ENDESA, S.A.

and Subsidiaries

Consolidated management report for the year ended 31 December 2012

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

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1. Analysis of 2012

1.1. Consolidated results

ENDESA reported 2012 net income of Euros 2,034 million.

ENDESA reported net income of Euros 2,034 million in 2012, 8.0% less than in 2011. This is largely due to lower remuneration in certain regulated activities in Spain, narrowed margins on power generation in Chile due to adverse hydrological conditions and recognition in 2011 of the capital gain from the sale of ENDESA's telecommunications and systems business to Enel Energy Europe, S.L.U. of Euros 123 million after tax.

The table below shows the breakdown of net income by ENDESA's business lines and the year-on-year change:

ENDESA net income, Fiscal Year 2012

	Millions of Euros	% change 2011	% of total net income
Spain and Portugal and Other	1,410	(11.5)	69.3
Latin America	624	0.8	30.7
TOTAL	**2,034**	**(8.0)**	**100.0**

Electricity generation and sales

ENDESA's generation totalled 141,434 GWh in 2012, up 2.0% on 2011.

Electricity sales were broadly flat year-on-year, at 162,490 GWh (+0.1%).

Power output and sales, Fiscal Year 2012				
	Output		Sales (1)	
	GWh	% change 2011	GWh	% change 2011
Spain and Portugal and Other	78,316	3.1	102,766	(2.4)
Latin America	63,118	0.6	59,724	4.6
TOTAL	**141,434**	**2.0**	**162,490**	**0.1**

(1) In Spain and Portugal and Other, the sales volumes generated in Morocco and Ireland (an aggregate 1,065 GWh in 2012 and 907 GWh in 2011) have not been included. In Latin America tolls and unbilled consumption are not included. Adding back tolls and unbilled consumption, sales in Latin America would have totalled 73,104 GWh (+5.1%).

EBITDA: Euros 7,005 million

EBITDA and EBIT declined by 3.6% and 5.1%, respectively, in 2012, to Euros 7,005 million and Euros 4,418 million.

EBITDA was affected by the decline in EBITDA in the Spain and Portugal and Other business unit (-5.7%) as a result of the measures taken by the government to reduce regulated remuneration starting to apply since the beginning of 2012, as well as a reduction in EBITDA in Latin America (-1.0%), due mainly to the drought prevailing in Chile and its impact on power generation there.

In 2012 revenues rose 3.8% to Euros 33,933 million, primarily due to higher sales prices.

Variable costs rose by 6.6% as a result of a less favourable generation mix, with conventional thermal generation increasing relative to hydro output, thereby hiking up fuel costs. The cost of energy acquired for re-sale also increased.

Fixed costs amounted to Euros 4,013 million in 2012, growth of 1.8% with respect to 2011.

EBIT declined by 5.1% to Euros 4,418 million, including impairment charges on certain assets, mainly the Santa María de Garoña nuclear power plant, the mining assets in Spain and the Tarapacá power plant in Chile, for a total of Euros 146 million.

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 2011	Millions of Euros	% change 2011	Millions of Euros	% change 2011
Spain and Portugal and Other	23,146	2.2	3,796	(5.7)	1,998	(11.0)
Latin America	10,787	7.5	3,209	(1.0)	2,420	0.5
TOTAL	**33,933**	**3.8**	**7,005**	**(3.6)**	**4,418**	**(5.1)**

Net financial loss: Euros 641 million

ENDESA reported a net financial loss of Euros 641 million in 2012, marking a year-on-year increase of Euros 19 million.

Net finance expense totalled Euros 599 million, down Euros 41 million, while net exchange rate losses were Euros 42 million, compared to a gain of Euros 18 million in 2011.

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

- In 2011, net finance expense included a positive impact of Euros 63 million relating to interest recognised as a result of the two rulings handed down by the Spanish High Court (*Audiencia Nacional*) in relation to corporate income tax for the tax group headed by ENDESA in 1998 and 1999. Of this amount, Euros 27 million corresponded to the Spain and Portugal and Other business unit, while Euros 36 million related to the business in Latin America.

- In addition, 2011 net finance expense included finance income of Euros 51 million generated in the Latin American business as a result of the agreement reached in respect of the account receivable from Brazilian state-owned power distributor CELG Distribuçao, S.A.

- The relative movement in long-term interest rates in both years translated into a finance charge related to the discounting of provisions for obligations under ongoing workforce restructuring plans of Euros 76 million in 2012, compared to finance income of Euros 26 million in 2011.

- In 2012, net finance expense included finance income of Euros 180 million related to the discounting to present value of the financial asset recognised in accordance with IFRIC 12 ("Service Concession Agreements") in connection with the account receivable from the Brazilian power distribution subsidiaries when the concession term finishes, according to Brazilian Federal Law 12,783/13.

Stripping out the above-listed factors, net finance expense would have declined by Euros 77 million (9.9%), due to the year-on-year reduction in debt and lower financing costs.

Assets held for sale

At the end of 2010, ENDESA started proceedings for the sale of its 100% stake in ENDESA Ireland Limited, which culminated in the sale of this stake to SSE Generation Ltd. in October 2012 for Euros 286 million. In 2012, ENDESA recognised an impairment provision of Euros 67 million under "Depreciation and amortisation charges and impairment losses" in the consolidated income statement in order to adjust the carrying amount of ENDESA Ireland Limited's assets to the estimated sale price.

On 18 December 2012, ENDESA reached an agreement for the sale of its 12% shareholding in Medgaz, S.A., including the transfer to the buyer of the loan extended by Endesa to Medgaz. At the beginning of 2013, the shareholders of Medgaz, S.A., CEPSA and SONATRACH have exercised their pre-emptive acquisition rights, within the statutory timeframe, over Endesa's 12% equity interest in the share capital of Medgaz. The transaction is expected to close during the first half of 2013, once all the consents required to substitute the seller on the guarantees granted in respect of the Medgaz project financing have been obtained. At 31 December 2012, this shareholding together with the loan extended, were classified as a non-current assets held for sale at a carrying amount of Euros 88 million.

Cash flow from operating activities: Euros 5,247 million

Cash flow from operating activities amounted to Euros 5,247 million, compared to Euros 5,838 million in 2011, representing a decline of 10.1%.

Investment: Euros 2,727 million

Investment amounted to Euros 2,727 million in 2012.

Of this amount, Euros 2,558 million related to capex and investment in intangible assets and the remaining Euros 169 million to financial investments, as broken down in the next table.

Investments				
	Millions of Euros			
	Capex and investment in intangible assets	**Financial investments**	**TOTAL**	**% change 2011**
Spain and Portugal and Other	1,367	46	1,413	(5.5)
Latin America	1,191	123	1,314	(1.3)
TOTAL (*)	**2,558**	**169**	**2,727**	**(3.5)**

(*) Excludes investments in non-current assets held for sale and in discontinued operations amounting to Euros 73 million, and the acquisition of the portfolio of gas customers in the region of Madrid for Euros 34 million.

