



ENDESA, S.A.
and Subsidiaries

**Consolidated Management Report
for the First Quarter 2012**

Madrid, May 9, 2012

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Analysis for the period

Consolidated results

ENDESA reported net income of Euros 621 million in the first quarter of 2012

ENDESA reported net income of Euro 621 million in the first quarter of 2012, 7.2% down year-on-year, mainly due to the Euro 49 million drop in Business in Spain, Portugal and Others, while net income from Latin American Business was similar to that posted in the first quarter of 2011.

The table below shows the breakdown of net income of both businesses and the year-on-year change:

ENDESA net income from January-March 2012			
	Euro million	% change 1Q2011	% of total net income
Spain, Portugal and Others	475	(9.4)	76.5
Latin America	146	0.7	23.5
TOTAL	621	(7.2)	100.0

Electricity generation and sales

ENDESA's electricity generation in the first quarter of 2012 rose to 37,196 GWh, up 11.3% year-on-year.

Electricity sales climbed 0.7% to 45,230 GWh.

Power output and sales for January-March 2012				
	Output		Sales ⁽¹⁾	
	GWh	% change 1Q2011	GWh	% change 1Q2011
Spain, Portugal and Others	21,561	17.2	26,978	(2.4)
Latin America	15,635	4.0	18,252	5.7
TOTAL	37,196	11.3	45,230	0.7

(1) Spain, Portugal and Others includes sales totalling 250 GWh. Latin America includes tolls and unbilled consumption totalling 3,289 GWh in the first quarter 2012. Stripping out tolls and unbilled consumption, sales would have totalled 14,963 GWh (+5.3%).

EBITDA: Euro 1,827 million

EBITDA and EBIT in the first quarter 2012 rose by 2.9% and declined by 4.7%, respectively, to Euro 1,827 million and Euro 1,256 million.

In the first quarter 2012, revenues grew 3.4% to Euro 8,647 million, primarily due to higher sales prices. Variable costs rose by 5.5% as a result of a less favourable generation mix, with conventional thermal generation increasing relative to hydro output, thus hiking up fuel costs. The cost of energy acquired for re-sale also increased.

Fixed costs however fell by 8.5% (Euro 85 million), thanks to the ongoing implementation of the Synergy and Efficiency Plan.

EBIT declined by 4.7% in the first quarter 2012 to Euro 1,256 million, partly due to the fact that a number of provisions were reversed in the first quarter of 2011 following payment of the corresponding receivables.

The table below shows the breakdown of revenues by business, EBITDA and EBIT, and the year-on-year change:

	Revenues		EBITDA		EBIT	
	Million Euro	% change 1Q2011	Million Euro	% change 1Q2011	Million Euro	% change 1Q2011
Spain, Portugal and Others	6,031	1.8	1,040	(4.9)	658	(14.2)
Latin America	2,616	7.2	787	15.6	598	8.5
TOTAL	8,647	3.4	1,827	2.9	1,256	(4.7)

Net financial result stood at Euro 197 million

Net financial loss for the first quarter 2012 was Euro 197 million, a year-on year increase of Euro 57 million.

Net finance expense totalled Euro 187 million, up 22.2% year-on-year, while net exchange losses were Euro 10 million, compared to a Euro 13 million profit in the first quarter 2011.

The evolution of long-term interest rates in both the first quarter of 2012 and the first quarter of 2011 meant that provisions had to be adjusted to account for obligations from ongoing workforce restructuring plans for the sums of Euro 30 million (negative) and Euro 33 million (positive), respectively. These sums were recognised as net finance expenses.

Without the impact mentioned in the previous paragraph, net finance expenses would have fallen by Euro 29 million, or 15.6%, due to the debt reduction seen in both years.

Cash flow from operating activities: Euro 1,277 million

Cash flow from operating activities in the first quarter 2012 rose to Euro 1,277 million compared to Euro 1,014 million over the same period in 2011. This 25.9% increase is largely due to the better year-on-year performance of working capital in the first quarter of 2012.

Investment: Euro 420 million

ENDESA investments stood at Euro 420 million in the first quarter of 2012. Of this figure, Euro 368 million related to capex and investment in intangible assets and the remaining Euro 52 million to financial investments.

Investment				
	Euro million			% change
	Capex and intangible assets	Financial investments	TOTAL	1Q2011
Spain, Portugal and Others	174	21	195	(5.8)
Latin America	194	31	225	(19.6)
TOTAL (*)	368	52	420	(13.8)

(*) Excludes investments in non-current assets held for sale and in discontinued activities amounting to Euro 21 million, and the acquisition of the portfolio of gas customers in the Madrid area for Euro 37 million.

Financial position

ENDESA had net financial debt of Euro 9,607 million at 31 March 2012, a reduction of Euro 1,395 million compared to 31 December 2011.

Breakdown of ENDESA's net debt by business line (*)				
	Million euro			% change
	31 March 2012	31 December 2011	Difference	
Business in Spain, Portugal and Others	5,124	6,841	(1,717)	(25.1)
Business in Latin America	4,483	4,161	322	7.7
Enersis Group	3,927	3,883	44	1.1
Other	556	278	278	100.0
TOTAL	9,607	11,002	(1,395)	(12.7)

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

The average cost of ENDESA's total debt was 6.6% in the first quarter 2012, while the average cost of the debt corresponding to the Enersis Group was 9.6%. Excluding Enersis Group debt, the average cost of ENDESA's debt was 4.6% for the period.

When assessing the debt level, it must be remembered that at 31 March 2012, ENDESA had the recognised right to collect Euro 4,184 million in connection with several regulatory matters in Spain: Euro 2,892 million for financing the revenue deficit from regulated activities and Euro 1,292 million in compensation for stranded costs in non-mainland generation.

Stripping out these regulatory items, ENDESA's net debt at 31 March 2012 was Euro 5,423 million, Euro 199 million less than at 31 December 2011.

In the first quarter 2012, ENDESA has collected Euro 1,705 million from FADE issuances.

