ENDESA, S.A.

and Subsidiaries

Consolidated Management Report for the nine-month period ended 30 September 2013

Madrid, 6 November 2013

ENDESA, S.A. AND SUBSIDIARIES

MANAGEMENT REPORT FOR THE

NINE-MONTH PERIOD ENDED

30 SEPTEMBER 2013

Contents

Analysis for the period

Consolidated results

ENDESA reported net income of Euros 1,551 million in the nine-month period ended 30 September 2013

ENDESA reported net income of Euros 1,551 million in the first nine months of 2013, 6.7% less than in the same period the previous year, mainly due to a Euros 233 million reduction in net income at the Spain and Portugal business following the introduction on 1 January 2013 of the energy sustainability tax measures stipulated in Law 15/2012, of 27 December, which triggered an increase in costs of Euros 490 million. Another cause of this overall reduction are the urgent measures contained in Royal Decree Law 2/2013, of 1 February and in Royal Decree Law 9/2013, of 12 July, which caused net income in the business unit to decline Euros 81 million, in addition to the approximately Euros 400 million arising from the regulatory measures introduced in 2012.

These new measures, which began to be implemented from January 2013 had, a negative impact on net income for the nine-month period of Euros 415 million

It is important to stress that these impacts do not include those that may arise, on 2013, from the implementation of the various regulatory measures that are currently pending approval as explained later in the analysis of the regulatory aspects of the business in Spain and Portugal.

The poor performance of net income in the business in Spain and Portugal was partially offset by the Euros 122 million increase in net income at the business in Latin America. This was largely due to the effects of Resolution 250/2013 approved on 7 May 2013 by Argentina's Energy Secretary, which recognised the payment to Empresa Distribuidora Sur, S.A. of Euros 333 million as compensation for the cost fluctuations which had not been passed on to the end user between 2007 and February 2013 in relation to the amounts to be applied under the Cost Monitoring Mechanism (MMC) adjustment, which impacted net income to the sum of Euros 94 million.

The table below shows the breakdown of ENDESA's net income between its two business and the year-on-year change:

ENDESA net income, January-September 2013	**Millions of Euros**	**% change 3Q12**	**% of total net income**
Spain and Portugal	1,036	(18.4)	66.8
Latin America	515	31.0	33.2
TOTAL	**1,551**	**(6.7)**	**100.0**

Electricity generation and sales

ENDESA's electricity generation totalled 98,558 GWh in the first nine months of 2013, down 9.2% on the same period in 2012. Electricity sales stood at 118,105 GWh, down 3.5% year-on-year.

Power output and sales, January-September 2013				
	Output		**Sales**	
	GWh	**% change 3Q12**	**GWh**	**% change 3Q12**
Spain and Portugal	53,497	(12.0)	72,453	(7.1)
Latin America	45,061	(5.7)	45,652	2.8
TOTAL	**98,558**	**(9.2)**	**118,105**	**(3.5)**

EBITDA: Euros 5,251 million

In the first nine months of 2013 EBITDA and EBIT declined by 3.8% and 7.0%, respectively, to Euros 5,251 million and Euros 3,392 million.

The 3.8% reduction in EBITDA in the period is partly due to the 12.2% decline in the business in Spain and Portugal and also the 7.1% increase in the Latin America business. These variations were chiefly due to the following:

- EBITDA in Spain and Portugal was reduced by only Euros 376 million despite the negative impact of the fiscal measures approved by Law 15/2012, of 27 December, which prompted a Euros 490 million increase in costs, and the measures approved by Royal Decree Law 2/2013, of 1 February and Royal Decree Law 9/2013, of 12 July, which caused revenues in the business unit to decline Euros 81 million, thanks to the operating improvements achieved during the period which brought about a Euros 124 million decline in fixed costs in this business area.

- The Euros 170 million increase in the Latin America business unit is due to the income received following Resolution 250/2013 approved on 7 May 2013 by Argentina's Energy Secretary which recognised payment of Euros 291 million to be applied under the Cost Monitoring Mechanism (MMC) adjustment for cost fluctuations which had not been passed on to the end user between 2007 and February 2013. This positive impact in Argentina was partially offset by the impact of stranded costs affecting distributors in Brazil which were not fully offset by the extraordinary measures adopted by the Brazilian government for their immediate compensation. This amounted to Euros 48 million and will be offset in subsequent tariff reviews in accordance with Brazilian regulations.

The 7.0% decline in EBIT is also due to the 2.8% increase in "Depreciation and amortisation charges and impairment losses", mainly as a result of the impairment loss of Euros 44 million on certain distribution assets in Brazil which are no longer operative.

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

	Revenues		EBITDA		EBIT	
	Millions of Euros	% change 3Q12	Millions of Euros	% change 3Q12	Millions of Euros	% change 3Q12
Spain and Portugal	16,217	(7.0)	2,697	(12.2)	1,451	(21.0)
Latin America	7,268	(9.4)	2,554	7.1	1,941	7.1
TOTAL	**23,485**	**(7.8)**	**5,251**	**(3.8)**	**3,392**	**(7.0)**

Net financial loss: Euros 310 million

The net financial loss for the first nine months of 2013 was Euros 310 million, an improvement of Euros 324 million year-on-year. Net finance expense totalled Euros 286 million, down 52.0% year-on-year, while net exchange losses were Euros 24 million, compared to the loss of Euros 38 million in the first nine months of 2012.

When analysing net finance expense, the following factors should be taken into account:

- The trend of long-term interest rates in Spain and Portugal in the first nine months of 2013 when compared to 2012 meant that provisions had to be adjusted to account for obligations from ongoing headcount restructuring plans for the sums of Euros 7 million (positive) and Euros 72 million (negative), respectively.
- In the Latin America business unit, the recognition of amounts to be applied under the Cost Controlling Mechanism (MMC) adjustment in Argentina generated a net financial gain of Euros 42 million.

Excluding the impacts mentioned above, net finance expense would have declined by Euros 189 million (36.1%), due to the debt reduction over both periods and lower average financing costs.

Cash flow from operating activities: Euros 2,347 million

Cash flow from operating activities in the first nine months amounted to Euros 2,347 million compared to Euros 3,101 million in the same period in 2012. This was due to a poorer performance of working capital.

Main aspects explaining the negative evolution in working capital include, inter alia:

- The Euros 663 million of lower income registered in the first nine months of 2013 from compensations for stranded costs in non-mainland generation

- The Euros 127 million increase in account receivables steaming from the pending collection under the Cost Control Mechanism (MMC) adjustment in Argentina - which corresponds to the recognized income that exceeds the amount of the accounts payable trade offset.

Investment: Euros 1,467 million

Investments totalled Euros 1,467 million in the first nine months of 2013.

Of this amount, Euros 1,334 million related to capex, investment in intangible assets and property investment and the remaining Euros 133 million to financial investments, as broken down in the next table.

Total investment in January-September 2013				
	Millions of Euros			
	Capex, intangible assets and investment property (1)	**Financial investments**	**TOTAL**	**% change 3Q2012**
Spain and Portugal	514	21	535	(31.2)
Latin America	820	112	932	5.8
TOTAL (2)	**1,334**	**133**	**1,467**	**(11.6)**

(1) Excluding CO_2 emission rights, CERS and ERUs.
(2) The figures for January-September 2012 exclude investments in non-current assets held for sale and in discontinued operations amounting to Euros 78 million, and the acquisition of the portfolio of gas customers in the Madrid area for Euros 34 million.

Financial position

ENDESA had net financial debt of Euros 7,051 million at 30 September 2013, a reduction of Euros 1,727 million compared to 31 December 2012.

This major reduction of debt was largely due to a cash contribution of Euros 1,796 million by non-controlling shareholders in the Enersis, S.A. capital increase completed in March 2013.

It should also be noted that, at 30 September 2013, ENDESA had Euros 885 million in financial instruments with maturities of more than three months. These were not included as “Cash and cash equivalents” and therefore financial debt was not netted. Also, at the same date, ENDESA had the recognised right to collect Euros 5,216 million in connection with several Spanish regulatory receivables: Euros 3,658 million for financing the revenue shortfall from regulated activities and Euros 1,558 million in compensation for stranded costs in non-mainland generation. Of this amount, Euros 1,330 million were collected in October through the securitisation fund for the deficit in the Spanish electricity system (hereinafter, "FADE").

Similarly, dated 29 October 2013 a new bond issuance has been agreed to be carried out by FADE which would complete the transfer of all deficit collection rights recognized until 2012, inclusive. This last issuance is expected to be cashed-in on 8 November 2013.

