,451**	**26.9**
Cash and Cash Equivalents (2)	(880)	(399)	(481)	120.6
Derivatives Recognised as Financial Assets (3)	(7)	(8)	1	(12.5)
Net Financial Debt	**5,956**	**4,985**	**971**	**19.5**

(1) See Note 13.1 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.
(2) See Note 10 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.
(3) See Note 14.3.1 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

To analyse the performance of net financial debt in the first half of 2018, it must also be taken into account that on 2 January 2018, ENDESA paid its shareholders an interim dividend of 2017 of Euros 0.7 gross per share, which entailed an outlay of Euros 741 million (see Note 11.2 of the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2018 and Sections 4.2. Cash Flows and 4.4 Dividends of this Consolidated Management Report).

The structure of ENDESA's gross financial debt at 30 June 2018 and 31 December 2017 was as follows:

Millions of Euros

		30 June 2018	31 December 2017	Difference	% chg
Euro		6,843	5,392	1,451	26.9
TOTAL		**6,843**	**5,392**	**1,451**	**26.9**
Fixed rate		3,555	3,611	(56)	(1.6)
Floating rate		3,288	1,781	1,507	84.6
TOTAL		**6,843**	**5,392**	**1,451**	**26.9**
Average life (years)	(1)	5.4	6.1	-	-
Average Cost	(2)	2.0	2.1	-	-

(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 financial debt) / gross average financial debt.

As of 30 June 2018, 52% of the gross financial debt was at fixed interest rates, while 48% was at floating rates. At this date, 100% of the Company's gross financial debt is denominated in euros.

At 30 June 2018, the breakdown of gross financial debt without derivatives by maturity was as follows:

Millions of Euros

	Maturity of Gross Financial Debt (without Derivatives)							
	Carrying amount at 30 June 2018 (1)	Current	Non-Current	Maturity				
				2018	2019	2020	2021	Subsequent
Bonds and other marketable securities	1,235	1,200	35	1,200	16	-	-	19
Bank borrowings	1,360	16	1,344	8	55	58	119	1,120
Other Borrowings	4,241	71	4,170	41	43	733	33	3,391
TOTAL	**6,836**	**1,287**	**5,549**	**1,249**	**114**	**791**	**152**	**4,530**

(1) Excludes Euros 7 million corresponding to financial derivatives.

Main financial transactions.

In the first half of 2018, ENDESA extended the credit facilities arranged with various financial institutions maturing in September 2019 (Euros 160 million) and March 2021 (Euros 1,825 million).

In the same period, ENDESA maintained the Euro Commercial Paper (ECP) emissions programme through International ENDESA, B.V., and the active balance thereof as of 30 June 2018 is Euros 1,200 million, and its renewal is backed by irrevocable bank credit facilities.

During the first half of 2018, ENDESA has also settled the Project Finance bank financing held by some subsidiaries of ENEL Green Power España, S.L.U. (EGPE) for a total amount of Euros 160 million (see Note 18.3 of the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2018 and Section 4.2. Cash Flows of this Consolidated Management Report).

As part of the financial transaction signed with the European Investment Bank (EIB) in 2017, Euros 500 million was drawn down during the period. This draw down bears a floating interest rate, with a 12-year maturity payable as of May 2022 (see Section 4.2. Cash Flows of this Consolidated Management Report).

At 30 June 2018, the balance arranged by ENDESA of the uncommitted intercompany credit line with ENEL Finance International, N.V., for Euros 1,500 million, amounts to Euros 700 million.

Liquidity.

As of 30 June 2018, ENDESA liquidity rose to Euros 3,869 million (Euros 3,495 million at 31 December 2017) as detailed below:

Millions of Euros

	Liquidity (3)			
	30 June 2018	31 December 2017	Difference	% Var.
Cash and Cash Equivalents	880	399	481	120.6
Unconditional availability in Credit Facilities(1)	2,989	3,096	(107)	(3.5)
TOTAL	**3,869**	**3,495**	**374**	**10.7**
Coverage of Debt Maturities (months) (2)	32	29	-	-

(1) As of 30 June 2018 and 31 December 2017, 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 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

Treasury investments considered as "Cash and Cash Equivalents" are high liquidity and entail no risk of changes in value, mature within 3 months from their contract date and accrue interest at the market rates for such instruments.

Restrictions that could affect the drawdown of funds by ENDESA are described in Explanatory Notes 10 and 13.2.3 that form part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2018.

Credit rating.

ENDESA's credit ratings are as follows:

	30 June 2018 (1) (2)			31 December 2017 (1) (2)		
	Non-current	Current	Outlook	Non-current	Short Term	Outlook
Standard & Poor's	BBB+	A-2	Stable	BBB+	A-2	Stable
Moody's	Baa2	P-2	Stable	Baa2	P-2	Stable
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Stable

(1) At the respective dates of approval of the Consolidated Financial Statements.
(2) See Note 11 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

ENDESA's credit rating is restricted to the rating of its parent company ENEL according to the methods employed by rating agencies on the date of creating this Consolidated Management Report, has been classified as "investment grade" by all the rating agencies.

ENDESA works to maintain its investment grade credit rating to be able to efficiently access money markets and bank funding, and to obtain preferential terms from its main suppliers.

Leverage ratio.

Details of the consolidated leverage ratio at 30 June 2018 and 31 December 2017 are as follows:

Millions of Euros

		Leverage ratio (1)	
		30 June 2018	31 December 2017
Net Financial Debt:		**5,956**	**4,985**
Non-Current Financial Debt	(2)	5,556	4,414
Current Financial Debt	(2)	1,287	978
Cash and Cash Equivalents	(3)	(880)	(399)
Derivatives recognised as Financial Assets	(4)	(7)	(8)
Equity:	(5)	**9,328**	**9,233**
Of the Parent Company		9,195	9,096
Of the Non-Controlling Interests		133	137
Leverage (%)		**63.85**	**53.99**

(1) Leverage = Net financial debt / equity.
(2) See Note 13.1 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.
(3) See Note 10 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.
(4) See Note 14.3.1 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.
(5) See Note 11 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

4.2. Cash flows.

As of 30 June 2018, cash and cash equivalents stood at Euros 880 million (Euros 451 million as of 30 June 2017) (see Note 10 of the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements corresponding to the six-month period ended 30 June 2018).