The table below shows the structure of the Group's net financial debt at 31 March 2012:

Structure of ENDESA's net financial debt at 31 March 2012 (Euro million)

	ENDESA and direct subsidiaries		Energis Group		Total ENDESA Group	
	Million Euro	% of total	Million Euro	% of total	Million Euro	% of total
Euro	5,611	99	-	-	5,611	59
Dollar	63	1	1,663	42	1,726	18
Chilean Peso/Unidades de Fomento	-	-	312	8	312	3
Brazilian real	-	-	647	17	647	7
Other currencies	6	-	1,305	33	1,311	13
TOTAL	5,680	100	3,927	100	9,607	100
Fixed rate	4,889	86	2,239	57	7,128	74
Hedged rate	180	3	-	-	180	2
Variable rate	611	11	1,688	43	2,299	24
TOTAL	5,680	100	3,927	100	9,607	100
Average life (no. years)		4.0		5.3		4.5

At 31 March 2012, ENDESA had liquidity of Euro 9,838 million in Spain, sufficient to meet the group's total debt repayments over the next 48 months. Euro 8,317 million of this amount was in undrawn, unconditional credit lines, of which Euro 3,500 million correspond to a credit line signed in November 2011 with ENEL Finance International, N.V. (hereafter "EFI"), which had not been drawn down at 31 March 2012.

Meanwhile, as of the same date, the Energis Group held cash and cash equivalents totalling Euro 1,716 million and Euro 678 million in undrawn, unconditional credit lines, covering debt maturities for the next 25 months.

As of the date of release of this earnings report, ENDESA's long-term debt ratings are Standard & Poor's "BBB+", with a stable outlook; Moody's "A3", with a negative outlook; and Fitch "A-", with a negative outlook.

Financial leverage

ENDESA's consolidated net equity stood at Euro 25,534 million at 31 March 2012, Euro 855 million more than at 31 December 2011. Of this amount, Euro 20,046 million was owned by ENDESA, S.A. shareholders, while Euro 5,488 million corresponded to minority shareholders of ENDESA Group companies.

Changes in ENDESA Group equity and net debt resulted in leverage of 37.6% at 31 March 2012, compared to 44.6% at 31 December 2011.

Other information

During the period ended 31 March 2012, the ENDESA Group followed the same general risk policy described in its consolidated financial statements for the year ended 31 December 2011. Within this context, the financial instruments and types of hedges are the same as those described in the consolidated financial statements. The risks to



which the ENDESA Group's operations were exposed are also the same as those described in the consolidated management report for 2011.

Also, there were no one-off events of significant amounts during the first quarter of 2012 other than those referred to in the consolidated management report. In this regard, during the first quarter of 2012 there were no new material contingent liabilities other than those described in the consolidated financial statements for the year ended December 31 2011..

Results by business line

Business in Spain, Portugal and Others

Net income – Spain, Portugal and Others: Euro 475 million

Net income from ENDESA's business in Spain, Portugal and Others was Euro 475 million in the first quarter 2012, Euro 49 million down year-on-year, and accounting for 76.5% of ENDESA's total net income.

EBITDA was Euro 1,040 million, down 4.9% year-on-year, and EBIT totalled Euro 658 million, down 14.2%.

The decline in EBITDA is largely due to the following factors:

- The less favourable power generation mix due to the drop in hydro output and the increase in conventional thermal generation, leading to higher fuel costs.
- The higher average price on the electricity wholesale market year-on-year during the first quarter 2012. This price hike has bumped up the cost of procuring electricity required to cover the gap between sales and output, thereby leading to a shrinking of the margin on these sales.
- The impact on distribution activity revenues of the measures to reduce the electricity deficit passed in by Royal Decree Law 13/2012, of 30 March.

Mainland electricity demand shrank by 1.0% year-on-year in the first quarter 2012 (-2.0% when adjusted for working days and temperature).

Additionally, wholesale electricity prices continued to rise over the period, climbing 17.7% compared to last year.

During this period, ENDESA obtained a market share in ordinary regime generation of 37.7%, a 42.7% share in distribution and a 38.7% share in sales to customers in the deregulated market.

Regulatory aspects

From the regulatory standpoint, the main highlights of the period were as follows:

Royal Decree Law 1/2012, of 27 January, suspending the remuneration pre-assignment procedure and removing incentives for new electrical power facilities that employ combined heat and power, renewable energy sources and waste.

The law has eliminated economic incentives for special regime facilities and suspended the remuneration pre-assignment procedure for the granting of economic special regime. It does not apply to installations that were already inscribed in the pre-allocation registry when the law came into force and that have yet to be commissioned.

Royal Decree Law 13/2012, of 30 March, transposing directives on domestic electricity and gas markets and on electronic communications, and adopting measures to remedy diversions owing to imbalances between the costs and revenues of the electricity and gas industries.

This Royal Decree Law contains measures to transpose EU directives on the electricity and gas industries, and also certain measures to reduce the deficit in the electricity and gas industries.

In order to ensure that the electricity sector deficit target of Euro 1,500 million is achieved in 2012, the Royal Decree Law includes a number of measures that the Ministry for Industry, Energy and Tourism believes will reduce the deficit by Euro 1,700 million. The main measures are as follows:

- A Euro 689 million reduction in remuneration for electricity distributors, including their commercial management activities. Out of that figure, Euro 278 million would be Endesa's share. Under the terms of the Royal Decree Law, remuneration criteria are as follows from 1 January 2012:
 - Investment remuneration will only be applied to non-amortised, taking their net value as the base for their financial remuneration.
 - The remuneration generated by installations put into service in year "n" will begin to accrue on 1 January of year "n" +2.

The Royal Decree Law states that the Ministry for Industry, Energy and Tourism will submit a Royal Decree proposal that ties investment remuneration to non-amortised assets in service.

