

Report on Limited Review

ENDESA, S.A. AND SUBSIDIARIES  
Interim Condensed Consolidated Financial Statements  
and Interim Consolidated Management Report  
for the six-month period ended  
June 30, 2016

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 22)

## REPORT ON LIMITED REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of ENDESA, S.A.  
at the request of the Directors

### Report on the interim condensed consolidated financial statements

#### *Introduction*

We have carried out a limited review of the accompanying interim condensed consolidated financial statements (hereinafter the interim financial statements) of ENDESA, S.A. (hereinafter the Parent Company) and its Subsidiaries (hereinafter the Group), which comprise the consolidated statement of financial position at June 30, 2016, the income statement, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows, and the condensed explanatory notes, all of which have been consolidated, for the six-month period then ended. The Directors of the Parent Company are responsible for the preparation of said interim financial statements in accordance with the requirements established by International Accounting Standards (IAS) 34, "Interim Financial Reporting", adopted by the European Union for the preparation of interim condensed financial reporting as per article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

#### *Scope of review*

We have performed our limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Reporting Performed by the Independent Auditor of the Entity". A limited review of interim financial information consists of making inquiries, primarily of personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit carried out in accordance with regulations on the auditing of accounts in force in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

#### *Conclusion*

During the course of our limited review, which under no circumstances can be considered an audit of accounts, no matter come to our attention which would lead us to conclude that the accompanying interim financial statements for the six-month period ended June 30, 2016 have not been prepared, in all significant respects, in accordance with the requirements established by International Accounting Standards (IAS) 34, "Interim Financial Reporting", as adopted by the European Union in conformity with article 12 of Royal Decree 1362/2007 for the preparation of interim condensed financial statements.

### *Emphasis paragraph*

We draw attention to the matter describe in accompanying explanatory Note 2, which indicates that the abovementioned accompanying interim financial statements do not include all the information that would be required for completed consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. Therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2015. This does not modify our conclusion.

### Report on other legal and regulatory reporting requirements

The accompanying consolidated interim management report for the six-month period ended June 30, 2016 contains such explanations as the Directors of the Parent Company consider appropriate concerning significant events which occurred during this period and their effect on these interim financial statements, of which it is not an integral part, as well as on the information required in conformity with article 15 of Royal Decree 1362/2007. We have checked that the accounting information included in the abovementioned report agrees with the interim financial statements for the six-month period ended June 30, 2016. Our work is limited to verifying the consolidated interim management report in accordance with the scope described in this paragraph, and does not include the review of information other than that obtained from the accounting records of ENDESA, S.A. and its Subsidiaries.

### Paragraph on other issues

This report has been prepared at the request of the Management of ENDESA, S.A. with regard to the publication of the half yearly financial report required by Article 119 of Royal Legislative Decree 4/2015, of October 23, approving the consolidated text of the Securities Market Law enacted by the Royal Decree 1362/2007 of October 19.

ERNST & YOUNG, S.L.

*(Signed on the original in Spanish)*

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José Agustín Rico Horcajo

July 26, 2016

**ENDESA, S.A.  
and Subsidiaries**

**Interim Condensed Consolidated Financial  
Statements for the six months ended  
30 June 2016**

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

# ENDESA, S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2016 AND 31 DECEMBER 2015

Millions of Euros

	Notes	30 June 2016 (Unaudited)	31 December 2015
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>		<b>23,946</b>	<b>24,266</b>
Property, Plant and Equipment	4	20,659	20,815
Investment Property		21	21
Intangible Assets	5	413	428
Investments Accounted for using the Equity Method	6	965	1,087
Non-current Financial Assets	13	667	629
Deferred Tax Assets		1,221	1,286
<b>CURRENT ASSETS</b>		<b>4,954</b>	<b>4,979</b>
Inventories	7	1,107	1,262
Trade and Other Receivables	8	2,906	2,977
Trade Receivables		2,588	2,767
Current Income Tax Assets		318	210
Current Financial Assets	13	267	353
Cash and Cash Equivalents	9	674	346
Non-current Assets Held for Sale and Discontinued Operations	16	-	41
<b>TOTAL ASSETS</b>		<b>28,900</b>	<b>29,245</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>	<b>10</b>	<b>9,215</b>	<b>9,039</b>
Of the Parent		9,212	9,036
Share Capital		1,271	1,271
Share Premium and Reserves		7,223	7,223
Profit for the Period of the Parent		796	1,086
Interim Dividend		-	(424)
Valuation Adjustments		(77)	(120)
Of Non-Controlling Interests		3	3
<b>NON-CURRENT LIABILITIES</b>		<b>13,877</b>	<b>14,335</b>
Deferred Income		4,674	4,679
Non-current Provisions	11	3,227	3,405
Provisions for Pensions and Similar Obligations		835	839
Other Non-current Provisions		2,392	2,566
Non-current Interest-Bearing Loans and Borrowings	12.1	4,428	4,680
Other Non-current Liabilities	13	619	632
Deferred Tax Liabilities		929	939
<b>CURRENT LIABILITIES</b>		<b>5,808</b>	<b>5,871</b>
Current Interest-Bearing Loans and Borrowings	12.1	-	-
Current Provisions	11	446	638
Provisions for Pensions and Similar Obligations		-	-
Other Current Provisions		446	638
Trade Payables and other Current Liabilities	15	5,362	5,233
Suppliers and other Payables		4,717	4,973
Current Income Tax Liabilities		645	260
Liabilities Associated with Non-current Assets Classified as held for Sale and Discontinued Operations	16	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>28,900</b>	<b>29,245</b>

The accompanying explanatory Notes 1 to 22 are an integral part of the Consolidated Statements of Financial Position at 30 June 2016 and 31 December 2015.