Financial position

ENDESA had net financial debt of Euros 8,778 million at 31 December 2012, a reduction of Euros 2,224 million compared to 31 December 2011.

Net financial debt by business line is as follows:

Breakdown of ENDESA'S net financial debt by business line (*)				
	Millions of Euros			**% change**
	31 December 2012	**31 December 2011**	**Difference**	
Spain and Portugal and Other	5,059	6,841	(1,782)	(26.0)
Latin America	3,719	4,161	(442)	(10.6)
Enersis	4,144	3,883	261	6.7
Other	(425)	278	(703)	(252.9)
TOTAL	**8,778**	**11,002**	**(2,224)**	**(20.2)**

(*) (*) 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 debt was 5.7% in 2012, while the cost of the debt corresponding to Enersis averaged 8.6%. Excluding Enersis's debt, the average cost of ENDESA's debt was 3.5% in 2012.

When assessing indebtedness, it must be remembered that at 31 December 2012, ENDESA had the recognised right to collect Euros 4,839 million in connection with several Spanish regulatory matters: Euros 2,958 million for financing the revenue shortfall from regulated activities and Euros 1,881 million in compensation for stranded costs in non-mainland generation. Stripping out these regulatory items, ENDESA's net debt at 31 December 2012 stood at Euros 3,939 million, Euros 1,683 million less than at 31 December 2011.

On 1 December 2011 and on 19 January 2012, ENDESA informed the electricity system deficit securitisation fund (hereinafter, "FADE" for its acronym in Spanish) of its irrevocable commitment to transfer all its collection rights in respect of the so-called tariff deficit for 2010, 2011 and 2012. After an extension period in December 2012, this commitment will remain in force until 1 December 2013.

During 2012, ENDESA collected tariff deficit receivables from to the securitisation fund, FADE, for a total amount of Euros 2,674 million.

Between 1 January 2013 and the date of authorising this Management Report for issue, ENDESA had collected additional tariff deficit receivables from FADE for a total amount of Euros 568 million.

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

Structure of ENDESA'S net financial debt at 31 December 2012 (Millions of Euros)

	ENDESA and direct subsidiaries		**Enersis**		**Total ENDESA**	
	Millions of Euros	**% of total**	**Millions of Euros**	**% of total**	**Millions of Euros**	**% of total**
Euro	4,558	98	-	-	4,558	52
US dollar	80	2	1,673	40	1,753	20
Chilean Peso / Unidades de Fomento	-	-	479	12	479	5
Brazilian real	-	-	549	13	549	6
Other currency	(4)	-	1,443	35	1,439	17
TOTAL	**4,634**	**100**	**4,144**	**100**	**8,778**	**100**
Fixed rate	2,504	54	2,263	55	4,767	54
Floating rate	2,130	46	1,881	45	4,011	46
TOTAL	**4,634**	**100**	**4,144**	**100**	**8,778**	**100**
Avg. life (years)	4.7		5.5		5.1	

ENDESA had liquidity of Euros 6,418 million in Spain at 31 December 2012, sufficient to meet the Group's total debt repayments over the next 46 months. Of this total, Euros 5,790 million was in undrawn, unconditional credit lines, of which Euros 3,000 million correspond to a credit line signed with ENEL Finance International, N.V.

Meanwhile, Enersis held cash and cash equivalents totalling Euros 1,358 million and Euros 435 million in undrawn, unconditional credit lines, covering debt maturities for the next 18 months.

As of the date of authorising this Management Report for issue, ENDESA's long-term debt ratings are: Standard & Poor's "BBB+"; Moody's "Baa2"; and Fitch "BBB", all of which with a negative outlook.

Financial leverage

ENDESA's consolidated equity stood at Euro 26,369 million at 31 December 2012, Euro 1,690 million more than at the close of 2011.

Euros 20,653 million of consolidated equity correspond to ENDESA, S.A. shareholders and Euros 5,716 million to non-controlling shareholders.

Changes in Group equity and net debt resulted in leverage (net financial debt/equity) of 33.3% at 31 December 2012, compared to 44.6% at 31 December 2011.

2. Results by business line

2.1. Business in Spain and Portugal and Other

Net income – Spain and Portugal and Other: Euros 1,410 million

Net income from ENDESA's business in Spain and Portugal and Other was Euros 1,410 million in 2012, down Euros 183 million on 2011.

EBITDA was Euros 3,796 million, down 5.7% year-on-year, and EBIT totalled Euros 1,998 million, an 11.0% decline.

The decline in EBITDA is primarily due to the impact on revenue in the distribution business of the measures designed to reduce the electricity tariff deficit approved under Royal Decree Laws 13/2012, of 30 March and 20/2012 of 13 July. The decline in EBIT outstripped the decrease in EBITDA as a result of the impairment losses recognised on the Santa María de Garoña nuclear power plant and on the mining assets in Spain.

Highlights

Electricity demand shrank by 1.3% in 2012 (-1.7% adjusted for working days and temperature).

Elsewhere, during 2012 wholesale daily electricity price was Euros 49.2/MWh, a 3.1% decline (Euros 50.8/MWh in 2011).

In 2012, ENDESA obtained a market share in ordinary regime generation of 36.7%, a 43.3% share in distribution and a 39.1% share in sales to customers in the deregulated market.

Regulatory developments

From a regulatory perspective, the main highlights in 2012 were as follows:

Royal Decree Law 1/2012, of 27 January, temporarily suspending the remuneration pre-assignment procedure and the economic incentives for new electricity generation facilities which use co-generation, renewable energy sources and waste.

This removed economic incentives for CHP/renewable production facilities and suspended the remuneration pre-assignment procedure for the remuneration regime applicable to existing installations. This provision will not affect installations which had obtained authorisation prior to the law coming into effect and which have not yet been commissioned.

Royal Decree Law 13/2012, of 30 March, transposing measures concerning domestic electricity and gas markets and electronic communications, and adopting measures to remedy divergences for

mismatches between costs and revenue for 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 electricity and gas industries' tariff deficits.

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

- A Euros 689 million reduction in 2012 remuneration for electricity distributors, including their commercial management activities. Euros 278 million of this reduction corresponded to ENDESA.

  Pursuant to this Royal Decree Law, the remuneration criteria from 1 January 2012 are as follows:

  - Non-amortised assets in service will be remunerated under the concept of investment, taking their net value as a base for their financial remuneration.

  - The accrual of remuneration generated by facilities commissioned in year "n" will begin 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 power transmission is reduced by Euros 197 million, establishing that, as of 1 January 2012, the accrual and collection of remuneration generated by facilities commissioned in year "n" will begin on 1 January of year "n+2".

  The Royal Decree Law also 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.

- A 10% reduction, of an exceptional nature for 2012, of the maximum volume initially forecasted for 2012 in the ruling of 31 December 2011 for the resolution of the supply security restrictions process (a mechanism establishing a preferential dispatch mechanism for certain levels of energy volume at power stations fired by domestic coal). The Government estimates the impact of this measure at Euros 50 million.

