



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

Additional information regarding certain questions included in the Consolidated Financial Statements of ENDESA, S.A. and Subsidiary Companies corresponding to the year ending on 31 December 2017 and in the Interim Condensed Consolidated Financial Statements corresponding to the semester ending on 30 June 2018 of ENDESA, S.A. and Subsidiary Companies.

1. **The regulations governing the assessment of property, plant and equipment in the consolidated statement show that in the year 2017 new technical studies were carried out on the useful life of wind farms and photovoltaic plants - which was estimated at 25 and 20 years respectively until 2016 - using both internal and external sources of information. As mentioned, "These studies are based on extended experience existing to date for plants with similar characteristics and technology developments made since commissioning, and demonstrate that, in appropriate operating conditions, applying specific predictive maintenance plans to anticipate faults in main non-structural components and making appropriate investments, these wind turbines and photovoltaic plants could achieve at least 30 years of operation in secure conditions".**

In accordance, from 1 January 2017, the useful lives of the wind and photovoltaic generation facilities were modified prospectively to 30 years, at a lower cost in the provision for amortisation of €21 million with regard to the previous year.

The following information should be provided in this regard:

- 1.1 **Explain the main conclusions of the technical studies performed and the reasons for considering that the useful life of the wind farms and photovoltaic plants is 30 years. In addition, indicate whether the external sources of information include analyses by independent experts and, if so, include the dates of the reports, and whether these are subject to any limitations in scope or special assumptions. If so, these should be described.**

The technical studies performed on the useful life of wind farms and photovoltaic plants mentioned in Note 3.a.2 of the ENDESA consolidated financial statements for the year ended 31 December 2017 are external. These technical studies were performed by DNV GL Energy Advisory (DNV) and have served as the basis for the decision to change the useful lives in question made by the Renewable Energy Technical Department of the company.

The primary conclusions derived from these technical studies, the scope of which is not limited, are as follows:

- The technical study performed by DNV GL Energy Advisory (DNV) on 19 April 2017 regarding the potential extension of the useful lives of the wind farms was essentially based on the type of generator installed, as well as on the site of the facility and the weather conditions measured before installing the turbines. These factors were used to draw up a classification of wind farm groups, one farm was chosen to represent each group and subject to a complete and detailed study using the wind turbine load model. The results of this study were extrapolated to the rest of the wind farms of the group, taking into consideration the parameters mentioned above.

Using the conclusions reached by DNV GL Energy Advisory (DNV), ENDESA drew up an internal report that analysed the results of the load model, thereby identifying the components and the initial points in time for faults due to material fatigue, while setting up specific maintenance and inspection plans to detect initial faults and design measures to reduce this fault rate.

In addition, these internal studies indicate that the technological advances made since commissioning of these wind farms allow application of improved sensor technology and new algorithms for bulk analysis of data. This makes it possible to store more data and carry out a more complete and complex analysis of the turbines, thereby enabling a more accurate diagnosis of the status of the main components of each turbine in real time. The ability to identify the components and the initial points of failure due to material fatigue, as well as the application of new technological developments that allow a more accurate diagnosis of the status of the main components of each turbine in real time make it possible to apply preventive management on early stage defects in these structural components and to take the necessary measures to correct these defects before they generate a fault.

In short, the results obtained from this study are based on extended experience existing to date for wind farm with similar characteristics and technology developments made since commissioning, and demonstrate that, in appropriate operating conditions, applying specific predictive maintenance plans to anticipate faults in main non-structural components and making appropriate investments, these wind turbines and photovoltaic plants could achieve at least 30 years of operation in secure conditions.

- As regards the photovoltaic plants, the technical study performed by DNV GL Energy Advisory (DNV) on 20 January 2017 regarding the potential extension of their useful lives was essentially based on identifying the risk indicators of each plant with the aim of assigning a risk category that could be used to quantify, identify and define the criteria necessary to establish a plan to mitigate the said risks. The primary risk indicators identified in the technical study are the conditions of the facility site and the risk of replacing components in the event of technological advances or lack of manufacturers.