ENDESA's net cash flows in the first halves of 2018 and 2017, classified by activities (operation, investment and financing) were:

Millions of Euros

	Statement of cash flows (1)	
	January - June 2018	January - June 2017
Net Cash Flows from operating activities	639	675
Net Cash Flows used in Investing Activities	(749)	(608)
Net Cash Flows used in Financing Activities	591	(34)

(1) See Consolidated Statements of Cash Flows for the six-month periods ending 30 June 2018 and 2017.

Net Cash Flows from Operating Activities.

In the first half of 2018, net cash flows from operating activities amounted to Euros 639 million (Euros 675 million in the first half of 2017) which are as follows:

Millions of euros

	January - June 2018	January - June 2017
Profit before Tax and Non-Controlling Interests	984	848
Adjustments for:	805	677
Depreciation and amortisation, and impairment losses	751	704
Other Adjustments (Net)	54	(27)
Changes in working capital:	(1,047)	(687)
Trade and other accounts receivable	182	(139)
Inventories	(159)	(101)
Current Financial Assets	(209)	(537)
Trade Payables and Other Current Liabilities	(861)	90
Other cash flows from/(used in) operating activities:	(103)	(163)
Interest Received	16	29
Dividends Received	6	4
Interest Paid	(73)	(74)
Income Tax Paid	72	7
Other Receipts from and Payments for Operating Activities	(124)	(129)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**639**	**675**

The variations in the different items determining the net cash flows from operating activities include:

– The higher profit before tax and non-controlling interests for the period (Euros 136 million).

- Changes in working capital between the two periods amounting to Euros 360 million, mainly as a result of the increase in payments to commercial creditors for Euros 951 million, of the positive performance of commercial debtors and other accounts receivable for an amount of Euros 321 million and the highest charges for compensations for the extra-costs of the generation of the Non-Peninsular Territories (TNP) for Euros 266 million.

- The variation in the payment of Corporate Tax in both periods amounting to Euros 65 million.

As of 30 June 2018, 31 December 2017 and 30 June 2017, the working capital comprised the following items:

Millions of Euros

	Working Capital		
	30 June 2018	31 December 2017	30 June 2017
Current Assets (1)	**5,237**	**5,131**	**4,987**
Inventories	1,222	1,267	1,118
Trade and other accounts receivable	3,122	3,100	3,240
Current Financial Assets	893 (2)	764 (3)	629 (4)
Current Liabilities (5)	**5,752**	**6,557**	**5,839**
Current provisions	305	425	315
Trade Payables and other Current Liabilities	5,447 (6)	6,132 (7)	5,524 (8)

(1) It does not include "Cash and Cash Equivalents" or Financial Derivative Assets corresponding to financial debt.
(2) Includes Euros 196 million corresponding to collection rights for financing of the deficit from regulated activities, Euros 94 million concerning remuneration for the electricity distribution activity and Euros 546 million corresponding to stranded generation costs in Non-Mainland Territories.
(3) Includes Euros 222 million corresponding to collection rights for financing of the deficit from regulated activities, Euros 70 million concerning remuneration for the electricity distribution activity and Euros 304 million corresponding to stranded generation costs in Non-Mainland Territories.
(4) Includes Euros 226 million corresponding to collection rights for financing of the deficit from regulated activities, Euros 50 million concerning remuneration for the electricity distribution activity and Euros 276 million corresponding to stranded generation costs in Non-Mainland Territories.
(5) Excluding "Current Financial Debt" and Financial Derivative Liabilities corresponding to financial debt.
(6) (Includes the supplementary dividend for 2017 for Euros 722 million, which was paid on 2 July 2018 (see Note 11.2 of the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2018).
(7) Includes the interim dividend for 2017 for Euros 741 million, which was paid on 2 January 2018 (see Note 11.2 of the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2018 and Section 4.4. Dividends of this Consolidated Management Report).
(8) Includes the interim dividend for 2016 of Euros 670 million, paid on 3 July 2017.

Net Cash Flows used in investing activities

In the first half of 2018, net cash flows applied to investment activities amounted to Euros 749 million (Euros 608 million in the first half of 2017) and include, among other aspects:

- Net cash payments applied to the acquisitions of property, plant and equipment and intangible assets:

Millions of euros

	January - June 2018	January - June 2017
Acquisitions of Property, Plant and Equipment and Intangible Assets	**(664)**	**(593)**
Purchase of property, plant and equipment	(458)	(309)
Purchase of intangible assets	(71)	(41)
Facilities transferred from customers	29	33
Suppliers of property, plant and equipment	(164)	(276)
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets	**3**	**5**
Grants and other deferred income	**40**	**29**
Total	**(621)**	**(559)**

– Net cash payments for investments and/or receipts from disposals of holdings in Group companies:

Millions of euros

	Sections	January - June 2018	January - June 2017
Purchase of Investments in Group Companies		**(46)**	**(1)**
Corporate transactions related to capacity awarded in renewable power auctions.	2.1	(1)	-
Parques Eólicos Gestinver, S.L.U.	2.1	(45)	-
Eléctrica de Jafre, S.A.		-	(1)
Proceeds from sale of investments in group companies		**20**	**16**
Nueva Marina Real Estate, S.L. (1)		**20**	**-**
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.		-	16
TOTAL		(26)	15

(1) Sale transaction formalized on 28 December 2017.