- A reduction, of an exceptional nature for 2012, for those facilities which were receiving the investment incentive (from Euros 26,000/MW to Euros 23,400/MW) and environmental investment incentive (from Euros 8,750/MW to Euros 7,875/MW) when the law came into force. The Government estimates the impact of this measure at Euros 80 million.

- A change in the remuneration of the System Operator which, instead of being covered by access tariffs, will be borne by the users of these services. The Government estimates the impact of this measure at Euros 20 million.

- The reimbursement to the settlement system of retained profits from regulated businesses that are recognised in equity in the annual financial statements of the National Energy Commission at 31 December 2011, which the Government estimates at Euros 60 million. The Commission's annual quota is likewise reduced.

- The reimbursement to the settlement system of the balance at 31 December 2011 of the item "Cash and cash equivalents" from the annual financial statements of the Institute for Energy Diversification and Savings, which the Government estimates at Euros 600 million.

- A reduction of the item included in access tariffs under the concept of interruptibility, which relates to certain electricity consumers. It will remain fixed at Euros 505 million in 2012, which is a reduction of Euros 60 million.

- Furthermore, the Royal Decree Law stipulates that the Ministry for Industry, Energy and Tourism will propose a review of the remuneration system for island and non-mainland generation. Likewise, as explained below, Royal Decree Law 20/2012, of 13 July, amended certain aspects of costs relating to non-mainland generation coming into effect from 1 January 2012.

Law 2/2012, of 29 June, concerning General State Budgets for 2012.

On 30 June 2012, the Official State Gazette published the text of the Law for General State Budgets for 2012, which, uniquely for 2012, does not include items to finance 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 tariffs.

Royal Decree Law 20/2012, of 13 July, introducing measures to guarantee budgetary stability and promote competition.

This includes the following measures, among others:

- A review of the island and non-mainland systems, as stipulated in Royal Decree Law 13/2012, of 30 March, shall apply as of 1 January 2012, and includes other measures to be applied from that date affecting fixed costs at power stations:

    - The spread over the Sovereign Bond to remunerate investment is set at 2%.

    - Fixed annual operation and maintenance costs are reduced by 10%.

    - Remuneration of recurring expenses is removed.

  The overall impact of these measures is estimated to be Euros 100 million a year.

- Electricity transmission: remuneration is reduced by Euros 50 million, to remunerate investment in the net value of all assets in service.

- Regional supplements for access tariffs and the Last Resort Tariff: regional taxes or local surcharges on State taxes will include a supplement to cover the stranded costs caused by said taxes or surcharges and will be paid by users in each particular region.

- Interest rate on the shortfall in revenue from regulated activities in 2006: following the judgments in this connection, a spread of 0.65% is added to the 3M Euribor rate.

- The Ministry of Industry, Energy and Tourism is empowered to set progressive criteria for access tariffs which will take into account average consumption at supply points, and will not affect vulnerable consumers.

- An annual review of access tariffs will be performed.

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

On 28 December 2012, the Official State Gazette published the law concerning fiscal measures for energy sustainability, which contemplates several measures that have a direct impact on the electricity sector and will apply from 2013:

- General tax on ordinary and CHP/renewable generation, equivalent to 7% of total revenue generated.

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

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

- Introduction of a "green cent" tax which will be charged on consumption of electricity generated using natural gas, coal, fuel-oil or diesel.

- Any output from renewable energy plants generated using fossil fuels shall not receive a feed-in tariff, unless the plant uses biomass technology.

- It is also considered that the General State Budgets Law will each year earmark a sum for funding electricity system costs in the amount equivalent to the sum of estimated revenue from the taxes and levies contemplated in Law 15/2012 and estimated revenue from the auction of greenhouse gas emission allowances, up to a maximum of Euros 500 million.

Law 17/2012, of 27 December, concerning General State Budgets for 2013.

On 28 December 2012, the Official State Gazette published the text of the Law for General State Budgets for 2013, which, uniquely 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 tariffs.

This piece of legislation additionally details the items earmarked to cover the electricity system costs indicated in the above-mentioned Law 15/2012, of 27 December.

Royal Decree Law 29/2012, of 28 December, on enhancing the management of the special household employee scheme, the social protection afforded and other measures of a financial and social nature.

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 FADE Securitization Fund up to the amount resulting from the definitive settlement accounts for that year. In addition, this piece of legislation eliminates section one of additional provision twenty-one of the said Act, which stipulated the elimination of the tariff deficit in 2013.

- In respect of CHP/renewable regime facilities, the legislation stipulates that the feed-in-tariff shall not apply to facilities registered in the remuneration pre-assignment register that are shown not to be fully completed with the deadline set to this end in the register itself.

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

This legislation amends the mechanism by which regulated remuneration items are updated, changing the benchmark from consumer price inflation to constant-tax inflation (excluding unprocessed foods and energy products). This legislation additionally modifies the energy sales options available to CHP/renewable regime facilities, such that all facilities shall be deemed to avail themselves of 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.

Draft Bill on the extraordinary loan to fund renewable energy premiums

On 15 February 2013, the Spanish Cabinet has agreed to send the State Council a draft bill concerning the grant of an extraordinary loan by the Ministry for Finance to the Ministry for Industry, Energy and Tourism in order to finance, if required, renewable energy premiums in respect of 2013, up to a maximum amount of Euros 2,200 million.

2012 electricity tariff.

Order IET/3586/2011 of 30 December revised access charges from 1 January 2012, with an average increase of 8.2%:

- Increase in the LRT of 12.8%, equivalent to the decrease in energy costs following the CESUR (Last Resort Energy Supply Contracts) auction.

- Increase in other low-voltage access tariffs of 6.3%.

- Increase in high-voltage access tariffs of 2%.

This Order contemplated a forecast shortfall in revenue from regulated activities from 1 January to 31 December 2012, both inclusive, of Euros 1,500 million.

The ruling of 30 December 2011 established the LRT applicable in the first quarter of 2012, which remained the same as in the previous quarter taking into account the decrease in energy costs following the CESUR auction.

Additionally, and in application of the Supreme Court (*Tribunal Supremo*) ruling that suspended the reduction in access tariffs established by Ministerial Order ITC/2585/2011, of 29 September, on the revision of tariffs from 1 October 2011, the Ministry for Industry, Energy and Tourism set new LRT tariffs for the period between 23 (when the court order was passed) and 31 December 2011.

Subsequently, the Supreme Court issued various orders in March 2012 in which it agreed to injunctions suspending the previously mentioned Ministerial Order IET/3586/2011, of 30 December, urging the Ministry for Industry, Energy and Tourism to ensure that access tariffs covered the cost of the regulated activities.

As such, Ministerial Order IET/843/2012, of 25 April, on the revision of access charges from 1 April 2012, set new access charges for the first quarter of 2012, as well as for the rest of the fourth quarter of 2011 (between 1 October and 22 December). Furthermore, the aforementioned Order increased access charges from 1 April by an average 6.3% with respect to the previous fee structures in force, broken down as follows:

- Increase in LRT access tariffs of 7.9%.

- Increase in other low-voltage access tariffs of 5.2%.

- Increase in high-voltage access tariffs of 4.5%.