- The remuneration paid for transport activity has been reduced by Euro 197 million. As of 1 January 2012, the accrual and collection of remuneration generated by installations commissioned in year "n" will start from 1 January of year "n" +2. Similarly, the Ministry for Industry, Energy and Tourism will submit a draft Royal Decree that ties investment remuneration to non-amortised assets in service. The existing planning of the transport network is also scheduled to be reviewed before 30 June 2012, using the current and most probable macroeconomic scenario as a base, along with expected trends

in supply and demand. Authorisations for new installations will also be suspended until the review process has been carried out.

- A one-off 10% reduction in 2012 of the maximum volume initially forecasted for 2012 in the ruling of 31 December 2011 on the resolution of the supply security restrictions process. The Government estimates the impact of this measure will be Euro 50 million.
- A one-off reduction in 2012 of the investment incentive for those installations that were receiving it when the law came into force (from Euro 26,000 to 23,400 /MW) and of the environmental investment incentive (from Euro 8,750 to 7,875 /MW). The Government estimates the impact of this measure will be Euro 80 million.
- A change in the remuneration of the System Operator, which will no longer be remunerated by access tariffs but will instead be financed by the parties that rely on its services. The Government estimates the impact of this measure will be Euro 20 million.
- Reimbursement to the regulated activities settlement system of the retained profits that are recognised in equity in the annual financial statements of the National Energy Commission (hereafter "CNE") at 31 December 2011, which the Government estimates at Euro 60 million. The Commission's annual quota is likewise reduced.
- Reimbursement to the settlement system of the balance at 31 December 2011 of the "Cash and cash-equivalents" account of the annual financial statements of the Institute for Diversification and Energy Savings (hereinafter, "IDAE"), which the Government estimates at Euro 600 million.
- A reduction of the interruptibility concept included under access tariffs, which certain electricity consumers receive, and which is set at Euro 505 million in 2012, marking a reduction of Euro 60 million.
- Furthermore, the Royal Decree Law establishes that within two months of its approval, the Ministry for Industry, Energy and Tourism will propose changes to the remuneration model for generation of non-mainland systems.

2012 electricity tariff.

Ministry of Industry, Tourism and Trade Order ITC/3586/2011 of 30 December revised access tariffs from 1 January 2012 onward, with an average increase of 8.2%:

- Last resort tariff (hereafter, "LRT") access tariffs climbed 12.8%, equivalent to the fall in the cost of energy following the CESUR auction.
- Other low-voltage access tariffs increased 6.3%.
- High-voltage access tariffs increased 2%.

This Order envisages a forecast revenue deficit from regulated activities of Euro 1,500 million from 1 January to 31 December 2012, both inclusive.

The Resolution of 30 December 2011 established that the LRT applicable in the first quarter 2012 will remain the same as in the previous quarter, thanks to the decrease in energy costs following the CESUR auction. Moreover, and in application of the Supreme Court ruling that suspended the reduction in access tariffs established by Ministerial Order ITC/2585/2011, of 29 September, on the revision of access tariffs from 1 October 2011, the Ministry for Industry, Energy and Tourism set new LRT rates for the period going from 23 December (when the Supreme Court ruling was notified to the State legal department) to 31 December 2011.

Subsequently, the Supreme Court handed down various rulings in March in which it agreed to injunctions suspending the aforementioned Ministerial Order IET/3586/2011, of 30 December, and urging the Ministry for Industry, Energy and Tourism to ensure that access tariffs cover the cost of regulated activities.

Ministerial Order IET/843/2012, of 25 April, on the revision of access tariffs from 1 April 2012, has now set new access tariffs for the first quarter of 2012 and for the rest of the fourth quarter of 2011 (between 1 October and 22 December). Furthermore, the aforementioned Order increases access tariffs from 1 April by an average of 6.3% with respect to the ones previously in force. The changes can be broken down as follows:

- Last resort access tariffs increased 7.9%.
- Other low-voltage access tariffs increased 5.2%.
- High-voltage access tariffs increased 4.5%.

Lastly, the Department of Energy Policy and Mines issued a Resolution on 25 April 2012 approving an average LRT increase of 7% compared to the rate previously in force. Similarly, and in compliance with the previously mentioned Supreme Court orders, the Resolution changed various components of the LRT for the periods going from 1 October to 22 December 2011 and 1 January to 31 March 2012.

The shortfall between the access tariffs collected during 1Q 2012 and the system costs during the same period has led to a revenue deficit in regulated activities of approximately Euro 769 million for the sector as a whole. Of this amount, ENDESA must finance 44.16% (Euro 340 million). Also in this same period, Euro 363 million of non-mainland tariff deficit has arisen.

Social bonus (*Bono Social*)

On 7 February 2012 the Supreme Court passed a judgement annulling certain provisions related to the so-called *Bono Social* (social bonus) and its application, holding that its financing by power generation companies operating under the ordinary regime (as established by Royal Decree Law 6/2009, of 30 April) is discriminatory.

In application of the judgement, Ministerial Order IET/843/2012, of 25 April changed the settlement system for the discount rate, which from 7 February 2012

is to be treated as a payable cost of the electricity system and must therefore be covered by the access tariffs.

Other operations during the period

On 29 February 2012, ENDESA completed the purchase from Gas Natural SDG, S.A. of a portfolio of approximately 245,000 gas customers and other related contracts in the region of Madrid. The operation involved the purchase of 100% and subsequent merger by absorption of the shareholdings in GEM Suministro de Gas 3, S.L. and GEM Suministro de Gas Sur 3, S.L., both suppliers of natural gas and electricity to a number of districts and municipalities in the Madrid region. The investment cost totalled Euro 37 million.

Revenues: Euro 6,031 million (+1.8%)

In the first quarter 2012, Endesa reported a 1.8% increase in revenues to Euro 6,031 million from its Spain, Portugal and Others business.