Net Cash Flows used in financing activities

In the first half of 2018, the cash flows from financing activities came to Euros 591 million (Euros 34 million, negative, in the first half of 2017), mainly including the following aspects:

– Proceeds from borrowings, non-current:

Millions of euros

	Sections	January - June 2018	January - June 2017
Drawdowns from the European Investment Bank (EIB)	4.1	500	300
Drawdowns from Credit Facilities		10	743
Other		12	4
TOTAL		**522**	**1,047**

– Reimbursements from non-current financial debt:

Millions of euros

	Sections	January - June 2018	January - June 2017
Amortisation bank loans Productor Regional de Energía Renovable, S.A.U.	4.1	(44)	
Repayment of Lines of Credit		-	(463)
Amortisation Natixis Loans		-	(21)
Other		(5)	(14)
TOTAL		**(49)**	**(498)**

– Amortisations and drawdowns of current financial debt:

Millions of euros

	Sections	January - June 2018	January - June 2017
Repaid			
Amortisation of Bonds ECP Issued by International ENDESA B.V.		(3,562)	(2,642)
Repayments of ENEL Finance B.V. Lines of Credit	4.1	(2,500)	(150)
Amortisation of Parque Eólico Gestinver, S.L.U. Bank Loan	4.1	(116)	-
Amortisation of Bonds issued by ENDESA Capital, S.A.U. Issuances		-	(36)
Other		(66)	(146)
Drawns			
Drawdowns of Bonds ECP Issued by International ENDESA B.V.		3,873	2,910
Drawdowns of ENEL Finance B.V. Lines of Credit	4.1	3,200	150
Other		38	73
TOTAL		**867**	**159**

– Dividends paid:

Millions of euros

	Sections	January - June 2018	January - June 2017
Parent Dividends Paid	4.4	(741)	(741)
Dividends to Non-controlling Interests Paid (1)		(7)	(1)
TOTAL		**(748)**	**(742)**

(1) Corresponding to companies of ENEL Green Power España, S.L.U. (EGPE).

4.3. Investments.

In the first half of 2018, ENDESA made gross investments of Euros 554 million. Of this amount, Euros 529 million were related to property, plant and equipment and investment in intangible assets, and the remaining Euros 25 million to financial investments, as follows:

Millions of Euros

	Investments (1)		
	January - June 2018	January - June 2017	% Var.
Generation and Supply	184	88	109.1
Distribution	273	221	23.5
Structure and others	1	-	-
TOTAL PROPERTY, PLANT AND EQUIPMENT (2)	**458**	**309**	**48.2**
Generation and Supply	48	15	220.0
Distribution	14	15	(6.7)
Structure and others	9	11	(18.2)
TOTAL INTANGIBLE ASSETS (3)	**71**	**41**	**73.2**
FINANCIAL INVESTMENTS	**25**	**42**	**(40.5)**
TOTAL GROSS INVESTMENTS	**554**	**392**	**41.3**
TOTAL NET INVESTMENTS (4)	**485**	**330**	**47.0**

(1) Does not include business combinations made during the period (see Section 2.1. Scope of Consolidation of this Consolidated Management Report and Note 4 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018).
(2) See Note 5.1 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.
(3) See Note 6.1 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.
(4) Net investments = Gross investments - Capital grants and transferred facilities.

Investments in Property, Plant and Equipment.

Gross generation investments for the first half of 2018 correspond, for the most part, with investments related to the construction of the wind and photovoltaic power awarded in the auctions carried out in the year 2017, amounting to Euros 63 million (see Note 5.3 of the Explanatory Notes to the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 30 2018).

Additionally, investments have been made on plants that were already operating at 31 December 2017, prominently including the sum of less than Euros 1 million investment in the Litoral power plant to adapt it to European environmental legislation and in the As Pontes power plant for the sum of Euros 16 million in line with the Industrial Emissions Directive (IED).

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

Investments in Intangible Assets.

Gross investments in intangible assets in the first half of 2018 correspond to IT applications and ongoing investments in ICT activities for the sum of Euros 34 million and the capitalisation of incremental costs incurred corresponding to the acquisition of customer contracts for the sum of Euros 35 million (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

Financial investments.

The gross investments in the first half of 2018 include, primarily, guarantees and deposits for Euros 17 million.

4.4. Dividends.

At its session held on 21 November 2017, the Board of Directors of ENDESA, S.A. approved the following shareholder remuneration policy for 2017-2020:

– 2017 to 2020: the ordinary dividend per share distributed against these years will be the equivalent to 100% of ordinary net profit attributable to the Parent company set down in the Consolidated Financial Statements of the Group headed by this company, with a minimum of Euros 1.32 per share, gross, in 2017 and Euros 1.33 per share, gross in 2018.

– The intention of the Board of Directors of ENDESA, S.A. is that the ordinary dividend will be paid solely in cash in two instalments (January and July) on a given date to be determined in each case, which will be duly notified.

Notwithstanding the foregoing, ENDESA, S.A.'s capacity to pay out dividends to its shareholders depends on numerous factors, including the generation of profit and the availability of unrestricted reserves, and, therefore, the Company cannot ensure that dividends will be paid out in future years or the amount of such dividends if paid.

Approval was given at ENDESA, S.A.'s General Shareholders' Meeting of 23 April 2018 to pay shareholders a total dividend charged against 2017 profit for a gross amount of Euros 1.382 per share (Euros 1,463 million in total). The breakdown of these dividends is as follows:

Millions of euros

	Approval date	Gross Euros per share	Amount	Payment date
Interim dividends	21 November 2017	0.70	741 (1)	2 January 2018
Final dividend	23 April 2018	0.682	722	2 July 2018
Total dividend paid against 2017 profit		**1.382**	**1,463**	

(1) See Section. 4.2 Cash Flows of this Consolidated Management Report.