The first risk, concerning the site or environment, is mitigated by tracking the plant's performance ratio and putting in place specific maintenance plans, mostly predictive. The second risk, concerning replacement, is mitigated by stocking components (mainly solar panels) to ensure their replacement.

Considering these risks and the plans to mitigate them, the study concluded that these facilities could exceed a useful life of 30 years.

In accordance with paragraphs 51 and 56 of IAS 16, "Property, Plant and Equipment", the result of the technical studies performed on wind farm and photovoltaic plant facilities demonstrated a change in the estimates that had been taken into consideration for the initial assessment of their useful lives, whereby the latter were revised. In accordance with paragraph 34 of IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", ENDESA proceed to extend the useful lives of its wind farms and photovoltaic plants prospectively from 1 January 2017.

The chart below shows a comparison between the useful life used by ENDESA and that of other operators:

Company	Country	Useful Life	External Source of Information
Électricité de France (EDF)	France	Wind: 20 - 25 years Photovoltaic: 20 - 25 years	EDF Reference Document Financial Report 2017
E.ON	Germany	2 - 50 years	2017 Annual Report
ENEL	Italy	Wind: 15 - 30 years Photovoltaic: 15 - 40 years	2017 Annual Report
Acciona	Spain	Wind: 25 years Photovoltaic: 25 years	Consolidated Financial Statements 2017
Iberdrola	Spain	Wind: 25 - 40 years	Consolidated Financial Statements 2017
Naturgy	Spain	Wind: 25 years	Consolidated Financial Statements 2017
Vattenfall	Sweden	Wind: 10 - 25 years Photovoltaic: 5 - 15 years	2017 Annual Report and Sustainability Report
Energias de Portugal (EDP)	Portugal	30 years	2017 Annual Report
Infigen Energy	Australia	Wind: 25 years Photovoltaic: 30 years	2017 Annual Report
Exelon Corporation	USA	2 - 56 years	2017 Annual Report
RWE	Germany	Wind: 23 years	2017 Annual Report

In the specific case of wind farms located in Spain, the Ministerial Order approving the remuneration parameters for standard facilities applicable to certain facilities producing electricity from renewable energy sources, combined heat and power, and waste, establishes a regulatory useful life of 20 years and the reception after that time solely of the price for the sale of energy on the market.

1.2 Indicate whether the studies performed by the company ensure that the operation of the wind farms located in Spain will continue to be profitable after regulated revenue ceases to be made available and explain the main conclusions thereof.

Each year, ENDESA estimates the recoverable amount of its non-financial assets as the higher of fair value less costs to sell and value in use. Value in use is the present value of estimated future cash flows.

To estimate value in use, ENDESA prepares pre-tax cash flow projections based on the latest budgets available, which include the best estimates by ENDESA management on revenue and costs of the Cash-Generating Units (CGU), using industry forecasts, past experience and future expectations.

These projections cover a 5-year period and future cash flows until the end of the useful life of the assets, applying reasonable growth rates based on assumptions regarding average long-term growth and forecast inflation rates, applied as a hypothesis for drawing up the projections.

The estimated future cash flows are discounted to present value using a pre-tax rate that reflects the cost of capital of the business and its geographical area. It considers the current time value of money and the risk premiums generally used by analysts for the business and the geographical area.

According to these estimates, estimated cash flows for the ENDESA wind generation portfolio subject to return on investment (RINV) from year 21, which marks the end of the regulated revenue period (RINV), updated to the discount rates applicable to the Cash-Generating Unit (CGU), support the total profitability of operation of these farms.

As indicated in Note 3.e.2 of ENDESA's Consolidated Financial Statements for the year ended on 31 December 2017, these future cash flows are determined by considering several aspects to assign value to the key hypotheses, among which are electricity demand, mean wind power generation, production mix, pool price and the return on investment (RINV). From year 21 onward, and until the end of the useful life of these

assets, revenue is estimated according to projections of the pool price and mean wind power generation, excluding return on investment (RINV).