Lastly, following the ruling of the Department of Energy Policy and Mines of 25 April 2012, an average LRT increase of 7% (compared to the previous rate in force) was approved as a result of the outcome of the CESUR auction and the changes to access tolls under the above-mentioned Order IET/843/2012.

Also, in compliance with the previously mentioned Supreme Court orders, said ruling changed various components of the LRT for the periods between 1 October and 22 December 2011 and 1 January and 31 March 2012.

Finally, the Department of Energy Policy and Mines' ruling of 28 June 2012 approved the LRTs from 1 July 2012, introducing an average increase of 3.9% following the increase in energy prices resulting from the CESUR auction and maintenance of previous access tariffs.

In addition, and subsequent to the corresponding auction, the Department of Energy Policy and Mines' ruling of 27 September 2012 revised the LRT for the fourth quarter, decreasing it by 2.29%.

The shortfall between the access tariffs collected during 2012 and the system costs during the same period has led to a revenue deficit in regulated activities of approximately Euros 3,014 million for the sector as a whole (which sum does not include the portion of the 2011 deficit in excess of the legal ceiling that was rolled over to the 2012 deficit). ENDESA must finance 44.16% of this amount.

During the same period, the non-mainland deficit stood at Euros 1,403 million, which will be added to the electricity system tariff deficit. Meanwhile and as of 31 December 2012, it has been completely funded by Endesa.

2013 electricity tariff.

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

On 16 February 2013, Ministerial Order IET/221/2013, of 14 February, was published establishing the access tariffs applicable from 1 January 2013. Pursuant to this order, the access tariffs remain unchanged from those in force. The order also sets forth, inter alia, the possibility of transferring the 2012 deficit shortfall to the Deficit Securitisation Fund for the Electricity System (FADE) based on the result of the 14/2012 regulated activity settlements, or including the 2011 and 2012 non-mainland compensation not financed by the State Budget in the 2012 regulated activity settlements.

Social Bonus.

On 7 February 2012, the Supreme Court passed a judgment annulling certain provisions related to the Social Bonus and its application, ruling that its financing by generation companies under the ordinary regime (as established by Royal Decree Law 6/2009, of 30 April) was discriminatory.

In application of the said judgment, Ministerial Order IET/843/2012, of 25 April changed the settlement system for the Social Voucher, taking into account from 7 February 2012 the costs payable by the electricity system, ruling that this should be covered by access charges.

In this context, in January 2013 ENDESA filed a request with the National Energy Commission (CNE) to make the final settlements that this agency must draw up for this concept, which are still outstanding, and also claimed Euros 100 million in compensation for past damages suffered as a result of the repealed regulations.

Natural gas tariff for 2012.

Order IET/3587/2011 of 30 December revised access charges from 1 January 2012, with an average increase of 4.35%. Additionally, the ruling of 30 December 2011 set the LRT for the first quarter of 2012. LRT.1 and LRT.2 increased by 0.93% and 0.35%, respectively.

Ministerial Order IET/849/2012, of 26 April, revised access charges from 1 April, introducing an average increase of 5%, while the Department of Energy Policy and Mines' ruling of 27 April 2012 approved increases to LRT.1 and LRT.2 of 4.6% and 5%, respectively.

Finally, the Department of Energy Policy and Mines' ruling of 28 June 2012 increased the LRT by between 1.7% and 2.2%, respectively, for the LRT.1 and LRT.2, due to higher commodity prices. These rates were left intact for the fourth quarter of 2012.

Natural gas tariff for 2013.

Ministerial Order IET/2812/2012, of 27 December, revised 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.

Other operations during the period

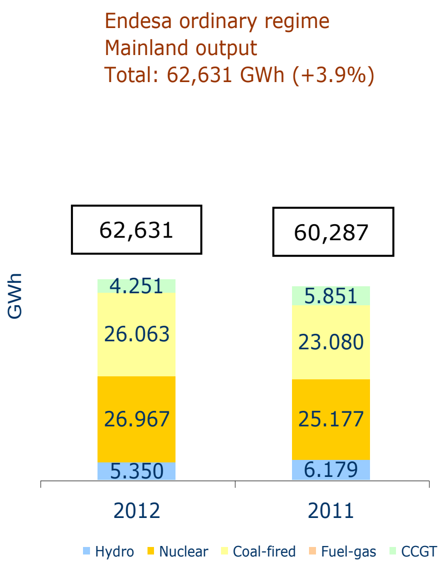
On 29 February 2012, ENDESA completed the purchase of a portfolio of approximately 224,000 gas customers and other associated contracts in the Madrid area from Gas Natural SDG, S.A.

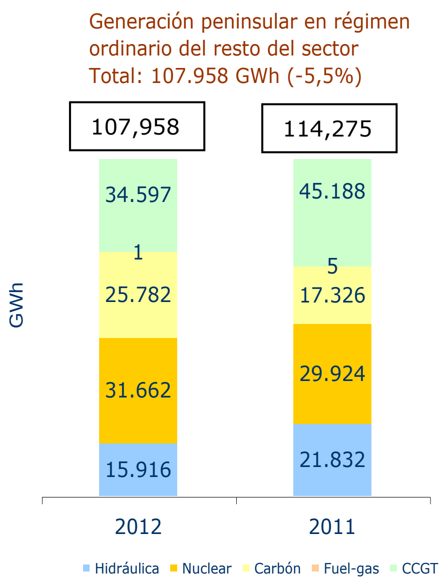
This deal involved the purchase of 100% and subsequent merger into ENDESA Energía, S.A.U. and ENDESA Energía XXI, S.L.U. of the shareholdings in GEM Suministro de Gas 3, S.L.U. and GEM Suministro de Gas Sur 3, S.L.U., respectively, suppliers of natural gas and electricity to a number of districts and municipalities in the Madrid region. The outlay for this transaction was Euros 34 million.

Revenues: Euros 23,146 million (+2.2%)

In 2012, Endesa reported revenues of Euros 23,146 million from its Spain and Portugal and Other business, an increase of 2.2%. Of this amount, revenues from sales accounted for Euros 22,028 million, 3.7% higher than in 2011, as shown below:

Sales in the Business in Spain and Portugal and Other				
	Millions of Euros			% change
	2012	2011	Difference	
Electricity sales	17,019	16,666	353	2.1
Sales to the deregulated market	7,881	7,172	709	9.9
Sales to Last Resort Suppliers	4,841	4,973	(132)	(2.7)
Wholesale market sales	1,283	1,333	(50)	(3.8)
Supply to customers in deregulated markets outside Spain	822	626	196	31.3
Non-mainland compensation	1,954	1,762	192	10.9
Power trading	76	626	(550)	(87.9)
Other sales	162	174	(12)	(6.9)
Regulated revenue from electricity distribution	2,025	2,241	(216)	(9.6)
Gas trading	1,929	1,525	404	26.5
Other sales and services rendered	1,055	802	253	31.5
TOTAL	**22,028**	**21,234**	**794**	**3.7**





Electricity sales

ENDESA's electricity output in the Spain and Portugal and Other business amounted to 78,316 GWh (+3.1%) in 2012. Of this amount, 76,026 GWh corresponded to Spain (+2.4%), 1,360 GWh to Portugal (+54.0%) and 930 GWh to the rest of the segment (+14.1%).