5. Major risks and uncertainties in the second half of 2018.

The information regarding the main risks and uncertainties associated with ENDESA's activity is described in Section 7 of the Consolidated Management Report for the year ended 31 December 2017.

The main risks and uncertainties ENDESA faces in the second half of 2018 arise mostly from the following:

– ENDESA sales in the second half of 2018 will largely be affected by gas and electricity demand in Spain during the period, which in turn will be shaped by the Spanish economy and, mostly, GDP growth.

– Rainfall and wind potential levels will also affect electricity production costs and market price, in turn affecting margins in the second half of 2018.

– Furthermore, fuel and electricity prices on the wholesale market, fundamentally coal and gas, will impact business costs and sales prices. Although ENDESA has fuel price hedges in place and has finalised contracts for power sold to customers for the next few months, fluctuations in both the market price for fuel and for electricity will affect the Group’s costs and revenue, and therefore, margins.

– Interest rates will have an impact on ENDESA’s results in the second half of 2018 because of the portion of the Group’s net debt held at floating interest rates. To mitigate this impact, ENDESA hedges interest rate risk by entering into derivatives.

– The entry into operation, before 1 January 2020, of the wind and photovoltaic power that was awarded in the capacity auctions held in 2017 (see Section 2.1. Consolidation Scope of this Consolidated Management Report).

– The performance of the results and the fair value of the investee companies in which ENDESA has no control and which is recorded in the Consolidated Financial Statements using the equity method, may have an impact on the results of the second half of 2018. Specifically, the current situation at Nuclenor, S.A. may significantly impact these companies’ results.

- ENDESA is also involved in a number of legal proceedings which, when resolved, may impact the Consolidated Financial Statements. Information concerning litigations and arbitrations is included in Note 17.3 to the Consolidated Financial Statements for the year ended 31 December 2017 and Note 12.2 of the Explanatory Notes that form part of the interim condensed consolidated financial statements for the six months ended 30 June 2018.

- ENDESA's activities are subject to extensive regulation, and regulatory changes could have an adverse impact on its business activities, results, financial position and cash flows (see Note 4 to the Consolidated Financial Statements for the year ended 31 December 2017 and Section 3. Regulatory Framework in this Consolidated Management Report).

6. Information on related-party transactions.

Information concerning related-party transactions is included in Note 20 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

7. Other information.

There were no one-off events involving significant amounts during the first half of 2018 other than those discussed herein.

Therefore, during the first half of 2018 no new significant contingent liabilities arose other than those described in the Consolidated Financial Statements for the year ended 31 December 2017.

Information on lawsuits, arbitration proceedings and contingent assets is included in Note 12.2 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

8. Events after the reporting period

Information concerning events after the reporting period is included in Note 23 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

APPENDIX I

Statistical Appendix

Industrial data.

GWh

Electricity Generation (1)	January - June 2018	January - June 2017	% Var.
Mainland	**28,708**	**31,371**	**(8.5)**
Nuclear	11,769	13,096	(10.1)
Coal	7,928	10,362	(23.5)
Hydroelectric	5,207	3,091	68.5
Combined cycles (CCGT)	1,753	3,052	(42.6)
Renewables and cogeneration	2,051	1,770	15.9
Non-Mainland Territories	**6,160**	**6,307**	**(2.3)**
Coal	1,152	1,272	(9.4)
Fuel-Gas	3,231	3,351	(3.6)
Combined cycles (CCGT)	1,713	1,640	4.5
Renewables and cogeneration	64	44	45.5
TOTAL	**34,868**	**37,678**	**(7.5)**

(1) At power plant busbars.

MW

Gross installed capacity	30 June 2018	31 December 2017	% Var.
Hydroelectric	4,764	4,752	0.3
Conventional thermal	8,077	8,130	(0.7)
Nuclear	3,443	3,443	-
Combined cycles	5,678	5,678	-
Renewables and cogeneration	1,814	1,675	8.3
TOTAL	**23,776**	**23,678**	**0.4**

MW

Net installed capacity	30 June 2018	31 December 2017	% Var.
Hydroelectric	4,710	4,709	-
Conventional thermal	7,545	7,585	(0.5)
Nuclear	3,318	3,318	-
Combined cycles	5,445	5,445	-
Renewables and cogeneration	1,814	1,675	8.3
TOTAL	**22,832**	**22,732**	**0.4**

GWh

Gross electricity sales (1)	January - June 2018	January - June 2017	% Var.
Regulated Price	7,256	7,767	(6.6)
Deregulated market	41,912	44,706	(6.2)
TOTAL	**49,168**	**52,473**	**(6.3)**

(1) At power plant busbars.

GWh

Net electricity sales (1)	January - June 2018	January - June 2017	% Var.
Regulated Price	6,247	6,515	(4.1)
Deregulated market	38,268	40,641	(5.8)
TOTAL	**44,515**	**47,156**	**(5.6)**

(1) Sales to end customers.

Thousands

Number of customers (electricity) (1) (2)	30 June 2018	31 December 2017	% Var.
Regulated market	5,133	5,255	(2.3)
Mainland Spain	4,322	4,416	(2.1)
Non-Mainland Territories	811	839	(3.3)
Deregulated market	5,669	5,593	1.4
Mainland Spain	4,605	4,601	0.1
Non-Mainland Territories	805	787	2.3
Outside Spain	259	205	26.3
TOTAL	**10,802**	**10,848**	**(0.4)**

(1) Supply points.
(2) Customers of the supply companies.

Percentage (%)

Trends in demand for electricity (1)		January - June 2018	January - June 2017
Mainland	(2)	1.2	1.1
Non-Mainland Territories	(3)	0.4	2.4

(1) Source: Red Eléctrica de España, S.A. (REE).
(2) Adjusted for working days and temperature: +1.1% in the first half of 2018 and +1.5% in the first half of 2017.
(3) Adjusted for working days and temperature: +0.8% in the first half of 2018 and +1.7% in the first half of 2017.