Likewise, as regards hydroelectric power plants, ENDESA has conducted new internal and external technical studies on the useful lives of these plants based on extended experience existing to date for hydroelectric power plants of technically similar characteristics. The studies demonstrate that these facilities could surpass the initially established useful lives when the appropriate operating conditions, operation and maintenance programmes and investments are maintained, guaranteeing safety in functioning in accordance with the legally established requirements.

On this basis, the useful life of the hydroelectric power plants has been modified from the 65 years estimated until now for civil engineering and 35 years for electrical-mechanical equipment, to 100 years and 50 years, respectively, up to the limit of the term of the concession. This change became effective on 1 January 2017, resulting in a decrease in the depreciation expense of Euros 42 million compared to the previous fiscal year.

The valuation rules also explain that, Pursuant to Law 29/1985 of 2 August 1985, partially amended by Law 46/1999 of 13 December 1999, all Spanish hydroelectric power plants are operated under temporary service concession arrangements. The terms and conditions of these arrangements require that the plants revert to State ownership in good working order when the concessions expire; at 31 December, 2017, the reversal period falls between 2018 and 2067.

1.3 Explain the main conclusions of the technical studies performed and the reasons for considering that the useful life of the hydroelectric power plants is 100 years for civil engineering and 50 years for electrical-mechanical equipment. In addition, indicate whether the external sources of information include analyses by independent experts and, if so, include the dates of the reports, and whether these are subject to any limitations in scope or special assumptions. If so, these should be described.

The technical studies performed on the useful life of hydroelectric power plants mentioned in Note 3.a.2 of the ENDESA Consolidated Financial Statements for the year ended 31 December 2017 were performed internally on 31 January 2017. These technical studies were contrasted with an external study performed on 1 May 2017 by PA Consulting Group, which reached the same conclusions as the internal study.

Pursuant to Law 29/1985 of 2 August 1985, partially amended by Law 46/1999 of 13 December 1999, all Spanish hydroelectric power plants are operated under temporary service concession arrangements. These facilities are depreciated during the concession period or their economic lifespan, whichever is shorter. The terms and conditions of these arrangements require that the plants revert to State ownership in good working order when the concessions expire; at 31 December, 2017, the reversal period falls between 2018 and 2065.

The experience gleaned over years of operation as regards the technical depreciation of the main components of these plants demonstrated the need to revise their useful life, since it has been demonstrated that current designs have a considerably longer operating life than that assumed by ENDESA.

The internal and external technical studies performed are based on extended experience existing to date for hydroelectric power plants of technically similar characteristics. The studies demonstrate that these facilities could surpass the initially established useful lives when the appropriate operating conditions, operation and maintenance programmes and investments are maintained, guaranteeing operational safety in accordance with the legally established requirements.

Consequently, the main conclusions derived from these technical studies, which do not contain limitations to scope and have led ENDESA to consider the aforementioned modification of the useful life of hydroelectric power plants are as follows:

- In hydroelectric power plants, age is not the main motivating agent for operation and maintenance, upgrading and replacement. As such, a 70-year old plant does not require more attention, cost or investment than a 30-year old plant. Likewise, it is not true that a 70-year old plant requires more attention now than 40 years ago.
- As regards the various cycles of revision and upgrading of components, the situation of hydroelectric power plants affects the asset management needs and degrees of costs and investments.
- It could be said that hydroelectric power plants can be maintained for longer periods than those estimated initially provided that proper operation and maintenance are performed, as well as the necessary major maintenance revisions and upgrading.
- There are other factors that also affect the management of these types of plants and their associated costs, such as:
 - Changes in operating modes (e.g.: start-ups and/or shut-downs, sudden load changes, etc.);
 - Changes in regulatory requirements and acceptance levels.

Although none of these factors are significantly associated with the age or ageing of these types of plants.