# ENDESA, S.A. AND SUBSIDIARIES

## CONSOLIDATED INCOME STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 AND 2015

Millions of Euros

	Notes	January-June 2016 (Unaudited)	January-June 2015 (Unaudited)
<b>INCOME</b>		<b>9,203</b>	<b>10,314</b>
Revenue	17.3	8,837	9,783
Other Operating Income		366	531
<b>PROCUREMENTS AND SERVICES</b>		<b>(6,367)</b>	<b>(7,406)</b>
Power Purchased		(1,935)	(2,533)
Cost of Fuel Consumed		(621)	(1,019)
Transport Costs		(2,950)	(2,960)
Other Variable Procurements and Services		(861)	(894)
<b>CONTRIBUTION MARGIN</b>		<b>2,836</b>	<b>2,908</b>
Self-constructed Assets		51	50
Personnel Expenses		(432)	(458)
Other Fixed Operating Expenses		(589)	(566)
<b>GROSS PROFIT FROM OPERATIONS</b>		<b>1,866</b>	<b>1,934</b>
Depreciation and Amortisation, and Impairment Losses		(676)	(672)
<b>PROFIT FROM OPERATIONS</b>		<b>1,190</b>	<b>1,262</b>
<b>NET FINANCIAL PROFIT/(LOSS)</b>		<b>(101)</b>	<b>(94)</b>
Financial Income		32	42
Financial Expense		(133)	(133)
Net Exchange Differences		-	(3)
Net Profit/(Loss) of Companies Accounted for using the Equity Method	6	(38)	(17)
Gains/(Losses) from Other Investments		-	-
Gains/(Losses) on Disposal of Assets		(10)	1
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>1,041</b>	<b>1,152</b>
Income Tax Expense		(245)	(280)
<b>PROFIT AFTER TAX FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>796</b>	<b>872</b>
<b>PROFIT AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
<b>PROFIT FOR THE PERIOD</b>		<b>796</b>	<b>872</b>
Parent Company		796	870
Non-Controlling Interests		-	2
<b>BASIC NET EARNINGS PER SHARE FOR CONTINUING OPERATIONS (Euros)</b>		<b>0.75</b>	<b>0.82</b>
<b>DILUTED NET EARNINGS PER SHARE FOR CONTINUING OPERATIONS (Euros)</b>		<b>0.75</b>	<b>0.82</b>
<b>BASIC NET EARNINGS PER SHARE FOR DISCONTINUED OPERATIONS (Euros)</b>		<b>-</b>	<b>-</b>
<b>DILUTED NET EARNINGS PER SHARE FOR DISCONTINUED OPERATIONS (Euros)</b>		<b>-</b>	<b>-</b>
<b>BASIC NET EARNINGS PER SHARE (Euros)</b>		<b>0.75</b>	<b>0.82</b>
<b>DILUTED NET EARNINGS PER SHARE (Euros)</b>		<b>0.75</b>	<b>0.82</b>

The accompanying explanatory Notes 1 to 22 are an integral part of the Consolidated Income Statements for the six months ended 30 June 2016 and 2015.

## ENDESA, S.A. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE FOR THE SIX MONTHS ENDED 30 JUNE 2016 AND 2015

Millions of Euros

	30 June 2016 (Unaudited)			30 June 2015 (Unaudited)		
	Of the Parent	Of Non-Controlling Interests	Total	Of the Parent	Of Non-Controlling Interests	Total
<b>PROFIT FOR THE PERIOD</b>	<b>796</b>	<b>-</b>	<b>796</b>	<b>870</b>	<b>2</b>	<b>872</b>
<b>OTHER COMPREHENSIVE INCOME:</b>						
<b>INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>	<b>26</b>	<b>-</b>	<b>26</b>	<b>23</b>	<b>-</b>	<b>23</b>
<b>Items that can be Reclassified to Consolidated Profit or Loss:</b>	<b>26</b>	<b>-</b>	<b>26</b>	<b>23</b>	<b>-</b>	<b>23</b>
From Revaluation/(Reversal of Revaluation) of Property, Plant and Equipment and Intangible Assets	-	-	-	-	-	-
From Measurement of Financial Instruments	-	-	-	-	-	-
Available-for-sale Financial Assets	-	-	-	-	-	-
From Cash Flow Hedges	43	-	43	30	-	30
Translation Differences	-	-	-	-	-	-
Companies Accounted for using the Equity Method	(6)	-	(6)	3	-	3
Other Income and Expenses Recognised Directly in Equity	-	-	-	-	-	-
Tax Effect	(11)	-	(11)	(10)	-	(10)
<b>Items not to be Reclassified to Consolidated Profit or Loss in Subsequent Periods:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
From Revaluation/(Reversal of Revaluation) of Property, Plant and Equipment and Intangible Assets	-	-	-	-	-	-
From Actuarial Gains and Losses and other Adjustments	-	-	-	-	-	-
Tax Effect	-	-	-	-	-	-
<b>AMOUNTS TRANSFERRED TO INCOME STATEMENT AND/OR INVESTMENTS</b>	<b>17</b>	<b>-</b>	<b>17</b>	<b>(46)</b>	<b>-</b>	<b>(46)</b>
From Measurement of Financial Instruments	-	-	-	-	-	-
Available-for-sale Financial Assets	-	-	-	-	-	-
Other Income/(Expenses)	-	-	-	-	-	-
From Cash Flow Hedges	19	-	19	(70)	-	(70)
Translation Differences	-	-	-	-	-	-
Companies Accounted for using the Equity Method	3	-	3	4	-	4
Other Income and Expenses Recognised Directly in Equity	-	-	-	-	-	-
Tax Effect	(5)	-	(5)	20	-	20
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>839</b>	<b>-</b>	<b>839</b>	<b>847</b>	<b>2</b>	<b>849</b>

The accompanying explanatory Notes 1 to 22 are an integral part of the Consolidated Statement of other Comprehensive Income for the six months ended 30 June 2016 and 2015.