GWh

Energy distributed (1)	January - June 2018	January - June 2017	% Var.
Spain and Portugal	57,351	57,654	(0.5)

(1) At power plant busbars.

km

Distribution and transmission networks	30 June 2018	31 December 2017	% Var.
Spain and Portugal	318,683	317,782	0.3

Percentage (%)

Energy losses (1)	January - June 2018	January - June 2017
Spain and Portugal	11.0	10.9

(1) Source: In-house.

Minutes

Installed Capacity Equivalent Interruption Time (ICEIT)	January - June 2018	January - June 2017
Spain and Portugal (avg) (1) (2)	32	30

(1) Corresponds to Spain.
(2) According to the calculation procedure set down by Royal Decree 1995/2000, of 1 December.

Percentage (%)

Market share (electricity) (1)	30 June 2018	31 December 2017
Mainland Generation	21.0	23.6
Distribution	43.0	44.1
Supply	33.8	35.4

(1) Source: In-house.

GWh

Gas Sales	January - June 2018	January - June 2017	% Var.
Deregulated market	24,475	24,938	(1.9)
Regulated market	909	810	12.2
International market	13,352	12,854	3.9
Wholesale business	4,608	3,750	22.9
TOTAL (1)	**43,344**	**42,352**	**2.3**

(1) Excluding own generation consumption.

Thousands

Number of customers (gas) (1)	30 June 2018	31 December 2017	% Var.
Regulated market	237	246	(3.7)
Mainland Spain	211	219	(3.7)
Non-Mainland Territories	26	27	(3.7)
Deregulated market	1,325	1,314	0.8
Mainland Spain	1,219	1,205	1.2
Non-Mainland Territories	66	63	4.8
Outside Spain	40	46	(13.0)
TOTAL	**1,562**	**1,560**	**0.1**

(1) Supply points.

Percentage (%)

Trends in demand for gas (1)	January - June 2018	January - June 2017
Domestic Market	5.8	6.5
Domestic Conventional	7.7	4.2
Electricity Sector	(4.2)	19.7

(1) Source: Enagás, S.A.

Percentage (%)

Market share (gas) (1)	30 June 2018	31 December 2017
Deregulated market	16.2	16.1

(1) Source: In-house.

Workforce.

Number of Employees

	Final Headcount (2)						
	30 June 2018			31 December 2017			% Var.
	Male	Female	Total	Male	Female	Total	
Generation and Supply	4,064	1,061	5,125	4,083	1,024	5,107	0.4
Distribution	2,482	428	2,910	2,491	429	2,920	(0.3)
Structure and Others (1)	860	748	1,608	884	795	1,679	(4.2)
TOTAL	**7,406**	**2,237**	**9,643**	**7,458**	**2,248**	**9,706**	**(0.6)**

(1) Structure and services.
(2) See Note 21 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

Number of Employees

	Average Headcount (2)						
	January-June 2018			January-June 2017			% Var.
	Male	Female	Total	Male	Female	Total	
Generation and Supply	4,070	1,040	5,110	4,099	982	5,081	0.6
Distribution	2,477	427	2,904	2,612	445	3,057	(5.0)
Structure and Others (1)	863	769	1,632	921	819	1,740	(6.2)
TOTAL	**7,410**	**2,236**	**9,646**	**7,632**	**2,246**	**9,878**	**(2.3)**

(1) Structure and services.
(2) See Note 21 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

Financial Data.

Millions of Euros

	Consolidated Income Statement (5)		
	January - June 2018	January - June 2017	% Var.
Sales	9,560	9,792	(2.4)
Contribution margin (1)	2,823	2,624	7.6
EBITDA (2)	1,804	1,605	12.4
EBIT (3)	1,053	901	16.9
Net Income (4)	752	653	15.2

(1) Contribution Margin = Revenues - Procurements and Services.
(2) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel Expenses - Other Fixed Operating Expenses.
(3) Operating profit (EBIT) = Gross operating profit (EBITDA) - Depreciation and impairment losses.
(4) Net Income: Profit/(loss) of the Parent.
(5) See the Consolidated Income Statements for the six-month periods ending 30 June 2018 and 2017.

Euros

Key figures		January - June 2018	January - June 2017	% Var.
Net earnings per share	(1)	0.71	0.62	15.2
Cash flow per share	(2)	0.60	0.64	(5.3)
Book value of equity per share	(3)	8.68 (4)	8.59 (5)	1.1

(1) Net earnings per Share = Parent Company Period Result / No. Shares.
(2) Cash Flow per Share = Net Cash Flow from Operating Activities / No. Shares.
(3) Equity attributable to equity holders of the parent / No. shares.
(4) At 30 June 2018.
(5) At 31 December 2017

Millions of Euros

		Consolidated statement of financial position (2)		
		30 June 2018	31 December 2017	% Var.
Total assets		31,862	31,037	2.7
Equity		9,328	9,233	1.0
Net Financial Debt	(1)	5,956	4,985	19.5

(1) Net financial debt = Non-current financial liabilities + Current financial liabilities – Cash and cash equivalents – Financial derivatives recognised under financial assets.
(2) See the Statements of Financial Position at 30 June 2018 and 31 December 2017.