Stripping out these regulatory items, ENDESA’s net debt at 30 September 2013 stood at Euros 950 million, Euros 2,682 million less than at 31 December 2012.

The table below shows the structure of net financial debt by businesses up to 30 September 2013:

Breakdown of ENDESA'S net financial debt by business line (*)				
	Millions of Euros			
	30 September 2013	**31 December 2012**	**Difference**	**% change**
Spain and Portugal	3,869	5,059	(1,190)	(23.5)
Latin America	3,182	3,719	(537)	(14.4)
TOTAL	**7,051**	**8,778**	**(1,727)**	**(19.7)**

(*) 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 5.6% in the period, while the average cost of the debt corresponding to the Enersis Group was 8.1%. Excluding Enersis Group debt, the average cost of ENDESA's debt was 3.0%.

The table below shows the structure of net financial debt at 30 September 2013:

Structure of ENDESA'S net financial debt at 30 September 2013 (Millions of Euros)						
	ENDESA and subsidiaries Ex-Enersis		**Enersis**		**Total ENDESA**	
	Millions of Euros	**% of total**	**Millions of Euros**	**% of total**	**Millions of Euros**	**% of total**
Euro	4,045	100	0	0	4,045	57
US dollar	0	0	1,442	48	1,442	21
Chilean Peso / Unidades de Fomento	0	0	-88	-3	-88	-1
Brazilian real	0	0	302	10	302	4
Colombian peso	0	0	1,039	35	1,039	15
Peruvian sol	0	0	230	8	230	3
Argentine peso	0	0	61	2	61	1
Other currency	20	0	0	0	20	0
TOTAL	**4,065**	**100**	**2,986**	**100**	**7,051**	**100**
Fixed rate	809	20	1,978	66	2,787	40
Floating rate	3,256	80	1,008	34	4,264	60
TOTAL	**4,065**	**100**	**2,986**	**100**	**7,051**	**100**
Avg. life (years)	5.5		5.6		5.5	

As of 30 September 2013, ENDESA's liquidity amounted to Euros 6,959 million in Spain, sufficient to meet the group's total debt repayments over the next 37 months. Of this total, Euros 6,585 million was in undrawn, unconditional credit lines, of which Euros 3,500 million correspond to a credit line signed with ENEL Finance International, N.V.

Meanwhile, Enersis held cash and cash equivalents totalling Euros 2,023 million and Euros 572 million in undrawn, unconditional credit lines, covering debt maturities for the next 39 months. Euros 885 million must be added to these sums as the amount placed in financial instruments with maturities of more than three months.

At the date of presentation of this Management Report, ENDESA's long-term debt ratings are: Standard & Poor's:"BBB" with a stable outlook; Moody's:"Baa2" with a negative outlook, and Fitch:"BBB+", credit watch negative.

Financial leverage

ENDESA's consolidated equity stood at Euros 28,656 million at 30 September 2013, Euros 2,287 million more than at 31 December 2012, as a result of income earned during the period and the capital contribution by non-controlling shareholders in the Enersis, S.A. share capital increase, adding Euros 1,734 million to ENDESA's consolidated equity.

Euros 22,181 million of consolidated equity correspond to ENDESA, S.A. shareholders and Euros 6,475 million to non-controlling shareholders.

Changes in group equity and net financial debt resulted in leverage (net financial debt/equity) of 24.6% at 30 September 2013, compared to 33.3% at 31 December 2012.

Gains from asset disposals

On 28 June 2013, ENDESA proceeded to sell its 12% stake in Medgaz, S.A. to Compañía Española de Petróleos, S.A. (CEPSA) and Sonatrach S.P.A, which in the exercise of its right of pre-emption acquired, respectively, 47% and 53% of the mentioned stake. The sale price was Euros 84 million and includes the transfer to the buyers of the loan held by ENDESA with Medgaz, amounting to Euros 8 million. Likewise, the purchasers have also released ENDESA from its guarantees with the European Investment Bank resulting from a loan from the latter to Medgaz, S.A. for which ENDESA had posted collateral totalling Euros 94 million.

This sale generated a gross capital gain of Euros 64 million in the Consolidated Income Statement for the first nine months of 2013.

Other information

During the first nine months of 2013, ENDESA operated the same general risk policy as described in its consolidated financial statements for the year ended 31 December 2012. For this period, the financial instruments and types of hedges are the same as those described in the consolidated financial statements. The risks to which ENDESA's operations are exposed are also the same as those described in the consolidated management report for 2012.

Also, there were no one-off events of significant amounts during the first nine months of 2013 other than those referred to in the consolidated management report. In this regard, during the first nine months of 2013 there were no new material contingent liabilities other than those described in the consolidated financial statements for the year ended 31 December, 2012.

Results by business line

Business in Spain and Portugal

Net income – Spain and Portugal: Euros 1,036 million

Net income from ENDESA's Spain and Portugal business unit was Euros 1,036 million in the first nine months of 2013, Euros 233 million less than during the same period in 2012, contributing 66.8% to ENDESA's total net income.

EBITDA stood at Euros 2,697 million, down 12.2% year-on-year, while EBIT totalled Euros 1,451 million, down 21.0%.

The following factors must be taken into account when looking at EBITDA for the period:

- The energy sustainability fiscal measures approved in Law 15/2012 of 27 December directly affecting the electricity sector came into effect in 2013 as did the Royal Decree Law 2/2013, of 1 February and Royal Decree Law 9/2013, of 12 July which together had an adverse impact on EBITDA during the period in the amount of Euros 571 million. This is in addition to the annual recurring impact on ENDESA of approximately Euros 400 million arising from the regulatory measures introduced in 2012. These figures do not include the potential effects that might arise on 2013 from the regulatory measures that are currently in the legislative process, which are explained in the chapter "Regulatory aspects".

- The efforts made to achieve operating improvements to help offset part of the negative impact of the regulatory measures triggered a Euros 124 million reduction in fixed costs at this business unit in the first nine months of 2013 compared to the previous year.

- A better power generation mix due to exceptional rainfall levels, leading to a major increase in hydro output and lower conventional thermoelectric generation, with the net result of lower fuel costs.

- The lower average price on the wholesale electricity market, standing at Euros 40.7/MWh in the first nine months of 2013, 19.1% lower than the same period in 2012, brought about by the exceptional rainfall already mentioned, lowered the average cost of electricity purchases.

Mainland electricity demand shrank by 2.8% year-on-year in the first nine months of 2013 (-2.4% adjusted for working days and temperature).

During this period, ENDESA obtained a market share of 36.7% in ordinary regime generation, a 43.0% share in distribution and a 37.7% share in sales to customers in the deregulated market.

Regulatory update

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

Law 15/2012 of 27 December on energy sustainability fiscal measures

On 28 December 2012, the Official State Gazette (BOE) published the law on energy sustainability fiscal measures, which contemplates several measures with a direct impact on the electricity sector applicable as of 1 January 2013:

- General tax on ordinary and special regime generation, equivalent to 7% of total revenues generated.

- Tax on nuclear fuel spent and radioactive waste, and storage at centralised facilities.

- Levy on hydro output, equivalent to 22% of revenues. This levy will be reduced by 90% for plants with installed capacity equal to or less than 50 MW and for pumped-storage hydro plants of over 50 MW. The reduction will also apply to any output or facilities defined by regulations that have to be supported to fulfil general energy policy.

- A "green cent" tax on consumption of electricity generated using natural gas, coal, fuel-oil or diesel.

- Withdrawal of the feed-in tariff for any output from renewable energy plants generated using fossil fuels. This measure will not affect biomass technology.

- Provision has also been made for the General State Budget Law to earmark an annual sum to fund electricity system costs in an amount equivalent to the sum of estimated revenues from the taxes and levies contemplated in Law 15/2012 and estimated revenues from the auction of greenhouse gas emission allowances, up to a maximum of Euros 500 million.

Law 17/2012 of 27 December on the 2013 General State Budget

On 28 December 2012, the Official State Gazette published the text of the Law on the 2013 General State Budget which, exceptionally for 2013, does not include items to finance 2012 stranded costs for generation in island and non-mainland systems. These will now be financed by the settlement system for regulated businesses and, therefore, access charges.

This legislation also details the items earmarked to cover the electricity system costs indicated in the abovementioned Law 15/2012 of 27 December.