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE  
SIX MONTHS ENDED 30 JUNE 2016

Millions of Euros

Millions of Euros

(Unaudited)	Notes	Equity Attributable to the Parent						Non-Controlling Interests	Total equity
		Capital and Reserves							
		Share Capital (Note 10.1)	Share Premium, Reserves and Interim Dividend	Treasury Shares and Own Equity Instruments	Profit/(Loss) for the Period	Other Equity Instruments	Valuation Adjustments		
Balance at 1 January 2016		1,271	6,799	-	1,086	-	(120)	3	9,039
Adjustments due to Changes in Accounting Policies		-	-	-	-	-	-	-	-
Corrections of Errors		-	-	-	-	-	-	-	-
Adjusted Balance at 1 January 2016		1,271	6,799	-	1,086	-	(120)	3	9,039
Total Comprehensive Income		-	-	-	796	-	43	-	839
Transactions with Shareholders or Owners		-	(663)	-	-	-	-	-	(663)
Capital Increases/(Reductions)		-	-	-	-	-	-	-	-
Conversion of Liabilities into Equity		-	-	-	-	-	-	-	-
Dividends Paid	10.2	-	(663)	-	-	-	-	-	(663)
Transactions with Treasury Shares or Own Equity Instruments (Net)		-	-	-	-	-	-	-	-
Increases/(Reductions) due to Business Combinations		-	-	-	-	-	-	-	-
Other Transactions with Shareholders or Owners		-	-	-	-	-	-	-	-
Other Changes in Equity		-	1,086	-	(1,086)	-	-	-	-
Share-based Payments		-	-	-	-	-	-	-	-
Transfers Between Equity Items		-	1,086	-	(1,086)	-	-	-	-
Other Changes		-	-	-	-	-	-	-	-
Balance at 30 June 2016		1,271	7,223	-	796	-	(77)	3	9,215

The accompanying explanatory Notes 1 to 22 are an integral part of the Consolidated Statement of Changes in Equity for the six months ended 30 June 2016.



ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE  
SIX MONTHS ENDED 30 June 2015

Millions of Euros

Millions of Euros

(Unaudited)	Equity Attributable to the Parent							Non-Controlling Interests	Total equity
	Capital and Reserves								
	Share capital (Note 10.1)	Share Premium, Reserves and Interim Dividend	Treasury Shares and Own Equity Instruments	Profit/(Loss) for the Period	Other Equity Instruments Net	Valuation Adjustments			
Balance at 1 January 2015	1,271	4,042	-	3,337	-	(74)	(1)		8,575
Adjustments due to Changes in Accounting	-	-	-	-	-	-	-		-
Corrections of Errors	-	-	-	-	-	-	-		-
Adjusted Balance at 1 January 2015	1,271	4,042	-	3,337	-	(74)	(1)		8,575
Total Comprehensive Income	-	-	-	870	-	(23)	2		849
Transactions with Shareholders or Owners	-	(402)	-	-	-	-	-		(402)
Capital Increases/(Reductions)	-	-	-	-	-	-	-		-
Conversion of Liabilities into Equity	-	-	-	-	-	-	-		-
Dividends Paid	-	(402)	-	-	-	-	-		(402)
Transactions with Treasury Shares or Own Equity Instruments (Net)	-	-	-	-	-	-	-		-
Increases/(Reductions) due to Business Combinations	-	-	-	-	-	-	-		-
Other Transactions with Shareholders or Owners	-	-	-	-	-	-	-		-
Other Changes in Equity	-	3,337	-	(3,337)	-	-	-		-
Share-based Payments	-	-	-	-	-	-	-		-
Transfers Between Equity Items	-	3,337	-	(3,337)	-	-	-		-
Other Changes	-	-	-	-	-	-	-		-
Balance at 30 June 2015	1,271	6,977	-	870	-	(97)	1		9,022

The accompanying explanatory Notes 1 to 22 are an integral part of the Consolidated Statement of Changes in Equity for the six months ended 30 June 2015.

# ENDESA, S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2016 AND 2015

Millions of Euros

	Notes	January-June 2016 (Unaudited)	January-June 2015 (Unaudited)
Profit before Tax		1,041	1,152
Adjustments for:		699	543
Depreciation and Amortisation, and Impairment Losses		676	672
Other Adjustments (Net)		23	(129)
Changes in Working Capital		(69)	(246)
Trade and Other Receivables		146	(432)
Inventories		(84)	(25)
Current Financial Assets		230	481
Trade Payables and other Current Liabilities		(361)	(270)
Other Cash Flows from/(used in) Operating Activities:		(201)	(255)
Interest Received		18	29
Dividends Received		3	3
Interest Paid		(63)	(97)
Income Tax Paid		36	7
Other Receipts from and Payments for Operating Activities		(195)	(197)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>1,470</b>	<b>1,194</b>
Acquisitions of Property, Plant and Equipment and Intangible Assets		(529)	(439)
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets		4	15
Purchase of Investments in Group Companies		-	-
Proceeds from Sale of Investments in Group Companies		114	-
Purchase of other Investments		(127)	(32)
Proceeds from Sale of other Investments		24	39
Cash flows from Changes in the Scope of Consolidation		-	-
Grants and other Deferred Income		39	46
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>(475)</b>	<b>(371)</b>
Cash Flows from Equity Instruments		-	-
Proceeds from Borrowings, Non-Current	12.1	105	1,006
Repayment of Borrowings, Non-Current	12.1	(2)	(1,618)
Net Cash Flows Used in Current Borrowings		(346)	196
Dividends of the Parent Paid	10.2	(424)	(402)
Payments to Non-controlling Interests		-	-
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(667)</b>	<b>(818)</b>
<b>TOTAL NET CASH FLOWS</b>		<b>328</b>	<b>5</b>
Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents		-	-
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>328</b>	<b>5</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	9	<b>346</b>	<b>648</b>
Cash in Hand and at Banks		344	390
Cash Equivalents		2	258
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	9	<b>674</b>	<b>653</b>
Cash in Hand and at Banks		674	634
Cash Equivalents		-	19

The accompanying explanatory Notes 1 to 22 are an integral part of the Consolidated Statements of Cash Flows for the six months ended 30 June 2016 and 2015.