As concerns ENDESA specifically, the following can be stated:

- ENDESA hydroelectric power plants and basins and their associated assets (civil engineering, electrical-mechanical equipment, etc.) are full comparable with the assets of other operators of large electricity power plants.
- The environments in which ENDESA operates its electricity plants is relatively similar to those of other operators.
- ENDESA's management of these types of assets attests to the fact that the company is a professional and competent owner and operator of hydroelectric power plants.
- The conditions of ENDESA's hydroelectric plants are considered high standard and fully comparable to the best practices of the industry. This means that ENDESA manages its fleet of hydroelectric generating stations efficiently and under correct maintenance.
- ENDESA's hydroelectric assets are properly maintained, revised and upgraded.

Specifically, given the current philosophy, practices, capabilities and strategies applied by ENDESA in the management of these types of assets to ensure their long-lasting life, the following can be stated:

- The civil engineering of ENDESA hydroelectric power plants has a technical lifespan of more than 100 years
- The electrical-mechanical equipment of ENDESA hydroelectric power plants has a technical lifespan of more than 50 years.
- The control systems of these plants have an average technical useful life of approximately 15-20 years.

Therefore, from a technical point of view, it is appropriate to consider that the configuration of these plants together with the recurrent investments made by ENDESA since their commissioning and the maintenance plans executed over time allow ENDESA's hydroelectric power plants to continue generating power efficiently beyond the useful life estimated until 2016, which could be extended significantly.

As a result, due to the excellent technical conditions of the assets derived from the investment plans and preventive maintenance programmes, the absence of technical or regulatory reasons that impede the extension of their useful lives and the appropriate operating conditions, operating and maintenance programmes and investments currently in place, ENDESA has modified the useful lives of its hydroelectric power plants from the 65 years estimated for civil engineering and 35 years for electrical-mechanical equipment to 100 and 50 years respectively, within the limit of the concession period. This change was made from 1 January 2017, with prospective application.

1.4 Since Spanish hydroelectric power plants are subject to concession periods, clarify to which facilities the useful life of 100 years has been applied and provide their net book value at 31 December 2017.

Indicate if the new estimate of the useful life of these facilities has taken into consideration the normal practice followed by other companies that have similar operating assets. If so, issue a comparison between the useful life used by ENDESA and that used by other operators in the markets where they are present.

At 31 December 2017, ENDESA has 29 hydroelectric generation facilities with a book value of Euros 33 million to which a useful life of 100 years has been applied for the civil engineering.

Note 3.a.2 of ENDESA's Consolidated Financial Statements for the year ended on 31 December 2017 indicates that the useful life will be reviewed when there are changes to the expectations and it will be adjusted prospectively according to paragraph 51 of IAS 16, "Property, Plant and Equipment", if applicable. In this context, this decision took into account the normal practice followed by other companies that have similar operating assets.

The chart below shows a comparison between the useful life used by ENDESA and that of other operators:

Company	Country	Useful Life	External Source of Information
Électricité de France (EDF)	France	Civil Engineering: 75 years Technical Facilities: 50 years	EDF Reference Document Financial Report 2017
E.ON	Germany	2 - 50 years	2017 Annual Report
ENEL	Italy	20 - 100 years	2017 Annual Report
Acciona	Spain	25 - 100 years	Consolidated Financial Statements 2017
Iberdrola	Spain	Civil Engineering: Concession Period Technical Facilities: 50 years or Concession Period, if it was less than 50 years	Consolidated Financial Statements 2017
Naturgy	Spain	Civil Engineering: Concession Period Technical Facilities: 40 years Other Property, Plant and Equipment: 14 years	Consolidated Financial Statements 2017
Vattenfall	Sweden	5 - 50 years	2017 Annual Report and Sustainability Report
Energias de Portugal (EDP)	Portugal	30 - 75 years	2017 Annual Report
Exelon Corporation	USA	40 years	2017 Annual Report
RWE	Germany	10 - 80 years	2017 Annual Report

2. The assessment regulations indicate that ENDESA has confirming transaction arrangements with a number of financial entities. Trade payables whose payment is managed by financial entities are recognised under "Trade payables and other current liabilities" insofar as only payment management has been assigned to financial entities, remaining as the primary obligor to pay the debts to the commercial creditors.