Of this amount, revenues from sales accounted for Euro 5,677 million, a 4.8% increase year-on-year, as shown below:

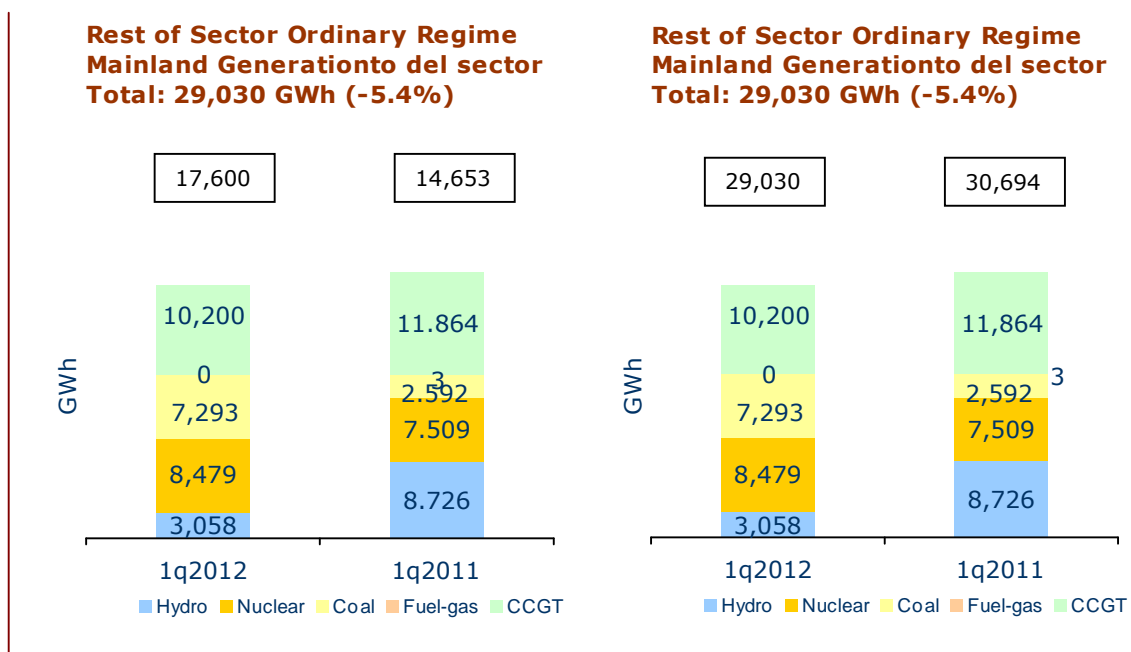
Sales of the Spain, Portugal and Others business				
	Euro million			
	January- March 2012	January- March 2011	Difference	% change
Electricity sales	4,380	4,271	109	2.6
Sales - Deregulated market	1,941	1,740	201	11.6
Sales - Suppliers of Last Resort	1,273	1,398	(125)	(8.9)
Sales - Wholesale market	397	337	60	17.8
Supply to customers in deregulated markets outside Spain	217	160	57	35.6
Non-mainland compensation	481	412	69	16.7
Power trading	23	179	(156)	(87.2)
Other sales	48	45	3	6.7
Regulated revenue from electricity distribution	505	544	(39)	(7.2)
Gas supply	583	429	154	35.9
Other sales and services rendered	209	172	37	21.5
TOTAL	5,677	5,416	261	4.8

Electricity Sales

ENDESA's electricity output in the Spain, Portugal and Other business in the first quarter 2012 stood at 21,561 GWh (+17.2% year-on-year). Of this amount, 20,976 GWh corresponded to Spain (+16.0%), 352 GWh to Portugal (+477.0%) and 233 GWh to the rest of the segment (-5.7%).

Mainland electricity output in the first quarter 2012 was 17,600 GWh (+20.1% year-on-year), due to strong growth in thermal output (+41.4%), an increased share from coal-fired plants (+59.6%) and increased nuclear output (+25%). Nuclear and hydro energy accounted for 47.1% of ENDESA's mainland generation mix under the ordinary regime (55.0% in January-March 2011), compared with 39.7% for the rest of the sector (52.9% in January-March 2011).

ENDESA's output from non-mainland facilities was 3,376 GWh, down 1.7% on the first quarter 2011.



Supply to deregulated customers

ENDESA had 2,464,697 customers in the deregulated market at the end of the first quarter 2012: 2,381,998 in the Spanish mainland market and 82,669 in European deregulated markets other than Spain. ENDESA sold a total of 19,190 GWh to these customers in the first quarter 2012, an increase of 2.6%.

Sales in the Spanish deregulated market totalled Euro 1,941 million, up 11.6% on the first quarter 2011. Sales to deregulated European markets other than Spain stood at Euro 217 million, up 35.6% year-on-year.

Last resort supplier sales

ENDESA sold 7,538 GWh through its last resort supplier (LRS) in the first quarter 2012, 12.7% less than the previous year due to the migration of LRT customers to the deregulated market.

These sales generated revenues of Euro 1,273 million in the period January-March 2012, 8.9% lower compared to a year ago.

Electricity distribution

ENDESA distributed 30,158 GWh in the Spanish market in the first quarter 2012, a year-on-year increase of 1.1%.

Regulated revenue from distribution activities amounted to Euro 505 million, 7.2% lower year-on-year. This fall was due to the application since 1 January 2012 of the reduction in remuneration from electricity distribution activity from Royal Decree Law 13/2012, of 30 March,

Gas supply

ENDESA sold 17,498 GWh of natural gas to customers in the deregulated market in the first quarter 2012, a 19.8% increase year on year with respect to total gas sales. In economic terms, revenues from gas sales in the deregulated market rose 35.9% to Euro 583 million.

Operating expenses

The following table provides a breakdown of operating expenses for the Spain, Portugal and Others business in the first quarter 2012:

Operating expenses – Business in Spain, Portugal and Others				
	Euro million			
	January-March 2012	January-March 2011	Difference	% change
Procurements and services	4,447	4,280	167	3.9
Power purchased	1,426	1,615	(189)	(11.7)
Fuel consumption	910	601	309	51.4
Power transmission expenses	1,626	1,499	127	8.5
Other procurements and services	485	565	(80)	(14.2)
Personnel costs	240	265	(25)	(9.4)
Other operating expenses	327	314	13	4.1
Depreciation & amortisation charges and impairment losses	382	327	55	16.8
TOTAL	5,396	5,186	210	4.0

Procurements and services (variable costs)

Power purchases stood at Euro 1,426 million in January-March 2012, down 11.7% year-on-year, due mainly to the lower volume of electricity acquired on the market for re-sale given the strong increase in the company's own power generation.