Royal Decree Law 29/2012 of 28 December on enhancing management of the special household employee scheme and other social and economic measures

This Royal Decree Law was published in the Official State Gazette on 31 December 2012 and included the following measures concerning the electricity sector:

- An amendment of the Electricity Sector Act, increasing the size of the tariff deficit in respect of 2012 that can be transferred to the electricity system deficit securitisation fund ("FADE") up to the amount resulting from the definitive settlement of accounts for that year. This legislation also extinguishes section one of additional provision twenty-one, which stipulated the elimination of the tariff deficit in 2013.

- In respect of special regime facilities, the legislation stipulates that the feed-in tariff shall not apply to facilities registered in the remuneration pre-assignment register that have not been fully completed within the deadline set in the register itself.

Royal Decree Law 2/2013 of 1 February on urgent electricity system and financial sector measures

This Royal Decree Law amends the mechanism by which regulated remuneration items linked to the Consumer Price Index are updated. It stipulates that this remuneration will be adjusted in accordance with the Consumer Price Index at constant-tax inflation, excluding unprocessed foodstuffs and energy products.

This legislation also modifies the energy sales options available to special regime facilities, such that all facilities shall be deemed to adhere to the tariff option as from 1 January 2013, unless they expressly state the contrary, in which case they may not go back to the feed-in tariff regime, thereby renouncing their right to any premiums whatsoever.

Law 15/2013, of 17 October, establishing financing charged to the General State Budget of certain electricity system costs.

On 18 October the Official State Gazette published the Law establishing financing charged to the General State Budget of certain electricity system costs, brought about by the financial incentives to promote electricity generation using renewable sources, and the grant of an extraordinary loan by the Ministry for Industry, Energy and Tourism, of Euros 2,200 million.

Under this Law, in 2013 the State will finance renewable energy premiums in respect of 2013, up to a maximum amount of Euros 2,200 million.

Law 17/2013, of 29 October, on security of supply and increased competition in island and non-mainland systems.

On 30 October 2013, the Official State Gazette published this Law whose aim is to ensure supply and increase competition in island and non-mainland electricity systems (SEIE). The main aspects of this draft legislation are as follows:

- For reasons of safety or technical and economic efficiency, additional remuneration to the mainland spot market price may be given for new generation facilities in the island and non-mainland electricity systems, even if power output required to cover demand is exceeded.

- The new regime will not be applied to new facilities in island and non-mainland electricity systems (either under the ordinary or special regimes) owned by a company or business group which holds more than 40% of generating power in the system. An exception is made in the case of facilities awarded through capacity tenders for the deployment of renewable energy sources and which hold administrative authorisation or have been registered in the remuneration pre-assignment register for the CHP/renewable regime. Another exception is made for investment in upgrading and improving efficiency at plants already in operation which do not entail an increase in capacity or where there are no other agents interested in developing facilities.

- The System Operator shall be responsible for pumped-storage hydro plants intended to guarantee security of supply, or the integration of renewable sources. In all other cases an award procedure shall be followed. Notwithstanding the above, any company holding a hydroelectric operating concession at 1 March 2013 or which had been granted administrative authorisation but had not been granted authorisation to bring the plant on stream, will retain ownership but will have to present guarantees amounting to 10% of the total investment and adhere to an execution timetable.

- Regasification plants will be exclusively owned by the Technical System Manager, and the facilities concerned must be transferred within six months at market price. If the facility does not have administrative authorisation, the price will be limited to the total costs actually incurred up to 1 March 2013.

- The remuneration items associated with fuel costs will be established by a mechanism taking account of the principles of competition, transparency, objectivity and non-discrimination.

- A compatibility ruling by the Department of Energy Policy and Mines will be necessary for the approval of new groups, to ascertain that the facility is compatible with the technical criteria stipulated by the System Operator and economic cost-reduction criteria.

- There is a possibility of reducing remuneration at facilities in island and non-mainland electricity systems in the event of a substantial decrease in their availability, the security of supply or the supply quality indexes attributed to generating facilities. It is also possible that the government will take action in the electricity sector to guarantee supply in situations of risk.

New reform measures adopted by the Council of Ministers on 12 July 2013.

On 12 July 2013, the Council of Ministers approved a draft of reform measures for the energy sector to eliminate the imbalances that remain in the electricity system, establish a regulatory framework to ensure its financial stability and improve the system for consumers, clarifying invoicing processes and boosting competitiveness.

The initiatives announced encompass Royal Decree Law 9/2013, of 12 July, adopting urgent measures to ensure the financial stability of the electricity system, Draft Legislation for the Electricity Sector and a number of measures that require implementing provisions.

The main lines of Royal Decree Law 9/2013, of 12 July, are as follows:

- The reform establishes a new remuneration system for electricity generation facilities which use co-generation, renewable energy sources and waste, which will receive extra remuneration for their investment costs taking into account the technology used, guaranteeing a reasonable return based on the 10Y treasury bill plus 300 basis points, revised every six years.

- A system has been established for transmission and distribution networks setting standard remuneration based on the 10Y treasury bill plus 200 basis points. However, in 2013 up until the new Royal Decree Law comes into effect, the remuneration specified in Ministerial Order IET/221/2013, of 14 February, will be applied and for the remainder of the year a remuneration rate will be set according to the 10Y treasury bill plus 100 basis points.

- The guarantee limit has been extended to Euros 4,000 million to cover issues associated with the 2012 shortfall, quantified at Euros 4,109 million for transfer purposes.

- The system of investment incentives included in the capacity payments mechanism has been modified, reducing the amount from Euros 26,000 to Euros 10,000/ MW, but the period during which these may be received has been extended from double the time remaining to the end of the 10-year period.

- Financing the social bonus by the parent of company groups or companies which carry out energy generation, distribution and supply activities simultaneously, in proportion to the sum of the number of supply points connected to the distribution networks and customers supplied by supply companies, is being considered. The Spanish Markets and Competition Commission will announce the percentage distribution for financing the social bonus, which will be covered by access tariffs until that time.

- Within one month after the measure comes into effect, the Ministry of Industry, Energy and Tourism will announce a resolution to review these access tariffs, with the prior approval of the Government Commission for Economic Affairs.

- The possibility of reviewing access tariffs exceptionally on a quarterly basis is being considered when circumstances arise that significantly affect regulated costs or the parameters used to calculate these costs.

- The Spanish General State Budget is expected to finance 50% of the compensation received earmarked for island and non-mainland electricity systems.

In addition to the Royal Decree Law, the government has announced other measures to be included in its Draft Legislation for the Electricity Sector and other implementing regulations to be approved. These cover transmission, distribution and generation activities in island and non-mainland systems, renewable energies, self-consumption and capacity payments, in addition to sales and supply, which will include the following:

- Legal framework to ensure financial stability in the system, through an automatic review process designed to prevent further imbalances, while at the same time restricting new system costs without an equivalent increase in revenues and restricting the potential appearance of annual imbalances which will be financed by all players receiving revenues from the settlement system. Regional/Local authorities will also be expected to assume any stranded costs generated as a result of regional or local regulations.

- The Last Resort Tariff (LRT), which applies to most domestic consumers, will be renamed Voluntary Pricing for Small Consumers, and new supply companies have been set up for these customers, which will be able to compete among themselves with offers and discounts. It also aims to facilitate the process of changing supplier and strengthen customer services while at the same time simplifying and clarifying the invoicing process.

- The most vulnerable consumers will still be eligible for the social bonus discount.

- Other initiatives have also been announced such as the temporary closure of facilities (hibernation) with strict security of supply guarantees, measures to reduce electricity production costs in island and non-mainland systems and incentives for the development of renewable energies in the Canary Islands and Balearic Islands. In relation to the island and non-mainland systems, the proposed Royal Decree establishes an scheme similar to the current one, although amending certain aspects of costs in order to improve system efficiency; the proposed methodology would apply from 2014, contemplating a transitional period until then; it also develops issues already contained in the Law 17/2013, of 29 October, on security of supply and increase competition in these systems mentioned above.

- The reform will also reinforce the fight against fraud, modifying the tariff structure to reduce average consumer costs and penalising second homes and properties standing empty.

Law 3/2013, of 4 June, on creating the Spanish Markets and Competition Commission (Comisión Nacional de los Mercados y la Competencia).

The Law creating the Spanish Markets and Competition Commission was published in the Official State Gazette on 5 June 2013, grouping together in a single entity various existing regulatory bodies, specifically: the National Energy Commission, the Telecoms Market Commission, the National Competition Commission, the Railways Regulatory Committee, the National Postal Sector Commission, the Airport Economic Regulation Commission and the State Council for Audiovisual Media.