Note 23 of the Consolidated Financial Statements states that at 31 December 2017, the amount of commercial debt sent to financing entities to manage payments to suppliers (confirming), recognised under "Trade payables and other current liabilities", totalled Euros 403 million (Euros 263 million at 31 December 2016).

The following information should be provided in this regard:

- 2.1 Describe the relevant conditions of these agreements, including any freeze of deposits, guarantees or collateral loaned in favour of the financial entity and the reasoning used by management to decide whether the existence of significant guarantees or other relevant conditions evidence a change in the nature of the financing.

As indicated in Notes 3.g.4 and 23 of the ENDESA Consolidated Financial Statements for the year ended on 31 December 2017, ENDESA has confirming transaction arrangements with a number of financial entities.

Trade payables whose payment is managed by financial entities are recognised under "Trade payables and other current liabilities" on the Consolidated Statement of Financial Position insofar as only payment management has been assigned to financial entities, remaining as the primary obligor to pay the debts to the commercial creditors.

The purpose of these confirming agreements is exclusively for the management of payments. By virtue of these agreements, ENDESA contracts a financial entity as payment manager to pay providers in the name and on behalf of ENDESA at the maturity dates of the corresponding invoices. ENDESA undertakes to provide the financial entity with the funds necessary to manage the payment of each remittance on the corresponding date. There are no additional contractual obligations for ENDESA under these agreements in the form of deposits, guarantees or similar modalities. Notwithstanding the above, the financial entity may come to agreements with any providers it considers convenient to pay all or only certain invoices prior to their maturity with a financial discount in the conditions deemed appropriate by the bank, by which the latter would become the holder of the loan represented by these invoices and an ENDESA creditor. In consideration of the fact that

these transactions in favour of the financial entity and providers are made possible by the mediation of ENDESA, the financial entity pays to ENDESA a fee for mediation.

ENDESA's confirming transaction agreements do not consider the possibility of delaying payment to the financial entity.

Therefore, according to paragraphs 3.3.1 and 3.3.2 of IFRS 9, "Financial Instruments", the obligation to the trade creditor is not extinguished given that, although the creditor has been paid by the financial entity, the trade creditor has not legally waived ENDESA of its main responsibility contained in the liability and a substantial change has not occurred in the liability conditions maintained by ENDESA. For ENDESA, the payment management agreement grants the providers the possibility of advancing the collection of their invoices; but this operation does not change the maturity of their liabilities nor does it change the nature of the liability that remains commercial.

2.2 State whether the payment management carried out by financial entities also applies to providers that belong to the ENDESA Group.

If so, explain the accounting policy applied to these liabilities and their amounts and indicate whether they appear in the Consolidated Financial Statement as a trade debt or are reclassified as debt with credit entities, as well as the Cash Flow Statement heading where the associated payments are included (transaction or financing).

The confirming agreements are not applied to payments between entities of the business group that ENDESA forms a part of.

- 3. According to information published in the press recently, the Government is drawing up a law on climate change in which the objective of reducing greenhouse gas emissions is expected, among other issues, by increasing the penetration of renewable energies, against the use of conventional generation sources, such as coal-fired power plants, nuclear power plants and combined cycle power plants.**

In addition, during the first semester of 2018, there have been significant transactions between Spanish energy companies for the purchase of combined-cycle plants that, according to the information in the press, suggest lower market values of the facilities in question.

Notwithstanding the above, as specified in Note 2.2 of the interim financial statement for the first semester of 2018, at 30 June 2018 ENDESA estimates that there are no observable indications from either external or internal sources that indicate a value impairment of non-financial assets requiring an estimate of their recoverable value.

3.1 In this respect, explain the reasons for not considering the aforementioned events as indications of a possible value impairment of electricity generating assets in Spain.