In contrast, fuel consumption costs rose 51.4% to Euro 910 million due to increased thermal output over the period.

Personnel and other fixed operating expenses

Fixed costs in the first quarter 2012 were Euro 567 million, Euro 12 million lower (-2.1%) year-on-year largely thanks to the ongoing implementation of the Synergy and Efficiency Plan.

This change is due to a Euro 25 million reduction in "Personnel expenses" to Euro 240 million, and a Euro 13 million increase (+4.1%) in "Other operating expenses" to Euro 327 million.

Financial results: Euro 65 million

Net finance expenses in first quarter 2012 stood at Euro 65 million, Euro 35 million more than the first quarter 2011. The difference was due to a Euro 8 million increase in net financial expenses and a Euro 27 million reduction in net exchange differences, which moved from a gain of Euro 23 million in the first quarter 2011 to a loss of Euro 4 million in the first quarter 2012.

The increase in net finance expenses was due to the effect of the change in interest rates on the value of liabilities recognised in order to account for obligations from ongoing workforce restructuring plans. These effects had a negative impact of Euro 30 million on the first quarter 2012, and a positive impact of Euro 33 million on the first quarter of 2011.

Without the impact mentioned in the previous paragraph, net finance expenses would have fallen Euro 55 million, mainly due to the reduction of debt between both periods.

Net financial debt in the Spain, Portugal and Others business at 31 March 2012 stood at Euro 5,124 million vs. Euro 6,841 million at year-end 2011. Of this amount, Euro 4,184 million was incurred to finance regulatory receivables: Euro 2,892 million to finance the revenue deficit from regulated activities and Euro 1,292 million to fund non-mainland generation compensations.

Cash flow from operating activities: Euro 988 million

Cash flow from operating activities in the business in Spain, Portugal and Others totalled Euro 988 million in the first quarter 2012 vs. Euro 707 million in the first quarter 2011. This represents a 39.7% increase and was largely due to the better year-on-year performance of working capital in the first quarter of 2012.

Investment: Euro 195 million

Investment in the Spain, Portugal and Others business in 2012 totalled Euro 195 million in the first quarter 2012, as detailed in the table below:

Total investment Business in Spain and Portugal and Others			
	Euro million		
	January-March 2012	January-March 2011	% change
Capex	170	183	(7.1)
Intangible	4	9	(55.6)
Financial investments	21	15	40.0
TOTAL (*)	195	207	(5.8)

(*) Excludes investments in non-current assets held for sale and in discontinued activities amounting to Euro 21 million and Euro 3 million respectively, and the acquisition in the first quarter of 2012 of the portfolio of gas customers in the Madrid area for Euro 37 million.

Capex Business in Spain and Portugal and Others			
	Euro million		
	January-March 2012	January-March 2011	% change
Generation	47	77	(39.0)
Distribution	123	104	18.3
Other	-	2	n/a
TOTAL	170	183	(7.1)

In the Spain, Portugal and Others business, first quarter 2012 generation capex largely relates to maintenance investments, while Capex in the distribution business relates to investment to expand and optimise the network, in order to improve efficiency and service quality. It also includes investment for the widespread installation of smart meters and their associated operating systems.

Business in Latin America

Net income in Latin America: Euro 146 million

ENDESA's Latin American business reported net income of Euro 146 million in the first quarter 2012, a year-on-year increase of 0.7%.

EBITDA was Euro 787 million, up 15.6% year-on-year, whilst EBIT was Euro 598 million, up 8.5% year-on-year.

Highlights

The economic climate in ENDESA's Latin American operating markets was positive. Energy demand advanced in all countries during first quarter 2012, with increases in Peru (+6.4%), Chile (SIC +7.7% and SING +7.8%), Brazil (+6.6%), Argentina (+6.4%) and Colombia (4.7%).

In this context, distribution sales by ENDESA companies, including tolls and unbilled consumption, totalled 18,252 GWh, an increase of 5.7% compared to the same period in 2011, with rises recorded in all countries: Chile (+6.8%), Brazil (+6.5%), Peru (6.3%), Colombia (+4.8%) and Argentina (+4.4%).

Output in ENDESA's generation business grew 4.0% to 15,635 GWh. Increases in output were especially significant in Brazil (+75.2%) and Colombia (+12.0%), which offset the decreases in Peru (-4.6%) and Argentina (-0.7%). Year-on-year output in Chile remained stable.

Electricity generation and sales Business in Latin America

	Generation (GWh)		Distribution (GWh) ⁽¹⁾	
	January-March 2012	% change 1Q2011	January-March 2012	% change 1Q2011
Chile	4,875	0.0	3,564	6.8
Argentina	4,333	(0.7)	4,536	4.4
Peru	2,378	(4.6)	1,735	6.3
Colombia	3,073	12.0	3,262	4.8
Brazil	976	75.2	5,155	6.5
TOTAL	15,635	4.0	18,252	5.7

(1) Includes tolls and unbilled consumption totalling 3,289 GWh. Stripping out tolls and unbilled consumption, sales in the Latin America business would have totalled 14,963 GWh (+5.3%).

Unit margins

The unit margin in the generation business declined by 14.9% to Euro 25.1/MWh. Improvements were seen in Peru (+16.1%) and Colombia (+9.9%), which partially offset declines in generation unit margins in Chile (-38.1%), Argentina (-35.3%) and Brazil (-12.6%).

The unit margin on distribution activities in the first quarter 2012 was Euro 36.1/MWh, up 11% year-on-year and compensating for the fall in generation margins. The change was due to the improvement in unit margins in all countries: Colombia (+17.7%), Brazil (+12.1%), Peru (+8.2%), Argentina (+5.8%) and Chile (+1.2%).