With this measure, the government aims to bring together all regulatory supervision and defence of competition functions together in a single institution, in order to streamline structures and maximise economies of scale.

This Commission will be a public entity, a body corporate in itself and completely independent from the government, public administrations and market players. It will be attached to the Ministry of the Economy and Competition, without prejudice to its relationship with other Ministries due to the nature of its functions.

The Council will comprise 10 members with a non-extendable mandate of six years, including a Chairman and Vicechairman and members appointed by the government on the proposal of the Minister of Economy and Competitiveness. The candidates put forward must appear before the Congress Economy and Competitiveness Committee before their appointment. Congress will also have veto rights with absolute majority of the corresponding Commission.

The Council will have two sections, one to address competition issues, chaired by the Chairman, and the other to address regulatory supervision issues, chaired by the Vicechairman. Each section will have five member who will be rotated.

As mentioned previously, the new Spanish Markets and Competition Commission will take on the functions carried out until now by the National Energy Commission, although part of these functions will also be carried out directly by the Ministry of Industry, Energy and Tourism, such as the settlement of electricity system costs and factors associated with specific inspections.

It is anticipated that the new Commission will commence operations on 7 October 2013.

2013 electricity tariff

Subsequent to the energy auction, the Department of Energy Policy and Mines' ruling of 27 December 2012 revised the Last Resort Tariff (LRT) for the first quarter of 2013, increasing it by 3%.

The Ministerial Order for establishing access tariffs from 1 January 2013, IET/221/2013 of 14 February, was published on 16 February 2013. The tariffs remain unchanged. Among other aspects, the Ministerial Order includes the possibility of transferring the 2012 shortfall to the FADE, based on the result of 14/2012 regulated activity settlements, or including 2011 and 2012 non-mainland compensation not funded by the General State Budget in settlements for regulated activity in 2012.

Subsequent to the energy auction, the Department of Energy Policy and Mines' ruling of 25 March 2013 revised the LRT for the second quarter of 2013, reducing it by 6.6%.

Similarly, the Department of Energy Policy and Mines' Resolution of 26 June 2013 revised the LRT for the third quarter of 2013, increasing it by 1.3%.

Pursuant to the provisions of Royal Decree Law 9/2013, Ministerial Order IET/1491/2013, of 1 August reviewing access tariffs was published on 3 August whereby they were increased an average of 6.8%. The LRT was also reviewed and was increased by 3.1%.

Finally, and subsequent to the energy auction, the Department of Energy Policy and Mines' ruling of 24 September 2013 revised the LRT for the fourth quarter of 2013, increasing it by 3%.

On 14 January 2013, the Official State Gazette published Royal Decree 1718/2012 of 28 December determining the procedure for meter reading and billing of low-voltage energy supplies to customers with a contracted capacity of no more than 15 kW. The Decree stipulates that LRT customers will be billed on a two-monthly basis as of 1 April 2013 according to actual meter readings.

The shortfall between the access tariffs accrued during the first nine months of 2013 and the system costs during the same period has led to a revenue deficit in regulated activities of approximately Euros 4,422 million for the sector as a whole. ENDESA must finance 44.16% of this amount. In addition, during the same period, the non-mainland deficit amounted to Euros 1,253 million, which must be partly covered with a charge to the Spanish General State Budget for 2014 in accordance with Royal Decree Law 6/2013 of 12 July.

Domestic coal

A ruling of 12 February 2013 by the Institute for the Restructuring of Coal Mining and Alternative Development of Mining Locations ("Instituto para la Reestructuración de la Minería del Carbón y Desarrollo Alternativo de las Comarcas Mineras") approved coal quantitites, maximum output and remuneration for 2013 to be applied for the security of supply restrictions resolution process. The ruling was amended by a further ruling on 20 March stipulating the minimum coal quantity to be delivered on a monthly basis - one twelfth of the annual volume.

Natural gas tariff for 2013

Ministerial Order IET/2812/2012 of 27 December, reviewed access charges from 1 January, introducing a general increase of 1%, while the Department of Energy Policy and Mines' ruling of 28 December 2012 approved reductions to LRT.1 and LRT.2 of 2.5% and 3.7%, respectively.

Revenue: Euros 16,217 million (-7.0%)

In the first nine months of 2013 ENDESA reported revenues of Euros 16,217 million from its Spain and Portugal business unit, a decrease of 7.0%.

Of this amount, revenues from sales accounted for Euros 15,461 million (-6.3%), while operating income accounted for Euros 756 million (-19.7%).

Sales

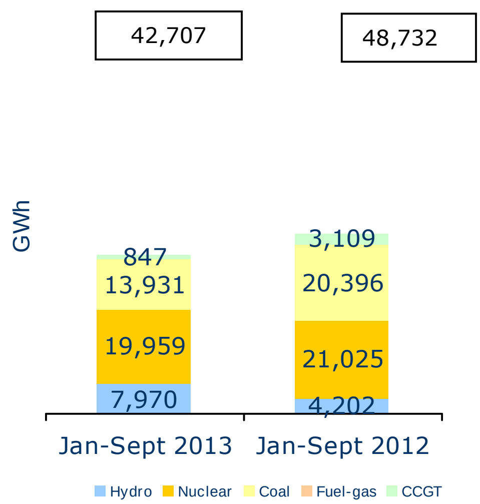
Sales in the Spain and Portugal business unit in the first nine months of 2013 were as follows:

Sales in the Spain and Portugal business				
	Millions of Euros			% change
	Jan-Sept 2013	Jan-Sept 2012	Difference	
Electricity sales	11,506	12,794	(1,288)	(10.0)
Sales to the deregulated market	5,780	5,907	(127)	(2.1)
Sales to Last Resort Suppliers	3,031	3,611	(580)	(16.1)
Wholesale market sales	711	959	(248)	(25.9)
Supply to customers in deregulated markets outside Spain	665	612	53	8.7
Non-mainland compensation	1,251	1,506	(255)	(16.9)
Power trading	10	61	(51)	(83.6)
Other sales	58	138	(80)	(58.0)
Regulated revenues from electricity distribution	1,562	1,516	46	3.0
Gas trading	1,494	1,390	104	7.5
Other sales and services rendered	899	800	99	12.4
TOTAL	**15,461**	**16,500**	**(1,039)**	**(6.3)**

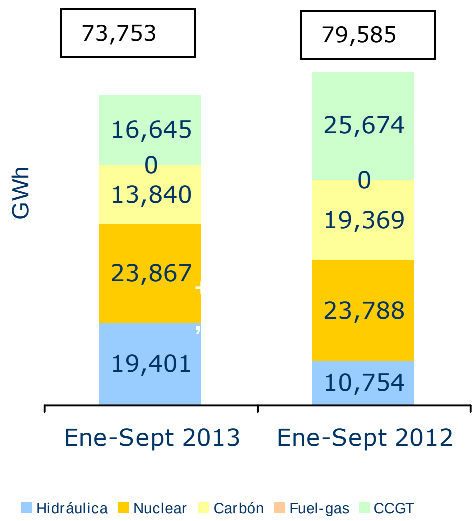
Electricity sales

ENDESA's electricity output in the Spain and Portugal business unit in the first nine months of 2013 stood at 53,497 GWh, a fall of 12.0% with respect to the same period in 2012. Of this amount, 51,958 GWh corresponded to Spain (-12.0%), 896 GWh to Portugal (-16.8%) and 643 GWh to the rest of the segment (-9.4%).

Ordinary regime mainland output. Total 42,707 GWh (-12.4%)



Rest of the sector ordinary regime mainland output. Total 73,753 GWh (-7.3%)



Mainland ordinary regime output totalled 42,707 GWh in the first nine months of 2013, 12.4% less than in the same period in 2012. This was due to the major decrease in output at both coal-fired plants (-31.7%) and combined-cycle plants (-72.8%), and was only partially offset by an increase at hydro plants (+89.7%). Nuclear output also declined 5.1% in the period due to the decommissioning of the Santa María de Garoña plant.

Nuclear and hydro energy accounted for 65.4% of ENDESA's mainland generation mix under the ordinary regime (51.8% in January-September 2012), compared with 58.7% for the rest of the sector (43.4% in 9M 2012).

ENDESA's output from non-mainland facilities was 9,251 GWh, a decrease of 10.1% compared to the first nine months of 2012.

Supply to deregulated customers

ENDESA had 3,471,347 (+29.0%) customers in the deregulated market at 30 September 2013: 3,307,502 (+27.2%) in the Spanish mainland market and 163,845 (+40.3%) in European deregulated markets other than Spain.