Millions of Euros

		Leverage ratio (1)		
		30 June 2018	31 December 2017	% chg
Net Financial Debt:		**5,956**	**4,985**	**19.5**
Non-Current Financial Debt	(2)	5,556	4,414	25.9
Current Financial Debt	(2)	1,287	978	31.6
Cash and Cash Equivalents	(3)	(880)	(399)	120.6
Derivatives recognised as Financial Assets	(4)	(7)	(8)	(12.5)
Equity:	(5)	**9,328**	**9,233**	**1.0**
Of the Parent Company		9,195	9,096	1.1
Of the Non-Controlling Interests		133	137	(2.9)
Leverage (%)		**63.85**	**53.99**	**-**

(1) Leverage = Net financial debt / equity.
(2) See Note 13.1 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.
(3) See Note 10 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.
(4) See Note 14.3.1 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.
(5) See Note 11 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

Financial indicators		30 June 2018	31 December 2017
Liquidity Ratio	(1)	0.87	0.73
Solvency Ratio	(2)	0.96	0.92
Debt Ratio	(3)	38.97	35.06
Debt Coverage Ratio	(4)	1.65	1.41

(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 2018 (1) (2)			31 December 2017 (1) (2)		
	Non-current	Current	Outlook	Non-current	Short Term	Outlook
Standard & Poor's	BBB+	A-2	Stable	BBB+	A-2	Stable
Moody's	Baa2	P-2	Stable	Baa2	P-2	Stable
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Stable

(1) At the respective dates of approval of the Consolidated Financial Statements.
(2) See Note 11 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.

Stock market information.

Percentage (%)

Share price trend	January - June 2018	January - June 2017
ENDESA, S.A.	**5.8**	**0.2**
Ibex-35	(4.2)	11.7
Eurostoxx 50	(3.1)	4.6
Eurostoxx Utilities	(0.9)	11.0

Euros

ENDESA share price	January - June 2018	January - December 2017	% Var.
High	20,020	22,760	(12.0)
Low	16,600	17,855	(7.0)
Period Average	18,409	20,234	(9.0)
Closing Price	18,895	17,855	5.8

Stock Market Data		30 June 2018	31 December 2017	% Var.
Market Cap.	Millions of Euros (1)	20,005	18,904	5.8
Number of shares outstanding		1,058,752,117	1,058,752,117	-
Nominal share value	Euros	1.2	1.2	-
Cash	Millions of Euros (2)	6,029	10,866	(44.5)
Continuous Market	Shares			
Trading Volume	(3)	325,378,044	536,793,866	(42.3)
Average daily trading volume	(4)	2,582,365	2,105,074	22.7
P.E.R.	(5)	13.30	12.92	-
Price / Carrying amount	(6)	2.18	2.08	-

(1) Market Cap. = Number of Shares at the Close of the Period * Listing 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 (P.E.R.) = Listing Price at the Close of the Period / Net Earnings per Share.
(6) Price / Carrying amount = Market capitalisation / Equity of the Parent.

Dividends.

		2017	2016	% 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	1,463	1,411	3.7
Individual Net Profit	Millions of euros	1,491	1,419	5.1
Earnings per Share	Euros (2)	1.382	1.333	3.7
Gross Dividend per Share	Euros (3)	1.382 (4)	1.333 (5)	3.7
Consolidated Pay-Out	% (6)	100.0	100.0	-
Individual Pay-Out	% (7)	98.1	99.4	-

(1) See Note 11.1 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.
(2) Earnings per Share = Profit of the Parent / No. shares at the end of the period.
(3) See Note 11.2 of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2018.
(4) Gross interim dividend of Euros 0.7 per share, paid out on 2 January 2018 plus the gross supplementary dividend of Euros 0.682 per share paid out on 2 July 2018.
(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) Consolidated Pay-out = Gross Dividend per share * No. shares at the end of the period) / Profit of the Parent.
(7) Individual Pay-Out = Gross Dividend per Share * No. Shares at the End of the Period) / Period Result of ENDESA, S.A.

APPENDIX II

Alternative Performance Measures (APMs)