Mainland electricity output totalled 62,631 GWh in 2012, 3.9% more than in 2011 due to the increase in output at coal-fired (+12.9%) and nuclear power plants (+7.1%), all of which offset the decline in output at hydro (-13.4%) and combined-cycle plants (-27.3%).

Nuclear and hydro energy accounted for 51.6% of ENDESA's mainland generation mix under the ordinary regime (52.0% in 2011), compared with 44.1% for the rest of the sector (45.3% in 2011).

ENDESA’s output from non-mainland facilities was 13,395 GWh, a decrease of 4.1% compared to 2011.

Supply to deregulated customers

ENDESA had 2,839,310 customers in the deregulated market at the end of 2012: 2,716,302 in the Spanish mainland market and 123,008 in European deregulated markets other than Spain.

ENDESA sold a total of 77,122 GWh to these customers in 2012, an increase of 0.9%.

Revenues from sales in the Spanish deregulated market totalled Euros 7,881 million, up 9.9% on 2011.

Revenues from sales to deregulated European markets other than Spain rose 31.3% to Euros 822 million.

Last resort supplier sales

ENDESA sold 25,644 GWh through its last resort supplier company in 2012, 11.0% less than in 2011 as a result of the transfer of last resort tariff customers to the deregulated market.

These sales generated revenues of Euros 4,841 million, down 2.7% on 2011.

Electricity distribution

ENDESA distributed 115,390 GWh of power in the Spanish market in 2012, 0.3% less than the previous year.

Regulated revenue from distribution activities amounted to Euros 2,025 million, down 9.6% year-on-year.

This decline was due to the reduction in remuneration for the electricity distribution activity established in Royal Decree Law 13/2012, of 30 March, with effect from 1 January 2012.

Gas supply

ENDESA sold 68,292 GWh of natural gas to customers in the deregulated market in 2012, growth of 24.7% year-on-year with respect to total 2011 gas sales. Revenue from gas sales in the deregulated market rose 26.5% to Euros 1,929 million.

Operating expenses

The breakdown of operating expenses in the Spain and Portugal and Other business in 2012 is provided below:

Operating expenses – Business in Spain and Portugal and Other				
	Millions of Euros			**%**
	2012	**2011**	**Difference**	**change**
Procurements and services	16,933	16,192	741	4.6
Power purchased	5,848	6,321	(473)	(7.5)
Cost of fuel consumed	3,052	2,647	405	15.3
Transmission costs	6,530	5,659	871	15.4
Other variable procurements and services	1,503	1,565	(62)	(4.0)
Personnel expenses	1,078	1,050	28	2.7
Other fixed operating expenses	1,450	1,513	(63)	(4.2)
Depreciation and amortisation charges and impairment losses	1,798	1,780	18	1.0
TOTAL	**21,259**	**20,535**	**724**	**3.5**

Procurements and services (variable costs)

Power purchases amounted to Euros 5,848 million in 2012, down Euros 473 million (-7.5%) year-on-year, due mainly to lower purchased volumes in the electricity pool for resale given increased in-house electricity generation.

The cost of fuel consumed, however, rose by 15.3% to Euros 3,052 million, due to higher thermal output during the year.

Personnel and other fixed operating expenses

Fixed costs amounted to Euros 2,528 million in 2012, a reduction of Euros 35 million (-1.4%) with respect to 2011.

There was a Euros 28 million (+2.7%) increase in "Personnel expenses" to Euros 1,078 million, and a Euros 63 million decrease (-4.2%) in "Other fixed operating expenses" to Euros 1,450 million.

Depreciation and amortisation charges and impairment losses

Depreciation and amortisation charges and impairment losses totalled Euros 1,798 million in 2012, Euros 18 million (+1.0%) more than in 2011.

In 2012, this heading included impairment losses recognised on the assets of the Santa María de Garoña nuclear power plant and of Empresa Carbonífera del Sur, S.A.U. in the amounts of Euros 60 and 66 million, respectively, plus a Euros 67 million impairment provision on the value of the Group's assets in Ireland.

Net financial loss: Euros 261 million

The net financial loss reported in 2012 was Euros 261 million, Euros 34 million less than in 2011.

This was due to a Euros 31 million decline in net finance expense and a Euros 3 million movement in net exchange differences, which narrowed from a net loss of Euros 8 million in 2011 to a loss of Euros 5 million in 2012.

For a comparable reading of net finance expense in 2012 versus 2011, it is important to note that in 2011 the group recognised finance income of Euros 27 million corresponding to the interest awarded by virtue of the rulings handed down by the Spanish High Court in relation to Corporate Income Tax for the tax group headed by ENDESA in 1998 and 1999 and the impact of the differing discount rates used to discount the value of the provision for ongoing restructuring plans to present value, resulting in a finance charge of Euros 76 million in 2012, compared to finance income of Euros 26 million in 2011.

Stripping out the above factors in both years would reveal a reduction in the net financial loss of Euros 160 million, driven by both the reduction in net financial debt and lower effective borrowing costs.

Net financial debt in the Spain and Portugal and Other business at 31 December 2012 stood at Euros 5,059 million vs. Euros 6,841 million at year-end 2011.

Of this amount, Euros 4,839 million were incurred to finance regulatory receivables: Euros 2,958 million to finance the revenue shortfall from regulated activities and Euros 1,881 million to fund the non-mainland generation compensations.

Cash flow from operating activities: Euros 3,114 million

Cash flow from operating activities in the business in Spain and Portugal and Other totalled Euros 3,114 million in 2012 compared to Euros 3,407 million in 2011, a decline of 8.6%.

Investment: Euros 1,413 million

Investment in the Spain and Portugal and Other business totalled Euros 1,413 million in 2012, as detailed in the following table:

Total investment in the Business in Spain and Portugal and Other

	Millions of Euros		% change
	2012	**2011**	
Capex	1,265	1,284	(1.5)
Intangible assets	102	115	(11.3)
Financial investments	46	96	(52.1)
TOTAL (*)	**1,413**	**1,495**	**(5.5)**

(*) Excludes: (i) investments in non-current assets held for sale and in discontinued operations amounting to Euros 73 million in 2012 and Euros 101 million in 2011; and (ii) the acquisition of the portfolio of gas customers in the Madrid area for Euros 34 million in 2012.

Capex - Business in Spain and Portugal and Other			
	Millions of Euros		% change
	2012	2011	
Generation	420	474	(11.4)
Distribution	840	806	4.2
Other	5	4	25.0
TOTAL	**1,265**	**1,284**	**(1.5)**

2.2. Business in Latin America

Net income in Latin America: Euros 624 million

ENDESA's Latin American business reported a 0.8% increase in net income to Euros 624 million in 2012.

EBITDA amounted to Euros 3,209 million, down 1.0% year-on-year, due to the adverse impact on the Chilean generation business of the intense drought afflicting the country in 2012.