## ENDESA, S.A. AND SUBSIDIARIES

### INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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## ENDESA, S.A. AND SUBSIDIARIES

### EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

#### 1. Group Activity and Interim Condensed Consolidated Financial Statements

ENDESA, S.A. (the "Parent Company" or the "Company") and its subsidiaries make up the ENDESA Group ("ENDESA"). The Company's registered and head offices are at calle Ribera del Loira, 60, Madrid.

The Company was incorporated with limited liability under Spanish law in 1944 under the name Empresa Nacional de Electricidad, S.A. and changed its name to ENDESA, S.A. pursuant to a resolution adopted by the shareholders at the General Meeting of Shareholders on 25 June 1997.

Its corporate purpose is the electricity business in all its various industrial and commercial areas; the exploitation of primary energy resources of all types; the provision of industrial services, particularly in the areas of telecommunications, water and gas and those preliminary or supplementary to the Group's corporate purpose, and the management of the corporate Group, comprising investments in other companies. ENDESA carries out its corporate purpose in Spain and abroad directly or through its investments in other companies.

In view of the areas of business carried on by ENDESA companies, transactions are not highly cyclical or seasonal.

ENDESA's Consolidated Financial Statements for the year ended 31 December 2015 were approved by the shareholders at the General Meeting of Shareholders held on 26 April 2016 and filed with the Madrid Companies Register.

The presentation currency of the Parent Company is the Euro and the figures shown herein (unless stated otherwise) are in millions of Euros.

The Company forms part of the ENEL Group, whose parent is ENEL, S.p.A., which is governed by Italian commercial legislation. Its registered office is at Viale Regina Margherita, 137, Rome, Italy. In Spain, the ENEL Group is headed by ENEL Iberoamérica, S.L.U., with registered office at Calle Ribera del Loira, 60, Madrid. The ENEL Group, through ENEL Iberoamérica, S.L.U., holds 70.101% of ENDESA, S.A.'s share capital (see Note 10.1).

The ENEL Group's Consolidated Financial Statements for the year ended 31 December 2015 were approved by the shareholders at the General Meeting of Shareholders held on 26 May 2016 and filed with the Rome and Madrid Companies Registers.

#### 2. Basis of preparation of the Interim Condensed Consolidated Financial Statements

##### 2.1. Accounting principles

ENDESA's Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2016 were approved by the directors of the Parent Company at a Board meeting held 26 July 2016 and prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the interpretations of the IFRS Interpretations Committee ("IFRIC") as adopted by the European Union at the reporting date pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council and other applicable regulations regarding financial reporting.

These Interim Condensed Consolidated Financial Statements present fairly the equity and financial position of ENDESA at 30 June 2016, as well as the consolidated comprehensive income, consolidated operating performance, changes in consolidated equity and changes in consolidated cash flows for the six months then ended.

The accounting principles and measurement criteria used to prepare the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2016 are the same as those explained in Notes 2 and

3 to the Consolidated Financial Statements for the year ended 31 December 2015, except for the adoption of the new Standards endorsed by the European Union applicable to annual periods beginning on or after 1 January 2016 explained below. The Interim Condensed Consolidated Financial Statements have been prepared on a going concern basis using the cost method, with the exception of items measured at fair value in accordance with International Financial Reporting Standards (“IFRSs”), as explained in the measurement criteria indicated above, and non-current assets and disposal groups classified as held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.

Each company prepares its Financial Statements in accordance with the accounting principles and standards prevailing in the country in which it operates. When necessary, adjustments and reclassifications have been made to the financial statements of subsidiaries to bring their accounting principles into line with International Financial Reporting Standards (“IFRSs”) and IFRIC criteria.

At the date of authorisation for issue of these Interim Condensed Consolidated Financial Statements, the following changes in accounting policies had occurred:

**a) Standards and interpretations endorsed by the European Union applied for the first time in the period**

The accounting policies used to prepare the Interim Condensed Consolidated Financial Statements are the same as those applied in the Consolidated Financial Statements for the year ended 31 December 2015, except for those presented below, applied for the first time in the Consolidated Financial Statements for periods begun on 1 January 2016:

<b>Standards, amendments and interpretations</b>	<b>Mandatory application: annual periods beginning on</b>
Annual Improvements to IFRSs, 2010-2012 Cycle <i>The improvements are designed to address areas of inconsistency in IFRSs or where clarification of wording is required, with amendments to the following standards:</i> <ul style="list-style-type: none"> <li>- IAS 16 Property, Plant and Equipment</li> <li>- IAS 38 Intangible Assets</li> <li>- IAS 24 Related Party Disclosures</li> <li>- IFRS 2 Share-based Payment</li> <li>- IFRS 3 Business Combinations</li> <li>- IFRS 8 Operating Segments</li> </ul>	1 February 2015
Amendments to IAS 19 Employee Benefits: Defined Benefit Plans: Employee Contributions. <i>The amendments simplify the accounting for contributions to defined-benefit plans by employees, which independent of the number of years of employee service, allowing the contributions to be recognised as a reduction in the service cost in the period in which the related service is paid, rather than attributing them to each year of service.</i>	1 February 2015
Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Biological Assets. <i>The amendments define a bearer plant and includes them within the scope of IAS 16 Property, Plant and Equipment.</i>	1 January 2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation. <i>The amendments expressly prohibits the use of a revenue-based method to calculate depreciation and amortisation. This is because revenue includes factors other than the consumption of the economic benefits embodied in the asset (inputs, processes, selling activities, changes in sales volumes prices, and inflation).</i>	1 January 2016