New capacity development

Construction continued in the first quarter 2012 on the Bocamina II coal-fired plant in Chile (370 MW), with assembly of the boiler and turbine. The plant is due to be commissioned in 2012.

Work on the diversion tunnel at the El Quimbo hydro plant in Colombia (400 MW) has been completed, and in March the Magdalena river was partially diverted. This will allow secondary works to be carried out so that the final diversion can be completed towards October 2012 and construction of the dam started. The plant is slated to come on stream in fourth quarter 2014.

The turbine and generator for the Talara thermal plant project have been manufactured and are expected to be assembled in June 2012. This dual open-cycle plant (diesel/natural gas) is due to come into operation in the first half of 2013.

Regulatory update

Chile

On 19 January 2012, the Chilean National Congress passed Law 20,571 on Net Metering, which will allow customers who install non-conventional renewable energy generating systems in their homes to sell excess capacity to the grid. The law was published in the Official Journal on 22 March and will enter into force when the implementing decree is published.

Brazil

On 13 March 2012, the annual tariff adjustment (hereinafter "IRT") process for Ampla Energia e Serviços, S.A. was completed, approving a 4% increase for in the distribution added value (Parcel B), which came into force on 15 March.

On 10 April 2012, the National Electrical Energy Agency (hereinafter "ANEEL") approved the final methodology for calculating the Third Cycle of Ordinary Tariff Reviews (hereinafter "RTO") for Companhia Energética do Ceará, S.A. (hereinafter "Coelce"). The distributor is the first company to apply the RTO methodology calculations, which were approved in November 2011. Due to the delay in applying the new methodology, the tariffs in effect in 2011 were provisionally extended for a further year. This means that the impact of the tariff review for Coelce consumers will happen on the same date as the following annual readjustment, that is to say, the new tariff applicable on 22 April 2012 will be the result of two calculations - the normal four-year review as well as the annual readjustment. On 17 April 2012, ANEEL approved the Coelce IRT calculation. Taking the effect of these two measures into account, the change in the DAV (Parcel B) was -14%. The reduction takes into account that tax benefits favouring Coelce from the incentive for economic development in the north-

west of Brazil should count towards the tariff reduction. This interpretation is not final and is being challenged before the Brazilian courts by the affected distribution companies.

Peru

On 25 March 2012, Congress approved the draft law creating the Energy Security System in Oil and the Energy Social Inclusion Fund (hereinafter "FISE"), which will benefit the most needy sections of the population. The law states that the Energy Security System in Oil will be financed by a pipeline transportation surcharge on liquid products derived from hydrocarbons and liquids from natural gas. It also approved the creation of FISE, an energy compensation system, which allows the system to provide security and a scheme of social compensation and universal service for the most vulnerable sectors of the economy. The fund will be financed by a surcharge on the monthly bill for unrestricted users of the interconnected electricity systems, and a surcharge on the pipeline transportation of liquid products derived from oil and natural gas liquids.

Corporate restructuring process

On 27 February 2012, the Board of Directors of ENDESA agreed to streamline the structure of the Chilean subsidiaries of ENDESA Chile, S.A. (hereinafter, "ENDESA Chile") through a staggered merger process involving Compañía Eléctrica San Isidro, S.A., Inversiones ENDESA Norte, S.A., Celta, ENDESA Eco, S.A., Ingendesa, Enigesas and Pangué.

EBITDA: Euro 787 million

First quarter 2012 EBITDA for ENDESA's Latin American business amounted to Euro 787 million, up 15.6% year-on-year.

EBITDA rose Euro 28 million year-on-year due to exchange rate trends between the euro and local currencies in the countries where the Group operates.

EBIT was Euro 598 million, 8.5% higher than the figure reported in the first quarter of 2011.

EBITDA and EBIT - Latin America business						
	EBITDA (Euro million)			EBIT (Euro million)		
	January- March 2012	January- March 2011	% change	January- March 2012	January- March 2011	% change
Generation and transmission	377	379	(0.5)	291	329	(11.6)
Distribution	419	316	32.6	315	237	32.9
Other	(9)	(14)	n/a	(8)	(15)	n/a
TOTAL	787	681	15.6	598	551	8.5

The breakdown of these results by country is shown below:

EBITDA and EBIT - Business in Latin America - Generation and Transmission						
	EBITDA (Euro million)			EBIT (Euro million)		
	January- March 2012	January- March 2011	% change	January- March 2012	January- March 2011	% change
Chile	84	176	(52.3)	50	144	(65.3)
Colombia	136	55	147.3	122	42	190.5
Brazil	54	52	3.8	48	46	4.3
Peru	66	58	13.8	50	44	13.6
Argentina	16	39	(59.0)	5	31	(83.9)
TOTAL GENERATION	356	380	(6.3)	275	307	(10.4)
Brazil-Argentina interconnection	21	(1)	n/a	16	22	(27.3)
TOTAL GENERATION AND TRANSMISSION	377	379	(0.5)	291	329	(11.6)

EBITDA and EBIT - Business in Latin America - Distribution						
	EBITDA (Euro million)			EBIT (Euro million)		
	January- March 2012	January- March 2011	% change	January- March 2012	January- March 2011	% change
Chile	67	61	9.8	56	50	12.0
Colombia	122	56	117.9	95	32	196.9
Brazil	203	162	25.3	152	132	15.2
Peru	35	33	6.1	26	25	4.0
Argentina	(8)	4	n/a	(14)	(2)	n/a
TOTAL DISTRIBUTION	419	316	32.6	315	237	32.9

Generation and transmission

Chile

ENDESA's investees in Chile generated a total of 4,875 GWh, in line with the same period last year, but lower operating income due to a 14.4% fall in average energy selling prices and higher transmission costs. This meant a reduction of 52.3% in EBITDA of the generation business, which stood at Euro 84 million in the first quarter 2012.

EBIT totalled Euro 50 million, a 65.3% year-on-year decline vs. 2011.