EBIT grew by 0.5% up to 2,420 million.

Highlights

The economic environment in ENDESA's Latin American operating markets was positive. Demand for energy strengthened overall in the region in 2012, with increases in Peru (+5.9%), Chile (SIC +5.7% and SING +3.9%), Brazil (+4.5%), Argentina (+4.2%) and Colombia (+3.8%).

In this environment, distribution sales by ENDESA companies, tolls and unbilled consumption not included, totalled 59,724 GWh, an increase of 4.6% on 2011, with growth widespread across all markets: Brazil (+7.2%), Peru (+4.5%), Chile (+4.4%), Argentina (+3.3%) and Colombia (+1.9%).

Electricity generation and sales volumes in Latin America

	Generation (GWh)		Distribution (GWh) (1)	
	2012	**% change 2011**	**2012**	**% change 2011**
Chile	20,194	(2.5)	12,485	4.4
Argentina	15,222	(4.6)	14,758	3.3
Peru	9,231	(6.2)	6,288	4.5
Colombia	13,294	10.0	8,193	1.9
Brazil	5,177	24.6	18,000	7.2
TOTAL	**63,118**	**0.6**	**59,724**	**4.6**

(1) Excluding tolls and unbilled consumption. Adding back tolls and unbilled consumption, sales in Latin America would have totalled 73,104 GWh (+5.1%).

Output across ENDESA's generation business rose 0.6% to 63,118 GWh. By country, significant output increases were reported in Brazil (+24.6%) and Colombia (+10.0%), offsetting the decreases in Peru (-6.2%), Argentina (-4.6%) and Chile (-2.5%).

Unit margins

The unit margin in the generation business declined by 6.3% to Euros 28.1/MWh. Improvements were seen in Colombia (+12.3%), Peru (+11.6%) and Brazil (+7.1%), which partially offset the unit margin contractions in Chile (-25.8%) and Argentina (-26.4%).

The unit margin on distribution activities in 2012 was Euros 34.6/MWh, growth of 4.5% over 2011, offsetting the decline in generation margins. This change was due to improvements in the unit margin in Colombia (+15.9%), Peru (+14.0%), Argentina (+10.0%) and Chile (+8.2%), with only Brazil registering a decline (-6.8%).

New capacity development

Construction of the Bocamina II (350 MW) coal-fired power station in Chile was completed in 2012, and in October 2012 Empresa Nacional de Electricidad, S.A. notified the Chilean Economic Load Dispatch Centres (System Operator) that the facility had entered into commercial service.

In relation to construction of the El Quimbo hydro plant in Colombia (400 MW), construction of the cofferdam finalised in November, enabling the definitive deviation of the Magdalena river and the start of dam construction work. New electromechanical equipment was also received at the site in November. Lastly, the analysis required to select the contractor to execute the infrastructure replacement work and build the required roads began in December.

As for the Talara thermal plant in Peru (183 MW), contact was made with the TSO (COES) in November and electric tests were started at the Talara substation and transformer in December. This dual open-cycle plant (diesel/natural gas) is due to be commissioned in the first half of 2013.

Regulatory developments

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 regulatory decree is published.

On 31 December 2012, Decree 130, enacting the Ancillary Services Regulations, was published in the Official Journal. Ancillary Services are understood to mean the capacity to generate active power of generation units and components or pieces of equipment connected up to and/or synchronised with the grid, reactive power injection or absorption, capacity at autonomous generating units and the grid-connected power of system users. These Regulations establish how these ancillary services will be remunerated and will take effect in April 2013.

Brazil

On 13 March 2012, the annual tariff adjustment (IRT) for Ampla Energía e Serviços, S.A. was completed, establishing a 4% increase in the DAV (Parcel B), which came into force on 15 March.

On 10 April 2012, the National Electrical Energy Agency (ANEEL) approved the final methodology for calculating the Third Cycle of Tariff Reviews (RTO) for Companhia Energética do Ceará, S.A. The distributor is the first company to apply the RTO methodology calculations which were approved in November 2011.

On 19 April 2012, ANEEL approved the regulations for the distribution of micro-generation (up to 100 kW) and mini-generation (up to 1 MW) whereby electricity generated by these consumers is deducted from their invoice and the surplus changed into a credit to be used within three years.

In order to cut final electricity prices and revive economic activity in Brazil, the government passed a provisory measure on 11 September 2012 establishing the conditions under which electricity sector concessions expiring between 2015 and 2017 can be renewed, and the reduction in taxes on electricity. Federal Law 12,783/13 was published in the Official Journal on 14 January 2013, converting the abovementioned provisory measure.

Colombia

On 9 May 2012, the Colombian Commission for the Regulation of Energy and Gas (CREG) published Ruling 043 of 2012, amending CREG Rulings 156, 157, 158 and 159 of 2011 establishing the new Trading Regulations, which entered into effect on 1 July 2012.

On 2 November 2012, the the Colombian Commission for the Regulation of Energy and Gas (CREG) issued Ruling 111 of 2012, approving the schedule of energy losses recognised in the low-voltage tariff of Codensa, S.A. E.S.P as follows: 10.07% in 2013 (identical to the metric currently in effect); 9.84% in 2014; and, lastly, 9.61%, the ultimate target, for 2015 - 2017. The schedule approved should lead to efficiency gains between current and regulated losses over the five years the regulation is in force.

Argentina

Decree 1277/2012 was enacted in July 2012, regulating the establishment of an Interministerial Commission for the Strategic Planning and Coordination of the National Hydrocarbon Investment Plan. De facto, this commission also has powers in the electricity sector. On 24 August 2012, the Chair of this commission announced the Argentine government's decision to roll out a new cost-based regulatory model that segregates activities to ensure a balance between remuneration, investments and returns using a system of tariffs and subsidies. The experience of private operators will be required to implement this model. Until the new model is introduced, tentatively in 2014, and during the prevailing transitional period, on 12 October 2012, ENDESA Costanera, S.A. and the Argentine Energy Secretary reached an agreement whereby Compañía Administradora del Mercado Mayorista Eléctrico, S.A. ("CAMMESA") must enter into two availability agreements with ENDESA Costanera, S.A., one for the company's steam turbine and one for the combined cycle units, and a financial support agreement guaranteeing ENDESA Costanera, S.A. funding for its investments, as well as the operation and maintenance of its plants.

In addition, on 12 July 2012, the Argentine Electricity Sector Regulator (ENRE) temporarily appointed an inspector at Empresa Distribuidora Sur, S.A., whose initial appointment of 45 days has since been extended by a further three 45-day periods, to oversee and verify all usual administrative work and tasks relating to the ordinary provision of public power supply services commissioned to Empresa Distribuidora Sur, S.A. Designation of an inspector does not imply a loss of control by ENDESA of Empresa Distribuidora Sur, S.A.

In the distribution business, on 23 November 2012, the ENRE passed Ruling 347 authorising the application of a levy by power distributors to fund investments and corrective maintenance by means of a trust. This levy implies an increase in electricity prices which are being invoiced since November 2012. The trust agreement was signed on 30 November 2012.