Standards, amendments and interpretations	Mandatory application: annual periods beginning on
IFRS 11 <i>Joint Arrangements: Accounting of Acquisitions of Interests in Joint Operations</i> . The amendments confirm that a joint operator must account for the acquisition of an interest in a joint operation that constitutes a business by applying all the principles on business combinations accounting in IFRS 3 <i>Business Combinations</i> . The amendments also clarify that previously held interests in Joint Operations are not remeasured on the acquisition of an additional interest in the same operation while retaining joint control. These amendments do not apply when the parties sharing joint control are under common control of the ultimate controlling party.	1 January 2016
Amendments to IAS 27 <i>Financial Instruments: Separate Financial Statements</i> . These amendments allow entities that prepare <i>Separate Financial Statements</i> to use the equity method as described in IAS 28 <i>Investments in Associates and Joint Ventures</i> to account for investments in <i>Subsidiaries, Joint Ventures and Associates</i> in their <i>Separate Financial Statements</i> .	1 January 2016
Annual Improvements to IFRSs, 2012-2014 Cycle The improvements are designed to address areas of inconsistency in IFRSs or where clarification of wording is required, with amendments to the following standards: - IFRS 5 <i>Non-current assets held for sale and discontinued operations</i> . - IFRS 7 <i>Financial Instruments: Presentation</i> . - IAS 19 <i>Employee Benefits</i> . - IAS 34 <i>Interim Financial Reporting</i> .	1 January 2016
Amendment to IAS 1 <i>Presentation of Financial Statements: Disclosures</i> . The purpose of these amendments is to improve the effectiveness of disclosures and encourage companies to apply professional judgement in determining what information to disclose in their <i>Financial Statements</i> by applying the standard.	1 January 2016

Adoption of these amendments and improvements did not have a significant impact on ENDESA's Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2016.

#### b) Standards and interpretations issued by the International Accounting Standards Board (IASB) not endorsed by the European Union

The International Accounting Standards Board (IASB) has approved the following International Financial Reporting Standards ("IFRSs") which could affect ENDESA and, at the date of the Interim Condensed Consolidated Financial Statements, had yet to be endorsed by the European Union:

Standards, amendments and interpretations	Mandatory application: <sup>(1)</sup> Annual periods beginning on or after
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investments in Associates and Joint Ventures: Application of the Exception to Consolidation</i> .	1 January 2016
IFRS 14 <i>Deferral of Regulated Activities</i>	1 January 2016
Modifications to IAS 12 <i>Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses</i> .	1 January 2017
Amendment to IAS 7 <i>Statement of Cash Flows: Disclosure Initiative</i> .	1 January 2017
IFRS 9 <i>Financial Instruments and Subsequent Amendments</i> .	1 January 2018
IFRS 15 <i>Revenue from Contracts with Customers</i> .	1 January 2018
Clarifications of IFRS 15 <i>Revenue from Contracts with Customers</i> .	1 January 2018
Amendments to IFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i> .	1 January 2018
IFRS 16 <i>Leases</i> .	1 January 2019
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> .	To be determined.

<sup>(1)</sup> If adopted without changes by the European Union.

ENDESA intends to adopt the standards, interpretations and amendments issued by the International Accounting Standards Board (IASB), which are not mandatory in the European Union at the date of presentation of these Interim Condensed Consolidated Financial Statements, when they become effective, if applicable.

ENDESA's management is currently assessing their quantitative impact, presentation and disclosures, as well as the changes required in its internal systems and processes to implement them.

Based on the analyses carried out to date, ENDESA estimates that their initial application would not have a material impact on its Consolidated Financial Statements, except the following standards. Given the large number of contracts and transactions affected, it has yet to conclude the analysis of their impact on the Consolidated Financial Statements of ENDESA, S.A. and Subsidiaries, or of the option of first-time application to be adopted at the transition date:

- IFRS 9 *Financial Instruments*: ENDESA is reviewing the impact of the new classification and measurement criteria for financial instruments on its business practices, taking into consideration the



characteristics of cash flows and the business model, the new impairment model based on expected loss and hedge accounting.

- IFRS 15 *Revenue from Contracts with Customers*: ENDESA is making an inventory of its current contracts with customers, identifying the performance obligations contained therein, the transaction price and its allocation and recognition, in order to determine the impact of the new revenue recognition model.
- IFRS 16 *Leases*: ENDESA is gathering the data necessary on its leases to assess the implications of the new standard on its activity and the impact on its business practices.

## 2.2. Responsibility for information and estimates

The Company's management is responsible for the contents of the Interim Condensed Consolidated Financial Statements, which were authorised for issue at the Board of Directors' Meeting held on 26 July 2016, and expressly states that all International Financial Reporting Standards ("IFRSs") principles and criteria have been applied.

ENDESA's Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2016 have been prepared from the accounting records of the Company and those of the rest of the companies comprising ENDESA at 30 June 2016, and include all the significant disclosures required of IAS 34 *Interim Financial Reporting*, in accordance with Article 12 of Royal Decree 1362/2007, of 19 October 2007, but not the full set of disclosures as required by International Financial Reporting Standards ("IFRSs") in a complete set of financial statements. Therefore, for an appropriate understanding, they should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2015.

In preparing the accompanying Interim Condensed Consolidated Financial Statements, ENDESA's directors made estimates to measure certain assets, liabilities, income, expenses and commitments included therein. The estimates necessary to prepare ENDESA's Interim Condensed Consolidated Financial Statements were basically the same as those described in Note 2.2 to the Consolidated Financial Statements for the year ended 31 December 2015. There were no changes with respect to those used in the Consolidated Financial Statements for the year ended 31 December 2015 that had a significant impact on the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2016.