Colombia

In Colombia, generation business EBITDA and EBIT rose by Euros 81 and 80 million respectively year-on-year in the first quarter 2012 as a result of the non-recurring effect of the 2011 net worth tax, which entailed the recognition of a Euro 65 million expense.

Stripping out the impact of the net worth tax in 2011, the Colombian generation business EBITDA and EBIT would have increased by 13.3% and 14.0% respectively, mainly as a result of increased production over the period due to improved hydrology (+12.0%) and the positive impact of better sale prices and revenues from power sales.

Brazil

ENDESA's investees in Brazil generated a total of 976 GWh in the first quarter of 2012, up 75.2% year-on-year, with an increase in generation from the Cachoeira plant due to improved hydrology and increased demand from the Fortaleza plant.

Increased generation activity over the period led to an improvement in both EBITDA (Euro 54 million, +3.8%) and EBIT (Euro 48 million, +4.3%).

Peru

The first quarter 4.6% reduction in electricity generation by ENDESA investees in Peru, caused by lower output at Ventanilla, was fully compensated by better sale prices due to the activation of new tender contracts to distribution companies and increased sales to regulated customers. Taken together these led to a 13.8% increase in EBITDA to Euro 66 million, and a 16.6% increase in EBIT to Euro 50 million.

Argentina

Although production in the first quarter 2012 was at a similar level to that of a year ago (-0.7%), lower margins from sales as a result of improvements agreed by generating companies last year not being renewed, together with higher fixed costs, meant that EBITDA fell by 59% vs. the first quarter 2011 to Euro 16 million.

EBIT over the period totalled Euro 5 million, a 83.9% year-on-year decline vs. 2011.

Argentina - Brazil interconnection

From April 2011 the two interconnection lines linking Brazil and Argentina began to receive regulated remuneration, putting Compañía de Interconexión Energética, S.A.'s EBITDA at a positive Euro 21 million in the first quarter 2012, compared to a negative Euro 1 million over the same period in 2011.

This put EBIT at Euro 16 million for the period, down Euro 6 million year-on-year due to the reversal of provisions following payment of receivables with Argentina in 1Q 2011.

Distribution

Chile

The +6.8% rise in sales volumes, on the back of increased demand and higher average prices, pushed up EBITDA and EBIT in the Chilean distribution business by 9.8% and 12.0%, respectively, to Euro 67 million and Euro 56 million.

Colombia

Distribution business EBITDA and EBIT in Colombia rose by Euro 66 and 63 million, respectively.

Of these increases, Euro 44 million was due to the non-recurring impact of the cost of the 2011 net worth tax. Stripping out this effect, EBITDA and EBIT would have increased by 22% and 25%, respectively, due to the increase in both the amount of electricity sold (+4.8%) and unit margin (+17.7%).

Brazil

EBITDA and EBIT for the first quarter 2012 amounted to Euro 203 million (+25.3%) and Euro 152 million (15.2%), respectively, year-on-year.

The change in both indicators is mainly due to greater volume of energy sold (6.5%), increased demand and the containment of fixed costs.

Peru

Economical indicators in the Peruvian distribution business performed well between January and March 2012 on the back of a 6.3% rise in sales volumes.

EBITDA climbed 6.1% year-on-year to Euro 35 million, while EBIT was 4.0% higher than in the first quarter 2011, rising to Euro 26 million.

Argentina

Despite the increase in sales (+4.4%) as a result of increased demand (+6.4%), Argentinean business distribution EBITDA came in at a negative Euro 8 million compared to a positive Euro 4 million in the first quarter 2011. This decline was due to the company's higher fixed costs, which were triggered by Argentina's rising inflation and could not be passed on to customers through the tariffs in place.

EBIT amounted to a negative Euro 14 million, down Euro 12 million year-on-year.

Financial results: Euro 132 million

The net financial loss reported by ENDESA's Latin American business was Euro 132 million in the first quarter of 2012, a year-on-year increase of 20.0%.

Net finance expenses were Euro 126 million in the first quarter 2012, up Euro 26 million, or 26%, due to the increase in the average cost of debt.

Net exchange losses of Euro 10 million in the first quarter 2011 have fallen to losses of Euro 6 million in 1Q 2012.

Net debt at ENDESA's Latin American business stood at Euro 4,483 million at 31 March 2012, an increase of Euro 322 million from year-end 2011.

Cash flow from operating activities: Euro 289 million

Endesa's business in Latin America generated Euro 289 million in cash flow in the first quarter 2012 compared to Euro 307 million in the same period in 2011.

Investment: Euro 225 million

In the first quarter 2012, investments in this business totalled Euro 225 million, Euro 31 million of which comprised financial investments and Euro 194 million capex and investments in intangible assets, as shown in the following table:

Capex and investment in intangible assets Business in Latin America			
	Euros million		
	January-March 2012	January-March 2011	% Var.
Generation	86	126	31.7
Distribution and Transmission	55	46	19.6
TOTAL CAPEX	141	172	(18.0)
Intangible assets (*)	53	76	(30.3)
TOTAL CAPEX AND INVESTMENT IN INTANGIBLE ASSETS	194	248	(21.8)

(*) Comprises investments in the Brazilian distribution business as, given the nature of the concession, the associated assets are classified partly as intangible and partly as financial under IFRIC 12.