ENDESA sold a total of 55,738 GWh to these customers in the first nine months of 2013, a decrease of 4.7%.

Sales in the Spanish deregulated market totalled Euros 5,780 million, down 2.1% on 9M 2012.

Revenues from sales to deregulated European markets other than Spain rose 8.7% to Euros 665 million year-on-year.

Last resort supplier sales

ENDESA sold 16,715 GWh through its last resort supplier company in the first nine months of 2013, 14.3% less than the same period in 2012.

These sales generated revenues of Euros 3,031 million in January-September 2013, down 16.1% year-on-year.

Electricity distribution

ENDESA distributed 84,234 GWh in the Spanish market in the first nine months of 2013, a year-on-year decrease of 4.1%.

Regulated revenues from distribution activities in the period amounted to Euros 1,562 million, up 3.0% on the same period in 2012. In order to analyse these changes the following factors should be taken into account:

- Revenues for the first nine months of 2012 included the reduction in remuneration for the distribution activity established in Royal Decree Law 13/2012, of 30 March, with effect from 1 January 2012. This triggered a 9%

reduction in regulated revenue from the distribution activity in the first nine months of 2012 compared to 2011.

- In the first half of 2013, revenue from the distribution activity rose 6.6% year-on-year.
- Revenue for the third quarter of 2013 shrank 4.1% mainly due to the reduction in remuneration for the distribution activity established in Royal Decree Law 9/2013, of 12 July, with effect from 14 July 2013.

Therefore, and as a result of the application of Royal Decree Laws 13/2012, of 30 March and 9/2013, of 12 July, regulated revenues from distribution activities in the third quarter of 2013, which included the impact of both Royal Decree Laws, were 11.0% lower than in the same period in 2011.

Gas supply

ENDESA sold 42,231 GWh of natural gas to customers in the deregulated market in Spain in the first nine months of 2013, which represents a 7.7% increase on the year-ago figure. Revenues from gas sales in the deregulated market rose by 7.5% to Euros 1,494 million.

Operating expenses

The breakdown of operating expenses in the Spain and Portugal business in the first nine months of 2013 is as follows:

Operating expenses – Spain and Portugal business				
	Millions of Euros			% change
	Jan-Sept 2013	Jan-Sept 2012	Difference	
Procurements and services	11,920	12,659	(739)	(5.8)
Power purchased	3,827	4,261	(434)	(10.2)
Cost of fuel consumed	2,144	2,401	(257)	(10.7)
Transmission costs	4,597	4,756	(159)	(3.3)
Other procurements and services	1,352	1,241	111	8.9
Personnel expenses	755	773	(18)	(2.3)
Other operating expenses	918	1,024	(106)	(10.4)
Depreciation and amortisation, and impairment losses	1,246	1,237	9	0.7
TOTAL	**14,839**	**15,693**	**(854)**	**(5.4)**

Procurements and services (variable costs)

Procurements and services (variable costs) totalled Euros 11,920 million in the first nine months of 2013, Euros 739 million less (-5.8%) than in the same period in 2012.

This includes Euros 490 million due to the adverse effect of certain measures in Law 15/2012, of 27 December, which were introduced in 2013.

Despite this negative impact of Law 15/2012, of 27 December, variable costs were lower mainly as a result of:

- The 10.2% reduction in power purchases, which amounted to Euros 3,827 million, due to the lower average purchase price.

- The 10.7% reduction in fuel costs to Euro 2,144 million, thanks to lower thermal output in the period.

- The cost of CO_2 emission allowances used during the period, included under "Other procurements and services", amounted to Euros 159 million less than during the first nine months of 2012 as a result of reductions in electricity generation using CO_2 emitting technology and also the market price of emission allowances. This cost reduction was mostly offset by a reduction of Euros 128 million in income recognised in the 9M 2012 results from CO_2 emission allowances granted free of charge in the National Allocation Plan.

Personnel and other fixed operating expenses

Fixed costs amounted to Euros 1,673 million in the first nine months of 2013, down Euros 124 million (-6.9%) compared to the same period in 2012 as a result of the cost-savings policy deployed.

Personnel expenses amounted to Euros 755 million, a 2.3% decrease despite including workforce restructuring plan related costs. However, recurrent personnel costs decreased by 3.7% due to wage restraints coupled with a 3.6% personnel reduction in this business unit.

Other operating expenses stood at Euros 918 million, a decline of Euros 106 million (-10.4%) over the period as a result of the established cost-reduction policy.

Net financial loss: Euros 87 million

The net financial loss in the first nine months of 2013 was Euros 87 million, Euros 142 million lower than the year-ago figure.

This was due to a Euros 135 million decline in net finance expense and a Euros 7 million reduction in net exchange differences, which moved from expenditure of Euros 5 million in 9M 2012 to income of Euros 2 million in 9M 2013.

The trend of long-term interest rates in the first nine months of 2013 and 2012 meant that provisions had to be adjusted to account for obligations from ongoing workforce restructuring plans for the sums of Euros 7 million (positive) and Euros 72 million (negative), respectively.

Excluding this impact, net finance expense would have declined by Euros 56 million (-36.8%), due to the debt reduction over the period and lower financing costs.

Net financial debt in the Spain and Portugal business unit at 30 September 2013 stood at Euros 3,869 million vs. Euros 5,059 million at year-end 2012. Of this amount, Euros 5,216 million were incurred to finance regulatory receivables: Euros 3,658 million to finance the revenue shortfall from regulated activities and Euros 1,558 million to fund the non-mainland generation stranded costs.

Cash flow from operating activities: Euros 1,199 million

Cash flow from operating activities in the Spain and Portugal business unit totalled Euros 1,199 million in the first nine months of 2013, compared to Euros 1,928 million in the same period the previous year.

This decrease was due to a fall in income during the period and a poorer performance of working capital, largely due to the Euros 663 million decline in compensation for stranded costs in non-mainland generation.

Investment: Euros 535 million

Investment in the Spain and Portugal business unit in the first nine months totalled Euros 535 million, as detailed in the following table:

Capex in the Spain and Portugal business	**Millions of Euros**		
	Jan-Sept 2013	**Jan-Sept 2012**	**% change**
Generation	132	199	(33.7)
Distribution and transmission	339	473	(28.3)
Other	2	-	N/A
TOTAL CAPEX	**473**	**672**	**(29.3)**
Intangible assets (1)	**39**	**57**	**(31.6)**
Investment property	**2**	**-**	**N/A**
Financial investments	**21**	**49**	**(57.1)**
TOTAL (2)	**535**	**778**	**(31.2)**

(1) Excluding CO_2 emission rights and CERS.

(2) The figures for the period exclude investments in non-current assets held for sale and in discontinued operations amounting to Euros 78 million, and the acquisition of the portfolio of gas customers in the Madrid area for Euros 34 million.

Business in Latin America

Net income in Latin America: Euros 515 million

Net income in ENDESA's Latin America business unit in the first nine months of 2013 was Euros 515 million, representing a 31.0% increase against the same period in 2012 and a contribution to ENDESA's total net income of 33.2%.

EBITDA stood at Euros 2,554 million, up 7.1% year-on-year.

EBIT amounted to Euros 1,941, a 7.1% increase year-on-year.

These increases were largely due to the effects of Resolution 250/2013 approved on 7 May 2013 by Argentina's Energy Secretary, which recognised the payment to Empresa Distribuidora Sur, S.A. of compensation for the cost increase which had not been passed on to the end user between 2007 and February 2013 in relation to the amounts to be applied under the Cost Monitoring Mechanism (MMC) adjustment. This meant that Empresa Distribuidora Sur, S.A. recorded a Euros 291 increase in operating revenues plus Euros 42 million in net finance income in the first nine months of 2013, with a Euros 94 million impact on net income.

This was partially offset by the impact of stranded costs incurred by the distribution companies in Brazil on energy purchases during the period, which could not be recovered by the extraordinary measures adopted by the Brazilian government to compensate distribution companies immediately for this exceptional situation.

Pursuant to Presidential Decree 7.945/2013, compensation for these stranded costs totalled Euros 188 million compared to stranded costs incurred to 30 September 2013 of Euros 236 million. Therefore, the amount not covered by the government's extraordinary measures was Euros 48 million. This amount will be recovered in the usual manner stipulated in Brazil's electricity regulations, i.e. it will be taken into account in subsequent tariff reviews.