To measure the pension obligations at 30 June 2016, ENDESA elected to use the same actuarial assumptions as in the Consolidated Financial Statements for the year ended 31 December 2015, as the potential impact of a change in the actuarial assumptions would not be significant for the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2016.

In addition, the Income Tax Expense in the accompanying Interim Condensed Consolidated Financial Statements was calculated based on the best estimate of the tax rate expected to apply to the related annual periods. As a result, changes in estimates of the annual tax rate could require the amount recognised for the six months ended 30 June 2016 to be adjusted in future reporting periods.

## 2.3. Subsidiaries

Subsidiaries are the investees which the Parent Company controls, directly or indirectly, through power over the investee, exposure, or rights, to variable returns from involvement with the investee and the ability to use power over the investee to affect those returns. In this respect, a company is exposed to variable returns from its involvement with the investee when the returns from its involvement have the potential to vary as a result of the investee's performance, and the company has the ability to use its power to affect these variable returns.

Control arises from substantive rights over the investee, whereby ENDESA applies its own judgement to assess whether these substantive rights give it the power to govern the investee's main activities in order to affect its returns. To this end, consideration is taken of all the facts and circumstances involved to assess whether or not it controls an investee, analysing factors such as contracts with third parties, rights arising from other contractual agreements, and real and potential voting rights, considered as potential voting rights held by ENDESA or third parties that are exercisable or convertible at year-end. When events occur that affect control of the investee, exposure to variable returns due to continued involvement, or the ability to use control of the investee to influence its returns, the existence of control of the investee is reassessed.



Subsidiaries are fully consolidated (see Note 2.7 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2015).

At 30 June 2016 and 31 December 2015, ENDESA had no Structured Entities as defined in IFRS 12 *Disclosure of Interests in Other Entities*, designed in such a way that voting rights and similar rights do not constitute the main factor for the purposes of defining control.

### 2.3.1 Changes in the scope of consolidation

#### Six months ended 30 June 2016 and 2015

##### *Additions, exclusions and changes*

In the six months ended 30 June 2016 and 2015, no Subsidiaries were included in or excluded from the scope of consolidation, and there were no changes in the control and ownership percentage stakes in the companies included in the scope of consolidation.

## 2.4. Associates

Associates are entities in which the Parent Company has significant influence, directly or indirectly. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by ENDESA or other entities, are taken into account when assessing whether it has significant influence. In general, where ENDESA holds a stake above 20%, it is presumed that it has significant influence.

Associates are accounted for in the Interim Condensed Consolidated Financial Statements using the equity method (see Note 3h to the Consolidated Financial Statements for the year ended 31 December 2015).

#### Six months ended 30 June 2016

No Associates were included in the scope of consolidation in the six months ended 30 June 2016, and there were no exclusions or changes in the control and ownership percentage stakes.

#### Six months ended 30 June 2015

##### *Companies added*

No Associates were included in the scope of consolidation in the six months ended 30 June 2015.

##### *Companies excluded*

In the six months ended 30 June 2015 was excluded from the scope of consolidation the following:

Exclusions from the Scope of Consolidation	% Ownership at 30 June 2015		% Ownership at 31 December 2014	
	Control	Ownership	Control	Ownership
COMPANÍA TRANSPORTISTA DE GAS CANARIAS, S.A.	-	-	47.18	47.18

The amount of the transaction, which includes the price of the shares and the participating loan, along with accrued interest, was Euros 7 million, generating a gross gain in the first half of 2015 of Euros 3 million.

##### *Changes*

The following change in percentage ownership occurred in the six months ended 30 June 2015:

Changes in the Scope of Consolidation	% Ownership at 30 June 2015		% Ownership at 31 December 2014	
	Control	Ownership	Control	Ownership
GORONA DEL VIENTO EL HIERRO, S.A.	23.21	23.21	30.00	30.00

The financial indicators for this company were not material.

## 2.5. Joint Arrangements

A Joint Arrangement is an agreement that gives two or more parties joint control, whereby the unanimous consent of all parties sharing control is required for decisions to be taken with respect to major activities. Joint Arrangements may be Joint Operations or Joint Ventures, depending on the rights and obligations of the parties to the agreement.

In order to determine the type of Joint Arrangement from a contractual arrangement, Management assesses the legal contents and structure of the arrangement, the terms agreed by the parties and other relevant factors and issues. If any changes are made to the contractual features of a Joint Arrangement, these factors and issues are reassessed.

### Joint Operations

Joint Operations are entities governed by a Joint Arrangement whereby ENDESA and the other parties have rights to their assets and obligations with respect to the liabilities.

Joint Operations are consolidated in the Interim Condensed Consolidated Financial Statements using proportionate consolidation, combining the proportionate share of the assets and liabilities of the operation (see Note 2.7 to the Consolidated Financial Statements for the year ended 31 December 2015).

### Six months ended 30 June 2016 and 2015

In the six months ended 30 June 2016 and 2015, no Joint Operations were included in the scope of consolidation, and there were no exclusions or changes in the control and ownership percentage stakes.

### Joint Ventures

Joint Ventures are companies governed by a Joint Arrangement whereby ENDESA and the other parties have rights to the net assets. Joint Ventures are accounted for in the Interim Condensed Consolidated Financial Statements using the equity method (see Note 3h of the Notes to the Consolidated Financial Statements for the year ended 31 December 2015).