Note 2.2, "Responsibility of Information and Estimates Performed", of the Interim Condensed Consolidated Financial Statements for the six-month period ended at 30 June 2018 also states that Note 3.e "Value Impairment of Non-financial Assets" of the consolidated annual accounts for the year ended on 31 December 2017 states that throughout the year and, in any event, at the close of the year there will be an assessment of any indications that one or more assets may have undergone an impairment loss. Should this be the case, an estimate of the recoverable amount of that asset will be made to determine the necessary amount for consolidation, if applicable.

In turn, this Note describes, among other aspects, the criteria for estimating the recoverable value, identifying the main Cash Generating Units (CGUs), the key assumptions used in the projections, the period of the flows considered and the rates of growth and discount used.

As of 30 June 2018, ENDESA estimates that there are no observable indications from external and internal sources that could serve as a basis for determining that there are indications of impairment, based on the following:

- There were no significant changes in the legal, economic, technological or market environments unfavourable to ENDESA in the six-month period ended 30 June 2018.
- As of the date of approval of the Interim Condensed Consolidated Financial Statements for the semester ended 30 June 2018, the Spanish government did not issue any concrete formal regulatory proposals that modified the current regulatory status and could therefore have had an effect on electricity generating assets in Spain.

In July 2017, the previous government launched a public enquiry on climate change and energy transition as the starting point for a preliminary draft law. At the same time, on 7 July 2017 it set up a Committee of Experts on Energy Transition Scenarios to prepare a report on the various options to consider for the analysis of the energy transition process, which was issued in April 2018. None of the scenarios described in that report indicate the need to reassess the value of generating assets.

On the other hand, the current government has announced its intention to prepare a preliminary draft law on Climate Change and Energy Transition intended to establish the foundations for the future process of transition to a low-carbon economy and to be sent as draft legislation to the Spanish Parliament for approval. In this context, Royal Decree 958/2018, dated 27 July 2018, created an Inter-Ministerial Commission for Climate Change and Energy Transition with monitoring functions and to prepare proposals for decisions making related with climate change and energy, with the aim to improve public policy in this area.

In several public appearances, the Minister of Ecological Transition has referred to this transition process as well as to the need for an appropriate analysis of the various aspects involved, to ensure that the decisions that will affect Spain and Europe over coming decades are made appropriately. In any event, this is a medium to long term process, which will allow the economy as a whole to adapt its operational parameters so it can achieve the emission reduction, renewable energy penetration and energy efficiency goals for the 2030 and 2050 horizons. To date, however, the Ministry has not made public any specific aspect of the contents of the aforementioned preliminary draft law on Climate Change and Energy Transition.

- In view of this situation and as described in the updated version of the ENDESA Strategic Plan 2018-2020, submitted to the Spanish National Securities Market Commission on 22 November 2017, the study on the recoverable value of non-financial assets performed by ENDESA on 31 December 2017 already included the goal of decarbonising the energy mix, driven by the desire for energy security and economic competitiveness, while based on a clear commitment to renewable energy, maintaining nuclear energy and optimising efficient thermal generation assets during the transition period, among others.

- As regards the relevant transactions between Spanish energy companies formalized during the first half of 2018 on certain generation assets, due to their size and characteristics, they are not considered a market benchmark comparable to ENDESA's generation assets, which incorporate a mix diversified that includes all technologies and are managed in an integrated manner, which translates into an optimization of cash flows and, therefore, a higher joint value of them.
- At 30 June 2018, the evolution of the main key hypotheses used to perform the impairment test of the value of non-financial assets was the same or more favourable to those performed at 31 December 2017. Specifically, expected market prices were higher especially due to the evolution of commodity prices, mainly coal (API2) and carbon dioxide (CO₂). These new forecasts, based on the macroeconomic outlook, were compared with external sources to verify that internal estimates were aligned with external benchmarks.
- During the first semester of 2018, bond performance, interest rates and other market indicators did not undergo substantial changes that affect the discount and growth rates used to calculate the value in use of the asset and thereby reduce its recoverable amount significantly.
- In the six-month period ended 30 June 2018, there were no significant changes in the scope or manner in which the assets are expected to be used that may have unfavourable effects on ENDESA, nor are these expected in the immediate future.
- Finally, the discrepancies observed in 2018 with respect to the expectations used to carry out impairment tests at 31 December 2017 have not been significant. Specifically, cash flows generated in the first six months of 2018 were higher than those envisaged for that year in the impairment tests performed during the preparation of the Consolidated Financial Statements for the year ended 31 December 2017.