The results of this business line have also been negatively impacted by the significant devaluation of local currencies, in which our companies operate, against the euro, which resulted in a decrease of 165 million euros on gross profit from operating (EBITDA).

EBIT was affected by the impairment losses of Euros 44 million on certain distribution assets in Brazil which are no longer operative.

Highlights

The economic environment in ENDESA's Latin American operating markets was positive with energy demand increasing in all countries, rising in Peru (+5.3%), Chile (SIC +3.5% and SING +3.8%), Argentina (+3.2%), Colombia (+2.8%) and Brazil (+2.5%).

Against this backdrop, distribution sales by ENDESA companies, excluding tolls and unbilled consumption, totalled 45,652 GWh, an increase of 2.8% compared to the same period in 2012, with rises recorded in all countries: Brazil (+4.6%), Chile (+4.6%), Peru (+2.3%), Colombia (+0.9%) and Argentina (+0.5%).

Output across ENDESA's generation business shrank by 5.7% to 45,061 GWh. By country, output increased in Brazil (+2.5%) but reduced in Peru (-9.9%), Colombia (-6.6%), Argentina (-6.5%) and Chile (-4.5%).

Electricity generation and sales in Latin America	**Generation (GWh)**		**Distribution (GWh)**	
	Jan-Sept 2013	**% change 3Q12**	**Jan-Sept 2013**	**% change 3Q12**
Argentina	10,957	(6.5)	11,104	0.5
Brazil	3,631	2.5	13,824	4.6
Chile	14,610	(4.5)	9,744	4.6
Colombia	9,573	(6.6)	6,157	0.9
Peru	6,290	(9.9)	4,823	2.3
TOTAL	**45,061**	**(5.7)**	**45,652**	**2.8**

Unit margins

The unit margin in the generation business increased by 7.2% to Euros 29.1/MWh in the first nine months of 2013. Improvements were observed in Chile (+22.5%), Argentina (+15.9%), Peru (+2.4%) and Colombia (+3.1%), partially offsetting unit margin contractions in Brazil (-6.5%).

The unit margin in the distribution business was Euros 36.0/MWh in the period, widening 3.6% compared to the same period in 2012 due to the increase seen in Argentina (+150.3%) deriving from the one-off recognition of the Cost Controlling Mechanism (MMC) between 2007 and February 2013. In all other countries, the unit margin on distribution activates decreased: Brazil (-16.0%), Colombia (-8.4%), Peru (-7.6%) and Chile (-6.0%).

New capacity development

At the El Quimbo hydro plant in Colombia (400 MW), work continued on securing agreements with the local residents and contracts to allow work to commence on the dam. Agreements have nearly been reached with the residents living in the area surrounding the dam as well as non-residents and a contract has been awarded to rebuild alternative routes around the reservoir area. The agreement with the local population has enabled the civil engineering contractor to continue moving earth to finish filling the dam.

Meanwhile, the Talara thermal plant in Peru (183 MW) started commercial operations on 11 July.

Regulatory developments

Argentina

Resolution 95/2013 was published in the Official State Gazette on 26 March 2013, establishing a new regulatory framework for the generation of electricity, based on a scheme to pay fixed costs and variable costs, with a stipulation for additional remuneration. The new regulatory framework also stipulates that Compañía Administradora del Mercado Mayorista Eléctrico, S.A. ("CAMMESA") will take over management of fuels and long-term market management on expiry of the current contracts.

On 7 May 2013, Argentina's Energy Secretary approved Resolution 250/2013 which recognised payment of compensation to be applied under the Cost Monitoring Mechanism (MMC) adjustment for cost fluctuations which had not been passed on to the end user between 2007 and February 2013, in addition to the amounts already received under the Rational Use of Electricity Programme (PUREE) and other obligations with Compañía Administradora del Mercado Mayorista Eléctrico (CAMMESA). This resolution has generated Euros 291 million at EBITDA level and a net financial gain of Euros 42 million on the consolidated income statement for the first nine months of 2013.

Also during this period, the Argentine Electricity Sector Regulator (hereinafter "ENRE") notified Empresa Distribuidora Sur, S.A. that it would be extending its original inspection of the company established in Ruling 183/2012. This latest 90-day extension was approved in an ENRE resolution on 28 August 2013, meaning the inspection will now finish on 9 January 2014.

Brazil

Law 12.783 transforming Provisory Measure 579 approved in September 2012 was introduced on 14 January 2013. This defines the terms of renovation of concessions and reduction of tariffs following the withdrawal of sector taxes. Pursuant to this law, on 25 January 2013 the Brazilian regulator, Agência Nacional de Energia Elétrica (hereinafter, "ANEEL") approved an extraordinary tariff review with an average 20% reduction in tariffs for regulated customers, as the result of lower energy costs arising from renovation of generation and transmission concessions, and of a reduction in tariff charges.

On 8 March 2013, Presidential Decree 7.945/2013 was published in the Official State Gazette, authorising the transfer of government funds to distributors in payment of part of the additional costs incurred by distributors from the dispatch of thermal power and contractual exposure on the spot market. Additional costs not immediately compensated by the government will be recovered through the tariff as stipulated in the regulations. The additional costs may also be recouped through the tariff or through further transfers of funds, as defined by ANEEL in the respective tariff adjustments. Compensation for these stranded costs totalled Euros 188 million in the first nine months of 2013 compared to stranded costs incurred to 30 September 2013 of Euros 236 million. The amount not covered by the extraordinary measures implemented by the Brazilian government will be recovered by the distribution companies in the usual manner established by the Brazilian electricity regulation, i.e, taken into account in future tariff revisions.

On 11 March 2013, Agência Nacional de Energia Elétrica approved an extraordinary postponement to 15 April 2013 of the tariff adjustment for Ampla Energia e Serviços, S.A., initially scheduled for 15 March. Once in force (15 April 2013), the VAD rate (distribution value added) will increase by an average of 7.8%.

Also, on 19 April 2013, ANEEL approved the annual tariff adjustment for Companhia Energética do Ceará, S.A. (Coelce) with the new tariffs containing an average increase in VAD of 5.5% as of 22 April.

On 23 July, ANEEL passed Resolution 570/2013 laying down the requirements and procedures to create a retail electricity supplier. Pursuant to this Resolution, suppliers or generators may represent agents who contract electricity in the deregulated market as well as those agents who have installed capacity equal to or less than 50 MW who do not hold a supply contract in the regulated market and/or the reserve market. This ruling is yet another step towards expanding the deregulated market which currently represents 27% of domestic consumption.

On 13 August, ANEEL passed Resolution 572/2013 establishing a new procedure for granting the electricity social bonus. Under the new procedure, distributors must check whether the low-income consumer is registered in the government's social programme.

Chile

On 2 April 2013, a Decree was published in the Official State Gazette establishing the tariff formulae applicable to regulated users of Chilectra, S.A. It made provision for an effective 4.5% reduction of tariffs, chiefly through efficiency gains, among other aspects. The new tariffs will be applicable retroactively from 4 November 2012.

Another pending Decree was finally published on 9 April 2013 establishing the subtransmission tariffs also applicable to Chilectra, S.A. The new tariffs, which have zero impact, are applicable retroactively from 1 January 2011.

On 19 August the government published new regulations for the Environmental Impact Evaluation System which update and amend certain procedures so that projects will now be assessed at an earlier stage. Regulatory periods have also been improved and the authorities may now only request information from the company leading the project on two occasions.

On 14 October the government passed Law 20-25 promoting the development of non-conventional renewable energy sources in the country's energy mix, stating that by 2025, 20% of total output must be met by these sources. Meanwhile, the Electricity Concessions Law, passed on the same date, is intended to facilitate the awarding of these electricity concessions.

Peru

On 16 October 2013, the State energy investment and mining supervisor (OSINERGMIN) published Resolution 203/2013 establishing the distribution tariffs for Edelnor for November 2013 to October 2017. Under this Resolution, the VAD rate (distribution added value) for Empresa de Distribución Eléctrica de Lima Norte, S.A.A. will increase by 1.2%.

Share capital increase by Enersis, S.A.

At an Extraordinary Meeting held on 20 December 2012, the shareholders of Enersis, S.A. approved the issuance of 16,441,606,297 shares at a price of 173 Chilean pesos each. The issue was fully subscribed on 28 March 2013 in the total equivalent amount of Euros 4,562 million, of which Euros 1,796 million were accounted for by a cash contribution by non-controlling shareholders.