Statistical appendix

Key figures

Electricity Generation Output (GWh)	January-March 2012	January-March 2011	% change
Business in Spain, Portugal and Others	21,561	18,397	17.2
Business in Latin America	15,635	15,031	4.0
TOTAL	37,196	33,428	11.3

Electricity Generation Output in Spain and Portugal and Others (GWh)	January-March 2012	January-March 2011	% change
Mainland	17,600	14,653	20.1
Nuclear	7,276	5,819	25.0
Coal	7,682	4,814	59.6
Hydroelectric	1,007	2,246	(55.2)
Combined cycle (CCGT)	1,635	1,774	(7.8)
Non-mainland	3,376	3,436	(1.7)
Portugal	352	61	477.0
Other	233	247	(5.7)
TOTAL	21,561	18,397	17.2

Electricity Generation Output in Latin America (GWh)	January-March 2012	January-March 2011	% change
Chile	4,875	4,874	0.0
Argentina	4,333	4,364	(0.7)
Peru	2,378	2,493	(4.6)
Colombia	3,073	2,743	12.0
Brazil	976	557	75.2
TOTAL	15,635	15,031	4.0

Electricity Sales (GWh)	January-March 2012	January-March 2011	% change
Business in Spain, Portugal and Others	26,978	27,628	(2.4)
LRS	7,538	8,636	(12.7)
Deregulated market	19,190	18,705	2.6
Rest of the sector ⁽¹⁾	250	287	(12.9)
Business in Latin America ⁽²⁾	18,252	17,270	5.7
Chile	3,564	3,338	6.8
Argentina	4,536	4,345	4.4
Peru	1,735	1,632	6.3
Colombia	3,262	3,113	4.8
Brazil	5,155	4,842	6.5
TOTAL	45,230	44,898	0.7

(1) Generation revenues.

(2) Includes tolls and unbilled consumption totalling 3,289 GWh in the first quarter 2012 and 3,065 GWh in the same period of 2011. Stripping out tolls and unbilled consumption, the Latin American business sales would have totalled 14,963 GWh and 14,205 GWh, respectively (+5.3%).

Gas Sales (GWh)	January- March 2012	January- March 2011	% change
Deregulated market (*)	17,498	14,600	19.8
TOTAL	17,498	14,600	19.8

(*) Excluding own generation consumption.

Period-end headcount (number of employees)	31 March 2012	31 December 2011	% change
Business in Spain, Portugal and Others	11,789	11,785	0.0
Business in Latin America	11,196	11,092	0.9
TOTAL	22,985	22,877	0.5

Financial data

Financial measures (Euro)	January- March 2012	January- March 2011	% change
EPS ⁽¹⁾	0.59	0.63	(7.2)
BVPS ^{(2), (3)}	18.93	17.08	10.8

(1) Parent company's FY profit / No. shares.

(2) Parent company's net equity / No. shares.

(3) At 31 March.

Net financial debt (Euro million)	31 March 2012	31 December 2011	% change
Business in Spain, Portugal and Others	5,124	6,841	(25.1)
Business in Latin America	4,483	4,161	7.7
TOTAL	9,607	11,002	(12.7)
Financial leverage (%) ⁽¹⁾	37.6	44.6	n/a

(1) Net finance debt / Net equity.

Ratings (9 May 2012)	Long- term	Short- term	Outlook
Standard & Poor's	BBB+	A2	Stable
Moody's	A3	P2	Negative
Fitch	A-	F2	Negative

ENDESA's main fixed-income issues	Spread over IRS (bp)	
	31 March 2012	31 December 2011
0.5 Y GBP 400Mn 6.125% Mat. June 2012	106	145
1.1 Y EUR 700Mn 5.375% Mat. February 2013	59	157

Stock market data	31 March 2012	31 December 2011	% change
Market cap (Euro million)	15,818	16,781	(5.7)
Number of shares outstanding	1,058,752,117	1,058,752,117	-
Nominal share value (Euro)	1.2	1.2	-

Stock market data (Shares)	January- March 2012	January-March 2011	% change
Trading volume			
Continuous market	38,730,573	48,878,351	(20.8)
Average daily trading volume			
Continuous market	595,855	763,724	(22.0)

Share price (Euro)	High January- March 2012	Low January- March 2012	31 March 2012	31 December 2011
Continuous market	16.32	14.78	14.94	15.85

Dividends (€/share)	Against 2011 earnings
Total DPS (*)	0.606
Pay-out (%)	29.0
Dividend yield (%)	3.8

(*) Pending approval at the General Shareholders' Meeting.

Important legal disclaimer

This document contains certain "forward-looking" statements regarding anticipated financial and operating results and statistics and other future events. These statements are not guarantees of future performance and they are subject to material risks, uncertainties, changes and other factors that may be beyond ENDESA's control or may be difficult to predict.

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

In these statements we avail ourselves of the protection provided by the Private Securities Litigation Reform Act of 1995 of the United States of America with respect to forward-looking statements.

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

Economic and industry conditions: significant adverse changes in the conditions of the industry, the general economy or our markets; the effect of the prevailing regulations or changes in them; tariff reductions; the impact of interest rate fluctuations; the impact of exchange rate fluctuations; natural disasters; the impact of more restrictive environmental regulations and the environmental risks inherent to our activity; potential liabilities relating to our nuclear facilities.

Commercial or Transactional Factors: any delays in or failure to obtain necessary regulatory, antitrust, internal and other approvals for our proposed acquisitions, investments or asset disposals, or any conditions imposed in connection with such approvals; our ability to integrate acquired businesses successfully; the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters during the process of integrating acquired businesses; the outcome of any negotiations with partners and governments. Delays in or impossibility of obtaining the pertinent permits and rezoning orders in relation to real estate assets. Delays in or impossibility of obtaining regulatory authorisation, including that related to the environment, for the construction of new facilities, repowering or improvement of existing facilities; shortage of or changes in the price of equipment, material or labour; opposition of political or ethnic groups; adverse changes of a political or regulatory nature in the countries where we or our companies operate; adverse weather conditions, natural disasters, accidents or other unforeseen events, and the impossibility of obtaining financing at what we consider satisfactory interest rates.

Governmental and Political Factors: political conditions in Latin America; changes in Spanish, European and foreign laws, regulations and taxes.

Operating factors: technical problems; changes in operating conditions and costs; capacity to execute cost-reduction plans; capacity to maintain a stable supply of coal, fuel and gas and the impact of the price fluctuations of coal, fuel and gas; acquisitions or restructuring; capacity to successfully execute a strategy of internationalisation and diversification.

Competitive factors: the actions of competitors; changes in competition and pricing environments; the entry of new competitors in our markets.

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

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