In light of the reasons mentioned in the paragraphs above and considering the results of the impairment test performed on 31 December 2017, no indications of impairment have been detected at 30 June 2018 that could have a negative effect on the key hypotheses used in the analysis carried out on 31 December 2017 and that could therefore indicate that the value of ENDESA assets has fallen significantly in comparison with 31 December 2017.

3.2 If, in light of this or any other information, it has been considered convenient to carry out an impairment test, indicate the expected period for its performance and submit in writing at that time an explanation of the conclusions and the method and key hypotheses used.

On the basis of the explanations given in Section 3.1 of this report, at 30 June 2018 ENDESA does not consider it necessary to update the estimate of the recoverable amount of its non-financial assets.

However, as stated in Note 3.e, "Impairment of the Value of Non-Financial Assets", of the Consolidated Financial Statements for the year ended 31 December 2017, at the close of the year the estimate of the recoverable amount of that assets will be updated.

The Consolidated Financial Statements for 2017 explain that there is a Cash Generating Unit (CGU) for generation on the Iberian Peninsula and another CGU for each of the Non-mainland territories systems (Balearic Islands, Canary Islands, Ceuta and Melilla). All assets at each of the CGUs are managed on a joint basis, irrespective of the type of technology used (coal, combined cycle, fuel-oil, hydro, nuclear and renewable energy), depending on the availability of the facilities, weather conditions and demand, and on the need to cover the system's technical restrictions, among other aspects. The joint management and diversification of the generation portfolio enables ENDESA to respond in a flexible way to the demand requirements through offers on different markets, coordinated by a single representative and liquidating party, guaranteeing a secure supply. Likewise, decisions are taken on operations based on the installed capacity of the whole generation park. This means that the total generation in each of the geographic areas mentioned above constitutes a CGU.

3.3 Indicate whether ENDESA has modified the structure of the Cash Generating Units (CGUs) in 2018, as compared to the description included in the previous paragraph, or expects to modify it in view of the impairment test to be carried out at the close of the year. If so, explain the reasons for the change.

We confirm that ENDESA has not modified the structure of its Cash Generating Units (CGUs) during the first six months of 2018 and is not considering any changes to them, at this time.

4. Lastly, as regards the preparation of the annual accounts from 2018, you are reminded of the following:

4.1 Notwithstanding that the breakdowns required by IFRS 13, "Fair Value Measurement", (on non-recurrent fair value measurements) apply only to measurements performed after initial recognition of the asset, the European Securities and Markets Authority (ESMA) considers that the information concerning measurement assumptions and techniques used to assess non-controlled assets, liabilities and holdings acquired in a business combination are relevant for investors and should therefore be provided in accordance with the requirements set forth in IAS 1, paragraphs 125 to 129.

As regards the points indicated above, we confirm that these shall be included in the Consolidated Financial Statements for the year ended 31 December 2018.

4.2 Paragraph 44 of IAS 7, "Cash Flow Statements", requires a breakdown of information allowing an evaluation of changes in liabilities arising from financing activities, whether or not these affect cash flows. Although there may be several ways to comply with this breakdown, in its document on common supervisory priorities for financial information corresponding to 2017, the European Securities and Markets Authority (ESMA) recommends that issuers provide a reconciliation in table format detailing the source of the variations that have not affected cash flows.



It is recommended that this reconciliation include current and non-current liabilities.

As regards the points indicated above, we confirm that these shall be included in the Consolidated Financial Statements for the year ended 31 December 2018.