ENDESA subscribed its portion of the capital increase with a contribution of 100% of the equity of Cono Sur Participaciones, S.L.U., the company holding its direct interests in the region, with the exception of holdings in Enersis, S.A. and in Empresa Propietaria de la Red, S.A.

As a result of the capital increase, all ENDESA'S South American shareholdings have been concentrated in Enersis, S.A.

On 1 July 2013, Inversiones Sudamérica Limitada took over Cono Sur Participaciones, S.L.U. resulting in the latter being wound up. Inversiones Sudamérica Limitada was then dissolved on 11 October after all its assets and liabilities had been integrated in

Enersis, S.A. These transactions will not impact ENDESA's consolidated financial statements.

Share capital increase by Endesa Costanera, S.A.

On 5 April 2013, the Shareholders' Assembly of ENDESA Costanera S.A. passed a resolution to increase capital for the amount of up to 555 million Argentine pesos (equivalent to Euros 79 million) and, subsequently, issue up to 555,000,000 new ordinary shares of book-entry type with a nominal value of one Argentine peso per share and one voting right.

On 22 October 2013, the Board of Directors of the Commission Nacional de Valores (CNV) authorized the public offering and the 29 of October 2013 the Buenos Aires stock exchange authorized the listing of the new shares. A 10 days period during which the pre-emptive rights and the right to increase holdings could be exercised, has been established between 7 and 18 of November. If at the end of this period a remnant remains unsubscribed, a three days rump offering will be convened for related companies, whether or not shareholders, to subscribe. This period will start on 20 November 2013 and will finish on 22 November 2013.

Other corporate operations

On 27 February 2012, the Board of Directors of ENDESA resolved to streamline the Chilean subsidiaries of Empresa Nacional de Electricidad, S.A. through a staggered merger process involving Compañía Eléctrica San Isidro, S.A., Inversiones ENDESA Norte, S.A., Compañía Eléctrica Tarapacá, S.A., ENDESA Eco, S.A., Empresa de Ingeniería Ingendesa, S.A., ENDESA Inversiones Generales, S.A. and Empresa Eléctrica Pangue, S.A.

The mergers of Empresa Eléctrica Pangue, S.A. into Compañía Eléctrica San Isidro, S.A., Empresa de Ingeniería Ingendesa, S.A. and ENDESA Inversiones Generales, S.A. into Inversiones ENDESA Norte, S.A., and Inversiones ENDESA Norte, S.A. into ENDESA Eco, S.A. were all concluded in 2012.

The merger of Compañía Eléctrica San Isidro, S.A. into ENDESA Eco, S.A. in 2013 was effective at the date of publication of these Consolidated Financial Statements and applicable retroactively from 1 September 2013.

Likewise, dated October 30th, 2013 ENDESA Eco S.A and Compañía Electrica Tarapaca S.A. held extraordinary shareholders meetings in which a merger by acquisition of ENDESA Eco S.A by Compañía Electrica Tarapaca was approved. All of the above, shall become effective from November 1, 2013 once the corresponding legal requirements are fulfilled.

EBITDA: Euros 2,554 million

ENDESA's Latin American business reported EBITDA of Euros 2,554 million in the first nine months of 2013, up 7.1% year-on-year despite the Euros 165 million negative impact the previous year of exchange rate trends between the euro and local currencies in ENDESA's operating markets. EBIT stood at Euros 1,941 million, a 7.1% increase on the figure reported in the same period in 2012.

The breakdown of by ENDESA's various businesses is as follows:

EBITDA and EBIT from the business in Latin America						
	EBITDA (Millions of Euros)			**EBIT (Millions of Euros)**		
	Jan-Sept 2013	**Jan-Sept 2012**	**% change**	**Jan-Sept 2013**	**Jan-Sept 2012**	**% change**
Generation and transmission	1,306	1,234	5.8	1,028	971	5.9
Distribution	1,288	1,169	10.2	955	863	10.7
Other	(40)	(19)	N/A	(42)	(22)	N/A
TOTAL	**2,554**	**2,384**	**7.1**	**1,941**	**1,812**	**7.1**

The breakdown by countries in which ENDESA operates is as follows:

EBITDA and EBIT from the business in Latin America – Generation and Transmission						
	EBITDA (Millions of Euros)			**EBIT (Millions of Euros)**		
	Jan-Sept 2013	**Jan-Sept 2012**	**% change**	**Jan-Sept 2013**	**Jan-Sept 2012**	**% change**
Argentina	54	40	35.0	15	7	114.3
Brazil	164	183	(10.4)	150	167	(10.2)
Chile	390	307	27.0	278	207	34.3
Colombia	466	457	2.0	423	410	3.2
Peru	178	187	(4.8)	124	137	(9.5)
TOTAL GENERATION	**1,252**	**1,174**	**6.6**	**990**	**928**	**6.7**
Brazil-Argentina interconnection	54	60	(10.0)	38	43	(11.6)
TOTAL GENERATION AND TRANSMISSION	**1,306**	**1,234**	**5.8**	**1,028**	**971**	**5.9**

EBITDA and EBIT from the business in Latin America – Distribution						
	EBITDA (Millions of Euros)			EBIT (Millions of Euros)		
	Jan-Sept 2013	Jan-Sept 2012	% change	Jan-Sept 2013	Jan-Sept 2012	% change
Argentina	186	(38)	N/A	168	(57)	N/A
Brazil	438	507	(13.6)	266	370	(28.1)
Chile	203	209	(2.9)	165	171	(3.5)
Colombia	354	377	(6.1)	277	294	(5.8)
Peru	107	114	(6.1)	79	85	(7.1)
TOTAL DISTRIBUTION	**1,288**	**1,169**	**10.2**	**955**	**863**	**10.7**

Generation and transmission

Argentina

Lower output (-6.5%) during the first nine months of 2013 was offset by higher unit margins (+15.9%) due to the application of the new regulatory framework, while EBITDA advanced 35.0% year-on-year to Euros 54 million.

EBIT over the period totalled Euros 15 million, up Euros 8 million and a 114.3% increase against the same period the previous year.

Brazil

ENDESA's companies in Brazil generated a total of 3,631 GWh in the first nine months of 2013, up 2.5% with respect to the same period in 2012, with a fall in generation at the Cachoeira plant due to lower rainfall, and an increase at the Fortaleza plant due to greater demand within the system.

Despite higher generation, the exchange rate trend between the euro and the Brazilian real meant that EBITDA for the period was 10.4% down on the previous year's figure at Euros 164 million while EBIT also contracted 10.2% to Euros 150 million.

Chile

At 30 September 2013, EBITDA for the generation business in Chile had advanced Euros 83 million (+27.0%) to Euros 390 million.

Despite the unfavourable rainfall conditions in Chile, electricity generation by subsidiaries in the country declined by only 4.5% to 14,610 GWh compared to the same period the previous year, due to a greater thermal dispatch caused by the commencement of operations at the Bocamina II power plant. This situation, and a better unit margin (+22.5%), helped boost generation EBITDA as previously mentioned.

EBIT over the period totalled Euros 278 million, a 34.3% increase against the same period the previous year.

Colombia

Lower output in Colombia during the period caused by lower rainfall (-6.6%) was offset by the positive impact of a wider unit margin (+3.1%).

Generation EBITDA and EBIT rose by Euros 9 million (+2.0%) and Euros 13 million (+3.2%) year-on-year respectively in the first nine months of 2013 to Euros 466 and Euros 423 million.

Peru

The total amount of electricity generated by ENDESA companies in Peru stood at 6,290 GWh in the first nine months of 2013, down 9.9% on the same period the previous year.

The negative impact of lower output during the period was not fully offset by a wider unit margin (+2.4%), and this brought about a 4.8% decline in EBITDA to Euros 178 million, and a 9.5% contraction in EBIT to Euros 124 million.

Argentina - Brazil interconnection

EBITDA and EBIT were Euros 54 and 38 million respectively in the first nine months of 2013, representing decreases of Euros 6 and 5 million against the same period in 2012.

The negative impact of both these figures against the same period the previous year is due to exchange rate trends between the euro and the Brazilian real.

Distribution

Argentina

Application of Resolution 250/2013 approved on 7 May 2013 by the Energy Secretary resulted in income of Euros 291 million which offset the negative EBITDA in the first nine months of 2013 putting the figure at Euros 186 million at 30 September 2013 compared to a negative Euros 38 million the previous year.

Stripping out this income, EBITDA would have been a negative Euros 105 million, continuing the erosion seen in the distribution business in Argentina as a result of rising costs due to inflation which are not being passed onto customers through tariffs. This demonstrates the need to pass on recurring rising costs under the Cost Monitoring Mechanism (MMC) adjustment.