### Six months ended 30 June 2016

#### *Companies added*

In the six months ended 30 June 2016, no Joint Ventures were included in the scope of consolidation:

#### *Companies excluded*

On 24 May 2016, Endesa sold the following stake to ENEL Investment Holding B.V. (see Note 6.2):

Exclusions from the Scope of Consolidation	% Ownership at 30 June 2016		% Ownership at 31 December 2015	
	Control	Ownership	Control	Ownership
ENEL INSURANCE N.V.	-	-	50.00	50.00

#### *Changes*

On 30 March 2016, ENDESA acquired shares representing 4.86% of the share capital of Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A. (see Note 6.2):

Exclusions from the Scope of Consolidation	% Ownership at 30 June 2016		% Ownership at 31 December 2015	
	Control	Ownership	Control	Ownership
TEJO ENERGIA – PRODUÇÃO E DISTRIBUIÇÃO DE ENERGIA ELÉCTRICA, S.A.	43.75	43.75	38.89	38.89

### Six months ended 30 June 2015

In the six months ended 30 June 2015, no Joint Ventures were included in the scope of consolidation, and there were no exclusions or changes in the control and ownership percentage stakes.

## 2.6. Other investments

The impact of the financial indicators of ENDESA's investees that are not considered Subsidiaries, Joint Operations, Joint Ventures or Associates on the fair presentation required of the Interim Condensed Consolidated Financial Statements is minimal.

## 3. Industry regulation

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

### Remuneration of the distribution activity

On 28 November 2015, the Official State Gazette published Royal Decree 1073/2015, of 27 November 2015, which modifies certain provisions in the Royal Decrees on the remuneration of electricity networks (Royal Decree 1047/2013, of 27 December 2013, for transmission, and Royal Decree 1048/2013, of 27 December 2013, for distribution). Among other aspects, the Royal Decree eliminates the yearly update of unitary values based on the CPI, in accordance with Law 2/2015, of 30 March 2015, on de-indexing the economy.

On 12 December 2015, Ministerial Order IET/2660/2015, of 11 December 2015, was published, establishing the types of installations and unitary value to be used in calculating distribution remuneration. This Order sets the beginning of the first regulatory period as 1 January 2016.

On 17 June 2016, Ministerial Order IET/980/2016, of 10 June 2016, was published in the Official State Gazette, setting remuneration on distribution activity for 2016 and awarding ENDESA Euros 2,014 million in remuneration for this activity. ENDESA has also been awarded quality and anti-fraud incentives of Euros 7 million and Euros 2 million, respectively.

This Order sets the base remuneration for the entire regulatory period, running from 1 January 2016 through to 31 December 2019.

### Subsidised electricity tariff

Law 24/2013, of 26 December 2013, required that the subsidised electricity tariff cost must be assumed, as a public service obligation, by parent companies or vertically-integrated groups of companies carrying out electricity generation, distribution and marketing activities, to assume the cost of the subsidised electricity tariff in proportion to a percentage based on both their number of supply connections to distribution grids and the number of customers supplied. The Spanish Markets and Competition Commission ("CNMC") will calculate this percentage annually, without prejudice to approval by a Ministry of Industry, Energy and Tourism order.

The Spanish Ministry of Industry, Energy and Tourism is now analysing the draft bill of the Order to approve the final percentages for sharing out the subsidised electricity tariff for 2016, under which ENDESA, S.A. would be entitled to receive 41.10%.

### Draft Royal Decree on the procedure for calculating the trading margin to be added to the Small Consumer Voluntary Price (SCVP)

The Ministry of Industry, Energy and Tourism is now preparing a draft Royal Decree to set out the procedure for calculating the trading margin on the Small Consumer Voluntary Price (SCVP), thus complying with various rulings handed down by the Supreme Court that annulled the trading margin contained in Royal Decree 216/2014, of 28 March 2014, establishing the procedure for calculating Small Consumer Voluntary Prices (SCVP) for electricity and the legal framework for arranging power.

### 2016 electricity tariff

On 18 December 2015, Ministerial Order IET/2735/2015, of 17 December 2015, establishing access charges for 2016 was published in the Official State Gazette.

Pursuant to this Order, tariffs remained unchanged, except for high-voltage access tariff 6.1B ( $30 < kV \leq 36$ ). However, the unit price paid by customers to finance capacity payments were reduced by 21.5% from those existing on 31 December 2015.

## Natural gas tariff for 2016

Ministerial Order IET/2736/2015, of 17 December 2015, generally maintained the access tariffs with respect to 2015, having updated the Last Resort Tariffs with an average 3% reduction, resulting from lower raw material costs.

## Energy efficiency

Law 18/2014, of 15 October 2014, approving urgent measures to boost growth, competitiveness and efficiency, created, in the context of energy efficiency, the Energy Efficiency National Fund with the aim of achieving energy savings.

Order IET/359/2016, of 17 March 2016, establishes ENDESA's contribution to the Energy Efficiency National Fund at Euros 29.7 million for 2016.

## 4. Property, plant and equipment

Details of property, plant and equipment at 30 June 2016 and 31 December 2015 are as follows:

Millions of Euros	30 June 2016	31 December 2015
Land and Buildings	275	264
Electricity Generating Facilities:	8,268	8,278
Hydroelectric Power Plants	805	829
Coal-Fired/Fuel-oil Power Plants	1,945	1,986
Nuclear Power Plants	2,904	2,812
Combined Cycle Plants	2,601	2,640
Renewable Energy Plants	13	11
Transmission and Distribution Facilities	11,272	11,281
Low- and Medium-Voltage, Measuring and Remote Control Equipment and other Installations	11,272	11,281
Other Property, Plant and Equipment	152	154
Property, Plant and Equipment under Construction	692	838
<b>TOTAL</b>	<b>20,659</b>	<b>20,815</b>

### 4.1. Main investments

Details of investments in property, plant and equipment in the six months ended 30 June 2016 and 2015 are as follows:

Millions of Euros	January-June 2016	January-June 2015
Generation and Supply	140	122
Distribution	230	232
<b>TOTAL</b>	<b>370</b>	<b>354</b>

Gross generation capex in the first half of 2016 largely related to plants that were already operating at 31 December 2015, including investments in the Litoral power plant for Euros 35 million (Euros 32 million in the first half of 2015) in order to adapt to European environmental legislation and extend its useful life.