Corporate restructuring process

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 merger of Empresa Eléctrica Pangue, S.A. into Compañía Eléctrica San Isidro, S.A. and the merger of Empresa de Ingeniería Ingendesa, S.A. and ENDESA Inversiones Generales, S.A. into Inversiones ENDESA Norte, S.A. closed on 1 May 2012, while the merger of Inversiones ENDESA Norte, S.A. into ENDESA Eco, S.A. closed on 1 July 2012.

As of the date of authorisation for issue of this Management Report, Enersis, S.A. was completing the necessary procedures to increase its share capital. This equity issue will take the form of (i) a contribution by ENDESA of 100% of the share capital of Cono Sur Participaciones, S.L.U., the company that will, on the date of the capital increase, hold all of ENDESA's direct shareholdings in the region, with the exception of its interests in Enersis, S.A. itself and in Empresa Propietaria de la Red, S.A.; (ii) a cash contribution by Enersis, S.A.'s non-controlling shareholders.

At an Extraordinary General Meeting held on 21 December 2012, the shareholders of Enersis, S.A. approved the issuance of 16,441,606,297 shares at a price of 173 Chilean pesos per share, implying a total capital increase of 2,844,398 million Chilean pesos (approximately Euros 4,503 million), of which 1,119,998 million Chilean pesos (approximately Euros 1,773 million) will be paid for in cash by non-controlling shareholders.

EBITDA: Euros 3,209 million

ENDESA's Latin American business reported EBITDA of Euros 3,209 million in 2012, down 1.0% on 2011, despite a Euros 132 million year-on-year increase due to the trend in exchange rates between the Euro and the local currencies in its operating markets. EBIT rose 0.5% to Euros 2,420 million.

EBIT registered growth even though EBITDA narrowed because of the impact of the impairment charges recognised on the Argentine assets in 2011.

EBITDA and EBIT Business in Latin America						
	EBITDA (Millions of Euros)			EBIT (Millions of Euros)		
	2012	**2011**	**% change**	**2012**	**2011**	**% change**
Generation and transmission	1,695	1,875	(9.6)	1,317	1,549	(15.0)
Distribution	1,544	1,402	10.1	1,125	893	26.0
Other	(30)	(36)	N/A	(22)	(33)	N/A
TOTAL	**3,209**	**3,241**	**(1.0)**	**2,420**	**2,409**	**0.5**

The breakdown by country is shown below:

EBITDA and EBIT Business in Latin America – Generation and Transmission						
	EBITDA (Millions of Euros)			EBIT (Millions of Euros)		
	2012	**2011**	**% change**	**2012**	**2011**	**% change**
Chile	457	728	(37.2)	296	595	(50.3)
Colombia	602	433	39.0	541	377	43.5
Brazil	256	224	14.3	235	207	13.5
Peru	249	245	1.6	182	186	(2.2)
Argentina	49	118	(58.5)	4	80	(95.0)
TOTAL GENERATION	**1,613**	**1,748**	**(7.7)**	**1,258**	**1,445**	**(12.9)**
Brazil-Argentina interconnection	82	127	(35.4)	59	104	(43.3)
TOTAL GENERATION AND TRANSMISSION	**1,695**	**1,875**	**(9.6)**	**1,317**	**1,549**	**(15.0)**

EBITDA and EBIT Business in Latin America – Distribution						
	EBITDA (Millions of Euros)			EBIT (Millions of Euros)		
	2012	**2011**	**% change**	**2012**	**2011**	**% change**
Chile	272	233	16.7	217	188	15.4
Colombia	503	371	35.6	392	276	42.0
Brazil	678	684	(0.9)	491	529	(7.2)
Peru	152	137	10.9	112	104	7.7
Argentina	(61)	(23)	(165.2)	(87)	(204)	57.4
TOTAL DISTRIBUTION	**1,544**	**1,402**	**10.1**	**1,125**	**893**	**26.0**

Generation and transmission

Chile

The drought in Chile drove a 2.5% decline in power generation at ENDESA's investees and an increase in variable costs in this business unit so that, coupled with a 1.8% drop in average sales prices, mainly due to a reduction in contracts indexed to marginal costs, higher energy purchases and transmission expenses, margins in this business fell sharply, albeit partially offset by income of Euros 88 million under an insurance policy covering profit lost as a result of the earthquake of 27 February 2010 that affected Bocamina I and Bocamina II power plants. In all, EBITDA declined by 37.2% to Euros 457 million in 2012.

EBIT totalled Euros 296 million, down 50.3%.

Colombia

The Colombian generation business reported EBITDA of Euros 602 million and EBIT of Euros 541 million in 2012, growth of 39.0% and 43.5% on 2011, respectively.

Stripping out the non-recurring effect of the 2011 net worth tax, which meant the recognition of a Euros 65 million expense, EBITDA and EBIT in the Colombian generation business would have increased by 20.9% and 22.4% respectively, mainly as a result of increased output over the period due to higher rainfall (+10%) and the positive impact of stronger sales prices and revenue from capacity sales.

Brazil

ENDESA's investees in Brazil generated a total of 5,177 GWh in 2012, up 24.6% year-on-year, driven by an increase in output at the Cachoeira plant, due to higher rainfall, and at the Fortaleza plant, due to greater system demand.

Increased generation volumes drove growth in both EBITDA (+14.3%) and EBIT (+13.5%) to Euros 256 million and Euros 235 million, respectively.

Peru

EBITDA at the Peruvian generation business rose 1.6% to Euros 249 million in 2012, driven by a 11.6% increase in margins at this business and despite a 6.2% decline in power output at ENDESA's investees due to lower output at Ventanilla.

EBIT declined by 2.2% to Euros 182 million.

Argentina

The 4.6% decline in output coupled with narrower sales margins as a result of the non-renewal of upgrades previously agreed by the generation companies in 2011 and higher fixed costs drove a 58.5% year-on-year reduction in EBITDA to Euros 49 million in 2012.

EBIT totalled Euros 4 million, down 95.0%.

Argentina - Brazil interconnection

Compañía de Interconexión Energética, S.A. posted EBITDA of Euros 82 million in 2012, Euros 45 million less than in 2011 due to the recognition in 2011 of non-recurring income of Euros 58 million as a result of rulings handed down in tax litigation cases.

EBIT amounted to Euros 59 million in 2012, down Euros 45 million on 2011 due to the non-recurring income effect referred to above.

Distribution

Chile

The 4.4% rise in sales volumes thanks to increased demand and higher average prices, pushed EBITDA and EBIT in the Chilean distribution business up by 16.7% and 15.4%, respectively, to Euros 272 million and Euros 217 million.

Colombia

Distribution business EBITDA and EBIT in Colombia rose by Euros 132 and 116 million, respectively.

Of these amounts, Euros 44 million are the result of the non-recurring impact of the the net worth tax in 2011. Stripping out this effect, EBITDA and EBIT grew by 21.2% and 22.5%, respectively, due to growth in both the amount of electricity sold (+1.9%) and the unit margin (+15.9%).