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs)		Relevance of use
			30 June 2018	30 June 2017	
EBITDA (1)	Millions of euros	Income - Procurements and Services + Self-constructed assets - Personnel Expenses - Other Fixed Operating Expenses.	1,804 M€ = 9,934 M€ - 7,111 M€ + 80 M€ - 473 M€ – 626 M€	1,605 M€ = 10,004 M€ - 7,380 M€ + 79 M€ - 451 M€ – 647 M€	Measure of operating return excluding interest, taxes, provisions and amortisation.
EBIT (1)	Millions of euros	EBITDA - Depreciation and amortisation, and impairment losses.	1,053 M€ = 1,804 M€ – 751 M€	901 M€ = 1,605 M€ – 704 M€	Measure of operating return excluding interest and taxes.
Contribution margin (1)	Millions of euros	Income - Procurements and services	2,823 M€ = 9,934 M€ – 7,111 M€	2,624 M€ = 10,004 M€ – 7,380 M€	Measure of operating return including direct variable production costs.
Procurements and Services (1)	Millions of euros	Energy Purchases + Fuel Consumption + Transmission Expenses + Other Variable Procurements and Services	7,111 M€ = 2,363 M€ + 941 M€ + 2,769 M€ + 1,038 M€	7,380 M€ = 2,566 M€ + 1,056 M€ + 2,832 M€ + 926 M€	Goods and services for production.
Net financial gain/(loss) (1)	Millions of euros	Financial Income - Financial Expense + Net Exchange Differences.	(70) M€ = 18 M€ - 87 M€ - 1 M€	(59) M€ = 34 M€ - 94 M€ + 1 M€	Measure of financial cost.
Net investment	Millions of euros	Gross investments - Capital grants and transferred facilities	485 M€ = 554 M€ – 69 M€	330 M€ = 392 M€ – 62 M€	Measure of investment activity.
Net Financial Debt (2)	Millions of euros	Non-current financial liabilities + Current financial liabilities – Cash and cash equivalents – Financial derivatives recognised under assets	5,956 M€ = 5,556 M€ + 1,287 M€ - 880 M€ - 7 M€	5,614 M€ = 4,748 M€ + 1,326 M€ - 451 M€ - 9 M€	Short and long-term financial debt, less cash and financial investment cash equivalents.
Leverage ratio (2)	%	Net financial debt / Equity	63.85% = 5,956 M€ / 9,328 M€	62.1% = 5,614 M€ / 9,035 M€	Measure of the weighting of external funds in the financing of business activities.
Debt (2)	%	Net financial debt / (Equity + Net financial debt)	38.97% = 5,956 M€ / (9,328 M€ + 5,956 M€)	38.32% = 5,614 M€ / (9,035 M€ + 5,614 M€)	Measure of the weighting of external funds in the financing of business 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)	5.4 years = 37,077 M€ per year / 6,836 M€	6.2 years = 37,279 M€ per year / 6,053 M€	Measure of the duration of financial debt to maturity.
Average Cost of Gross Financial Debt	%	(Cost of Gross Financial Debt) / Gross Average Financial Debt	2.0% = (64 M€ / 6 months * 12 months) / 6,335 M€	2.3% = (69 M€ / 6 months * 12 months) / 5,910 M€	Measure of the effective rate of financial debt.
Debt Coverage Ratio	Number of months	Maturity period (months) for vegetative debt that could be covered with the liquidity available	32 months	32 months	Measure of the capacity to meet debt maturities.
Return on equity	%	Profit for the year by parent / Equity attributable to equity holders of the parent (n) + Equity attributable to equity holders of the parent (n-1) / 2)	16.45% = (752 M€ * 12/6) / ((9,195 + 9,096) / 2) M€	14.64% = (653 M€ * 12/6) / ((8,894 + 8,952) / 2) M€	Measure of the capacity to generate profits on shareholder investments.
Return on assets	%	Profit of the Parent / Total assets (n) + Total assets (n-1) / 2)	4.78% = (752 M€ * 12/6) / ((31,862 + 31,037) / 2) M€	4.22% = (653 M€ * 12/6) / ((30,897 + 30,960) / 2) M€	Measure of business profitability.
Economic profitability	%	EBIT / (PP&E (n) + PP&E (n-1) / 2)	9.68% = (1,053 M€ * 12/6) / ((21,777 + 21,727) / 2) M€	8.27% = (901 M€ * 12/6) / ((21,674 + 21,891) / 2) M€	Measure of the capacity to generate income from invested assets and capital.
Return on capital employed (ROCE)	%	Operating profit after tax / ((Non-current assets (n) + Non-current assets (n-1) / 2) + (Current assets (n) + Current assets (n-1) / 2))	5.14% = (809 M€ * 12/6) / ((25,745 + 25,507) / 2 + (6,117 + 5,530) / 2)) M€	4.52% = (699 M€ * 12/6) / ((25,458 + 25,525) / 2 + (5,439 + 5,435) / 2)) M€	Measure of the return on invested capital.
Liquidity (2)	N/A	Current assets / Current liabilities.	0.87 = 6,117 M€ / 7,039 M€	0.76 = 5,439 M€ / 7,165 M€	Measure of the capacity to meet short-term commitments.
Solvency (2)	N/A	(Equity + Non-Current liabilities) / Non-current assets	0.96 = (9,328 M€ + 15,495 M€) / 25,745 M€	0.93 = (9,035 M€ + 14,697 M€) / 25,458 M€	Measure of the capacity to meet obligations.
Debt coverage (1) (2)	N/A	Net financial debt / EBITDA	1.65 = 5,956 M€ / (1,804 M€ * 12/6)	1.75 = 5,614 M€ / (1,605 M€ * 12/6)	Measure of the amount of available cash flow to meet payments of principal on financial debt.
Net earnings per share (1)	Euros	Income attributable to the Parent / No. of shares	0.71 € = 752 M€ / 1,058,752,117 shares	0.62 € = 653 M€ / 1,058,752,117 shares	Measure of the portion of net profit corresponding to each share outstanding.
Cash flow per share (3)	Euros	Net cash flow from operating activities / No. of shares	0.60 € = 639 M€ / 1,058,752,117 shares	0.64 € = 675 M€ / 1,058,752,117 shares	Measure of the portion of flows corresponding to each share outstanding.
BVPS (2)	Euros	Equity attributable to equity holders of the parent / No. shares.	8.68 € = 9,195 M€ / 1,058,752,117 shares	8.40 € = 8,894 M€ / 1,058,752,117 shares	Measure of the portion of own funds corresponding to each share outstanding.
Market capitalisation	Millions of euros	Number of Shares at the Close of the Period * Listing Price at the Close of the Period	20,005 M€ = 1,058,752,117 shares * 18.895 €	21,355 M€ = 1,058,752,117 shares * 20.170 €	Measure of the total enterprise value according to the share price.
Price to Earnings Ratio (P.E.R.)	N/A	Listing Price at the Close of the Period / Net Earnings per Share	13.30 = 18.895 € / (0.71 € * 12/6)	16.35 = 20.170 € / (0.62 € * 12/6)	Measure indicating the number of times earnings per share can be divided into the market price of the shares.
Price / Carrying amount	N/A	Market capitalisation / Equity of the Parent	2.18 = 20,005 M€ / 9,195 M€	2.40 = 21,355 M€ / 8,894 M€	Measure comparing the total enterprise value according to the share price with the carrying amount.
Consolidated Pay-Out	%	Gross dividend per share * No. shares at the close of the period / Profit for the year of the parent	100.0% = (1.382 € * 1,058,752,117 shares) / 1,463 MM€	100.0% = (1.333 € * 1,058,752,117 shares) / 1,411 MM€	Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (consolidated Group).
Individual Pay-Out	%	Gross dividend per share * No. shares at the close of the period / Profit for the year of ENDESA, S.A.	98.1% = (1.382 € * 1,058,752,117 shares) / 1,491 MM€	99.4% = (1.333 € * 1,058,752,117 shares) / 1,419 MM€	Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (individual company).