The business also registered a gain at the EBIT level of Euros 168 million, compared to the loss of Euros 57 million during the same period the previous year.

Brazil

EBITDA and EBIT for the period ended 30 September 2013 stood at Euros 438 million (-13.6%) and Euros 266 million (-28.1%) respectively.

This fall was due to the stranded costs incurred by distributors from the dispatch of thermal power and contractual exposure on the spot market, which could not be immediately compensated through the mechanism established by Presidential Decree 7.945/2013.

The stranded costs not compensated through the mechanism established by Presidential Decree 7.945/2013 totalled Euros 48 million, which will be recouped in the tariff after future tariff reviews, as stipulated in Brazilian regulations.

Figures for the Brazil business unit were also affected by exchange rate differences between the euro and the local currency.

The greater decline in EBIT compared to EBITDA is due to the 25.6% increase in depreciation and amortisation charges and impairment losses of Euros 44 million on certain assets which are no longer operative.

Chile

The increase in sales volumes (+4.6%), brought about by rising demand did not offset the 6.0% narrower unit margin nor higher fixed costs.

EBITDA in the distribution business totalled Euros 203 million in the first nine months of 2013, down 2.9% year-on-year while EBIT shrank 3.5% to Euros 165 million in the same period.

Colombia

EBITDA and EBIT in the first nine months of 2013 declined by 6.1% and by 5.8%, respectively, to Euros 354 million and Euros 277 million.

Despite the higher demand in Colombia (+2.8%), EBITDA and EBIT were reduced due to the moderate demand increase in the area of influence of Codensa, S.A.E.S.P. (1.21%) and physical sales (0.9%), and the reduction in unit margin (-8.4%) as a result of the index of producer prices (PPI) update, which only amounted to 0.44% for the January-September 2013 period, and the evolution of the exchange rate of the euro against the Colombian peso.

Peru

Financial indicators in the distribution business in Peru saw a moderate decline in January-September despite the rise in demand (+5.3%) and sales volumes (+2.3%), fuelled by a lower unit margin (-7.6%).

EBITDA stood at Euros 107 million, down 6.1% on the same period in 2012 and EBIT at Euros 79 million, a 7.1% decline on the first nine months of 2012.

Net financial loss: Euros 223 million

ENDESA's Latin America business generated a net financial loss of Euros 223 million in the first nine months of 2013, showing a fall of 44.9% against the same period in 2012. Net finance expense for the period was Euros 197 million, down Euros 175 million (-47.0%) year-on-year.

When analysing this trend, it must be remembered that the business in Argentina generated financial income of Euros 42 million due to recognition of the amounts to be applied under the Cost Monitoring Mechanism (MMC) adjustment.

Stripping out this impact, net finance expense would have totalled Euros 133 million (-35.8%) due to the decrease in average debt (-14.4%) and the average cost of debt compared to the first nine months of 2012.

Net exchange losses of Euros 26 million were recorded between January and September 2013, compared to losses of Euros 33 million in the same period of 2012.

The net debt of ENDESA's Latin American business stood at Euros 3,182 million at 30 September 2013, a fall of Euros 537 million since year-end 2012.

Cash flow from operating activities: Euros 1,148 million

ENDESA's business in Latin America generated a net cash flow of Euros 1,148 million in the first nine months of 2013, compared to Euros 1,173 million in the first period the previous year.

Investment: Euros 932 million

Investment in this business unit stood at Euros 932 million in the period January-September 2013.

Of this amount, Euros 112 million corresponded to financial investments, and Euros 820 million to capex and investments in intangible assets and investment property, as shown in the table below:

Capex and Investment in Intangible Assets and Investment Property in Latin America

	Millions of Euros		% change
	Jan-Sept 2013	**Jan-Sept 2012**	
Generation	369	364	1.4
Distribution and transmission	262	235	11.5
Other	1	1	-
TOTAL CAPEX	**632**	**600**	**5.3**
Intangible assets (*)	**187**	**184**	**1.6**
Investment property	**1**	**1**	**-**
TOTAL	**820**	**785**	**4.3**

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

Statistical appendix

Key figures

Electricity generation output (GWh)	Jan-Sept 2013	Jan-Sept 2012	% change
Business in Spain and Portugal	53,497	60,808	(12.0)
Business in Latin America	45,061	47,785	(5.7)
TOTAL	**98,558**	**108,593**	**(9.2)**

Electricity generation output in Spain and Portugal (GWh)	Jan-Sept 2013	Jan-Sept 2012	% change
Mainland	**42,707**	**48,732**	**(12.4)**
Nuclear	19,959	21,025	(5.1)
Coal	13,931	20,396	(31.7)
Hydroelectric	7,970	4,202	89.7
Combined cycle (CCGT)	847	3,109	(72.8)
Non-mainland	**9,251**	**10,289**	**(10.1)**
Portugal	**896**	**1,077**	**(16.8)**
Other	**643**	**710**	**(9.4)**
TOTAL	**53,497**	**60,808**	**(12.0)**

Electricity generation output in Latin America (GWh)	Jan-Sept 2013	Jan-Sept 2012	% change
Argentina	10,957	11,715	(6.5)
Brazil	3,631	3,544	2.5
Chile	14,610	15,296	(4.5)
Colombia	9,573	10,249	(6.6)
Peru	6,290	6,981	(9.9)
TOTAL	**45,061**	**47,785**	**(5.7)**

Electricity sales (GWh)	Jan-Sept 2013	Jan-Sept 2012	% change
Business in Spain and Portugal	**72,453**	**77,985**	**(7.1)**
LRS	16,715	19,493	(14.3)
Deregulated market	55,738	58,492	(4.7)
Business in Latin America	**45,652**	**44,397**	**2.8**
Argentina	11,104	11,053	0.5
Brazil	13,824	13,212	4.6
Chile	9,744	9,316	4.6
Colombia	6,157	6,100	0.9
Peru	4,823	4,716	2.3
TOTAL	**118,105**	**122,382**	**(3.5)**

Gas sales (GWh)	Jan-Sept 2013	Jan-Sept 2012	% change
Deregulated market (*)	42,231	39,222	7.7
TOTAL	**42,231**	**39,222**	**7.7**

(*) Excluding own generation consumption

Period-end headcount (number of employees)	30 September 2013	30 September 2012	% change
Business in Spain and Portugal	11,235	11,781	(4.6)
Business in Latin America	11,742	11,306	3.9
TOTAL	**22,977**	**23,087**	**(0.5)**

Financial data

Key figures (Euros)	Jan-Sept 2013	Jan-Sept 2012	% change
EPS (1)	1.46	1.57	(7.0)
BVPS (2) (3)	20.95	19.37	8.2

(1) Parent company's profit for the year / No. shares.
(2) Equity attributable to equity holders of the parent / No. shares.
(3) At 30 September 2013.

Net financial debt (Millions of Euros)	30 September 2013	31 December 2012	% change
Business in Spain and Portugal	3,869	5,059	(23.5)
Business in Latin America	3,182	3,719	(14.4)
TOTAL	**7,051**	**8,778**	**(19.7)**
Financial leverage (%)	24.6	33.3	-

Ratings (6 November 2013)	Long-term	Short-term	Outlook
Standard & Poor's	BBB	A-2	Stable
Moody's	Baa2	P-2	Negative
Fitch	BBB+	F2	Credit Watch Negative

Stock market data	30 September 2013	31 December 2012	% change
Market cap (Millions of Euros)	20,386	17,861	14.1
Number of shares outstanding	1,058,752,117	1,058,752,117	-
Nominal share value (Euros)	1.2	1.2	-

Stock market data (shares)	Jan-Sept 2013	Jan-Sept 2012	% change
Trading volume			
Madrid stock exchange	89,827,726	132,802,673	(32.4)
Average daily trading volume			
Madrid stock exchange	470,302	691,681	(32.0)

Share price (Euros)	High Jan-Sept 2013	Low Jan-Sept 2013	30 September 2013	31 December 2012
Madrid stock exchange	19.40	16.00	19.26	16.87

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 major 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 industrial 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 approvals, antitrust, internal and other approvals for our proposed acquisitions, investments or asset divestments, 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 permits concerned 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; shortages 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 to be 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-oil and gas and the impact of the price fluctuations of coal, fuel-oil and gas; acquisitions or restructuring; capacity to successfully carry through 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 Spanish securities market regulator (Comisión Nacional del Mercado de Valores, "CNMV").

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