Brazil

EBITDA totalled Euros 678 million in 2012, virtually unchanged year-on-year (-0.9%), while EBIT amounted to Euros 491 million, down 7.2%.

The decline in EBIT, notwithstanding the 7.2% increase in sales volumes, is due to the previously mentioned tariff reduction at Companhia Energética do Ceará, S.A.

Peru

The Peruvian distribution business's profit metrics performed well in 2012 on the back of 4.5% growth in sales volumes and 14% unit margin increase. As a result, EBITDA rose by 10.9% to Euros 152 million.

EBIT was 7.7% higher at Euros 112 million.

Argentina

Despite the growth in sales volumes (+3.3%) due to higher demand (+4.2%), the Argentine distribution business registered a loss at the EBITDA level of Euros 61 million, compared to a loss of Euros 23 million in 2011. This performance reflects the impact of higher fixed costs, triggered by Argentina's rising inflation, which ENDESA has not been able to pass on to customers through tariffs.

The Euros 87 million loss at the EBIT level narrowed from a loss of Euros 117 million in 2011, due mainly to impairment charges in the amount of Euros 158 million recognised on ENDESA's Argentine assets in 2011.

Net financial loss: Euros 380 million

ENDESA's Latin America business generated a net financial loss of Euros 380 million in 2012, Euros 53 million more than in 2011.

This was due to a Euros 10 million decline in net finance expense and a Euros 63 million reduction in net exchange differences, which moved from a gain of Euros 26 million in 2011 to a loss of Euros 37 million in 2012.

Net finance expense in 2012 includes the recognition of a charge of Euros 180 million related to the discounting of the financial asset associated with the Brazilian distribution concessions, according to Brazilian Federal Law 12,783/13.

Net finance expense in 2011, meanwhile, included income of Euros 36 million related to the positive impact on this business of rulings handed down by Spain's High Court in relation to the corporate income tax payments of the consolidated tax group headed up by ENDESA, plus income of Euros 51 million related to interest income associated with the agreement reached regarding the account receivable from Brazil's state-owned power distributor (CELG Distribuçao, S.A.).

Net debt at ENDESA's Latin American business stood at Euros 3,719 million at 31 December 2012, a reduction of Euros 442 million since year-end 2011.

Cash flow from operating activities: Euros 2,133 million

ENDESA's business in Latin America generated net cash flows of Euros 2,133 million in 2012, compared to the Euros 2,431 million in 2011 (-12.3%).

Investment: Euros 1,314 million

Investment in this business unit amounted to Euros 1,314 million in 2012.

Euros 123 million corresponded to financial investments and Euros 1,191 million to capex and investments in intangible assets, as shown in the table below:

Capex and Investment in Intangible Assets in Latin America			
	Millions of Euros		% change
	2012	2011	
Generation	530	508	4.3
Distribution and transmission	360	360	-
Other	11	7	57.1
TOTAL CAPEX	**901**	**875**	**3.0**
Intangible assets (*)	**290**	**284**	**2.1**
TOTAL CAPEX AND INVESTMENT IN INTANGIBLE ASSETS	**1,191**	**1,159**	**2.8**

(*) 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.

3. Statistical appendix

Key figures

Electricity Generation Output (GWh)	2012	2011	% change
Business in Spain and Portugal and Other	78,316	75,947	3.1
Business in Latin America	63,118	62,767	0.6
TOTAL	**141,434**	**138,714**	**2.0**

Electricity Generation Output in Spain and Portugal and Other (GWh)	2012	2011	% change
Mainland	**62,631**	**60,287**	**3.9**
Nuclear	26,967	25,177	7.1
Coal	26,063	23,080	12.9
Hydroelectric	5,350	6,179	(13.4)
Combined cycle (CCGT)	4,251	5,851	(27.3)
Non-mainland	**13,395**	**13,962**	**(4.1)**
Portugal	**1,360**	**883**	**54.0**
Other	**930**	**815**	**14.1**
TOTAL	**78,316**	**75,947**	**3.1**

Electricity Generation Output in Latin America (GWh)	2012	2011	% change
Chile	20,194	20,722	(2.5)
Argentina	15,222	15,960	(4.6)
Peru	9,231	9,840	(6.2)
Colombia	13,294	12,090	10.0
Brazil	5,177	4,155	24.6
TOTAL	**63,118**	**62,767**	**0.6**

Electricity sales (GWh)	2012	2011	% change
Business in Spain and Portugal and Other (1)	**102,766**	**105,241**	**(2.4)**
LRS	25,644	28,819	(11.0)
Deregulated market	77,122	76,422	0.9
Business in Latin America (2)	**59,724**	**57,095**	**4.6**
Chile	12,485	11,959	4.4
Argentina	14,758	14,280	3.3
Peru	6,288	6,017	4.5
Colombia	8,193	8,041	1.9
Brazil	18,000	16,798	7.2
TOTAL	**162,490**	**162,336**	**0.1**

(1) Excludes sales volume in Morocco and Ireland totalling 1,065 GWh in 2012 and 907 GWh in 2011.
(2) Excludes unbilled tolls and consumption. Adding back unbilled tolls and consumption, sales in Latin America would have totalled 73,104 GWh in 2012 (+5.1%) and 69,553 GWh in 2011.

Gas sales (GWh)	2012	2011	% change
Deregulated market (*)	68,292	54,759	24.7
TOTAL	**68,292**	**54,759**	**24.7**

(*) Excluding own generation consumption.

Period-end headcount (number of employees)	31 December 2012	31 December 2011	% change
Business in Spain and Portugal and Other	11,506	11,785	(2.4)
Business in Latin America	11,301	11,092	1.9
TOTAL	**22,807**	**22,877**	**(0.3)**

Financial data

Key figures (Euros)	2012	2011	% change
EPS (1)	1.9	2.1	(8.0)
BVPS (2)	19.5	18.2	7.1

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

Net financial debt (Millions of Euros)	31 December 2012	31 December 2011	% change
Business in Spain and Portugal and Other	5,059	6,841	(26.0)
Business in Latin America	3,719	4,161	(10.6)
TOTAL	**8,778**	**11,002**	**(20.2)**
Financial leverage (%)	33.3	44.6	-

Ratings (25 February 2013)	Long-term	Short-term	Outlook
Standard & Poor's	BBB+	A-2	Negative
Moody's	Baa2	P2	Negative
Fitch	BBB+	F2	Negative

Stock market data	31 December 2012	31 December 2011	% change
Market cap (Millions of Euros)	17,861	16,781	6.4%
Number of shares outstanding	1,058,752,117	1,058,752,117	-
Nominal share value (Euros)	1.2	1.2	-

Stock market data (Shares)	2012	2011	% change
Trading volume			
Madrid stock exchange	163,073,796	160,274,194	1.7%
Average daily trading volume			
Madrid stock exchange	637,007	623,635	2.1%

Share price (Euros)	2012 high	2012 low	31 December 2012	31 December 2011
Madrid stock exchange	17.67	11.63	16.87	15.85