M€ = Millions of euros; € = euros.
n = 30 June of the year being calculated.
n-1 = 31 December of the year before the year being calculated.
(1) See Consolidated Income Statement for the six months ended 30 June 2018.
(2) See Consolidated Statement of financial position at 30 June 2018.
(3) See Consolidated Cash Flow Statement for the six months ended 30 June 2018.

APPENDIX III

Effect on the Consolidated Statement of Financial Position at 1 January 2018 from the Changes to the Accounting Principles

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ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 1 JANUARY 2018

Millions of Euros

	1 January 2018	IFRS 15 Revenue from Contracts with Customers	IFRS 9 Financial Instruments	1 January 2018 (Adjusted) (1)
ASSETS				
NON-CURRENT ASSETS	**25,507**	**95**	**12**	**25,614**
Property, plant and equipment	21,727	-	-	21,727
Investment Property	9	-	-	9
Intangible assets	1,196	95	-	1,291
Goodwill	459	-	-	459
Investments Accounted for using the Equity Method	205	-	-	205
Non-current Financial Assets	769	-	(10)	759
Deferred Tax Assets	1,142	-	22	1,164
CURRENT ASSETS	**5,530**	**-**	**(43)**	**5,487**
Inventories	1,267	-	-	1,267
Trade and other accounts receivable	3,100	-	(33)	3,067
Trade Receivables	2,877	-	(33)	2,844
Current Income Tax Assets	223	-	-	223
Current Financial Assets	764	-	(10)	754
Cash and Cash Equivalents	399	-	-	399
Non-current Assets Held for Sale and Discontinued Operations	-	-	-	-
TOTAL ASSETS	**31,037**	**95**	**(31)**	**31,101**
EQUITY AND LIABILITIES				
EQUITY	**9,233**	**71**	**(40)**	**9,264**
Of the Parent	9,096	71	(40)	9,127
Share capital	1,271	-	-	1,271
Share premium and reserves	7,155	71	(40)	7,186
Profit for the period of the Parent	1,463	-	-	1,463
Interim dividend	(741)	-	-	(741)
Valuation adjustments	(52)	-	-	(52)
Of Non-Controlling Interests	137	-	-	137
NON-CURRENT LIABILITIES	**14,269**	**24**	**9**	**14,302**
Deferred Income	4,730	-	-	4,730
Non-current provisions	3,382	-	-	3,382
Provisions for Pensions and Similar Obligations	951	-	-	951
Other non-current provisions	2,431	-	-	2,431
Non-current Financial Debt	4,414	-	-	4,414
Other Non-current Liabilities	646	-	-	646
Deferred Tax Liabilities	1,097	24	9	1,130
CURRENT LIABILITIES	**7,535**	**-**	**-**	**7,535**
Current Financial Debt	978	-	-	978
Current provisions	425	-	-	425
Provisions for Pensions and Similar Obligations	-	-	-	-
Other Current Provisions	425	-	-	425
Trade Payables and Other Current Liabilities	6,132	-	-	6,132
Suppliers and other Payables	5,962	-	-	5,962
Current Income Tax Liabilities	170	-	-	170
Liabilities Associated with Non-current Assets Classified as held for Sale and Discontinued Operations	-	-	-	-
TOTAL EQUITY AND LIABILITIES	**31,037**	**95**	**(31)**	**31,101**

(1) Adjusted 1 January 2018 as explained in Section 1.2. Changes in Accounting Principles of this Consolidated Management Report.

APPENDIX IV

Impact on the Interim Condensed Consolidated Financial Statements corresponding to the six-month period ended on 30 June 2018 from the Changes in the Accounting Principles

Millions of euros

Consolidated Statement of Financial Position	30 June 2018	IFRS 15 Revenue from Contracts with Customers	IFRS 9 Financial Instruments	30 June 2018 Unaffected by the Application of IFRS 9 and IFRS 15
Non-current assets	**25,745**	**(107)**	**(16)**	**25,622**
Current assets	**6,117**	**-**	**38**	**6,155**
TOTAL ASSETS	**31,862**	**(107)**	**22**	**31,777**
Equity	**9,328**	**(80)**	**35**	**9,283**
Of the Parent	9,195	(80)	35	9,150
Of Non-Controlling Interests	133	-	-	133
Non-current liabilities	**15,495**	**(27)**	**(13)**	**15,455**
Current Liabilities	**7,039**	**-**	**-**	**7,039**
TOTAL EQUITY AND LIABILITIES	**31,862**	**(107)**	**22**	**31,777**

Millions of euros

Consolidated income statement	January - June 2018	IFRS 15 Revenue from Contracts with Customers	IFRS 9 Financial Instruments	January - June 2018 Unaffected by the Application of IFRS 9 and IFRS 15
INCOME	**9,934**	**-**	**-**	**9,934**
PROCUREMENTS AND SERVICES	**(7,111)**	**(35)**	**-**	**(7,146)**
Other variable procurements and services	(1,038)	(35)	-	(1,073)
CONTRIBUTION MARGIN	**2,823**	**(35)**	**-**	**2,788**
GROSS PROFIT FROM OPERATIONS	**1,804**	**(35)**	**-**	**1,769**
Depreciation and amortisation and impairment losses	(751)	23	(3)	(731)
PROFIT FROM OPERATIONS	**1,053**	**(12)**	**(3)**	**1,038**
NET FINANCIAL PROFIT/(LOSS)	**(70)**	**-**	**(4)**	**(74)**
PROFIT/(LOSS) BEFORE TAX	**984**	**(12)**	**(7)**	**965**
Income Tax Expense	**(228)**	**3**	**2**	**(223)**
PROFIT FOR THE YEAR	**756**	**(9)**	**(5)**	**742**
Parent Company	752	(9)	(5)	738
Non-controlling interests	4	-	-	4