Gross supply capex mainly related to the development of the activities related to added-value products and services.

Gross distribution capex related to network extensions and expenditure aimed at optimising the network in order for greater efficiency and quality of service. These also included investment for the widespread installation of remote management smart meters and their operating systems.

### 4.2. Other information

No significant items of property, plant and equipment were derecognised in the six months ended 30 June 2016.

In the six months ended 30 June 2015, pursuant to the authorisation granted by the Spanish Markets and Competition Commission (CNMC) of 10 March 2015, the Foix thermal power plant in Cubelles, Barcelona, was shut down. The plant, which had a cost and accumulated depreciation of Euros 272 million, was derecognised.

At 30 June 2016, a net impairment loss on property, plant and equipment of Euros 1 million was recognised (Euros 3 million at 30 June 2015) (see Note 17.2).

### 4.3. Commitments to purchase property, plant and equipment

At 30 June 2016, ENDESA had commitments to purchase property, plant and equipment amounting to Euros 428 million (Euros 606 million at 31 December 2015). These commitments include mainly investments in the generation business for Euros 156 million for production assets, most of which will be made in the second half of 2016 until 2020, and investments in the distribution business for Euros 267 million, to extend or update the network and to install smart meters.

Of these total commitments, Euros 168 million were with Group at 30 June 2016 (see Note 18.1.2).

At 30 June 2016 and 31 December 2015 there were no commitments to purchase property, plant and equipment from Joint Ventures.

## 5. Intangible assets

Details of intangible assets at 30 June 2016 and 31 December 2015 are as follows:

Millions of Euros		
	30 June 2016	31 December 2015
Software	352	360
Concessions	13	14
Other	48	54
<b>TOTAL</b>	<b>413</b>	<b>428</b>

### 5.1. Main investments

Details of investments in intangible assets in the six months ended 30 June 2016 and 2015 are as follows:

Millions of Euros		
	January-June 2016	January-June 2015
Generation and Supply	18	10
Distribution	11	12
Other	8	9
<b>TOTAL</b>	<b>37</b>	<b>31</b>

Gross investment in intangible assets in the first half of 2016 related mainly to software.

### 5.2. Other information

No significant intangible assets were derecognised in the six months ended 30 June 2016 and 2015.

At 30 June 2016, no significant impairment loss on intangible assets was recognised (Euros 3 million net reversal at 30 June 2015) (see Note 17.2).

### 5.3. Commitments to purchase intangible assets

At 30 June 2016 and 31 December 2015, ENDESA had commitments to purchase intangible assets amounting to Euros 2 million.

At those dates, none of the amounts included commitments with Group companies.

At 30 June 2016 and 31 December 2015, the Joint Ventures did not hold any purchase commitments in respect of intangible assets.

## 6. Investments accounted for using the equity method

The breakdown of investments accounted for using the equity method at 30 June 2016 and 31 December 2015 is as follows:

Millions of Euros			
	30 June 2016	31 December 2015	
Associates	844	903	
Joint Ventures	121	184	
<b>TOTAL</b>	<b>965</b>	<b>1,087</b>	

Details of the main ENDESA Associates and Joint Ventures accounted for using the equity method and movement in the first half of 2016 are as follows:

Millions of Euros

	Balance at 31 December 2015	Inclusion/Exclusion of Companies	Investments or Increases	Disposals or Reductions	Share of Profit/(Loss) of Equity- Accounted Investees	Dividends	Translation Differences	Transfers and Other	Transfers to Non- current Assets Held for Sale	Balance at 30 June 2016
<b>Associates</b>	<b>903</b>	-	-	-	<b>(60)</b>	-	-	<b>1</b>	-	<b>844</b>
ENEL Green Power España, S.L. (EGPE)	870	-	-	-	(66) <sup>(1)</sup>	-	-	1	-	805
Tecnatom, S.A.	33	-	-	-	(2)	-	-	-	-	31
Elcogas, S.A.	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	8	-	-	-	-	8
<b>Joint Ventures</b>	<b>184</b>	<b>8</b>	<b>11</b>	-	<b>22</b>	<b>(20)</b>	-	<b>(11)</b>	<b>(73)</b>	<b>121</b>
ENEL Insurance N.V.	63	-	-	-	6 <sup>(2)</sup>	-	-	4	(73)	-
Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.	62	8	-	-	5	(9)	-	-	-	66
Nuclenor, S.A.	-	-	11	-	-	-	-	(11)	-	-
Other	59	-	-	-	11	(11)	-	(4)	-	55
<b>TOTAL</b>	<b>1,087</b>	<b>8</b>	<b>11</b>	-	<b>(38)</b>	<b>(20)</b>	-	<b>(10)</b>	<b>(73)</b>	<b>965</b>

<sup>(1)</sup> Includes the recognition of an impairment loss of Euros 72 million (see Notes 6.1 and 21).

<sup>(2)</sup> Includes the gain generated on the sale of Compostilla Re, S.A. of Euros 9 million (see Note 6.2).

Data for equity of Associates and Joint Ventures for the six-month period ended 30 June 2016 correspond to the individual companies, except for ENEL Green Power España, S.L. (EGPE), Tecnatom, S.A. and ENEL Insurance, N.V. prior to the sale of the latter, which correspond to their Consolidated Financial Statements.

These companies do not have publicly listed share prices.

## 6.1. Associates

### ENEL Green Power España, S.L. (EGPE)

At 30 June 2016, ENDESA held a 40% stake in the share capital of ENEL Green Power España, S.L. (EGPE), exercising significant influence over the company. Accordingly, this company was accounted for using the equity method. It is included in the General and Supply Segment.

As a result of the resolution adopted by the Board of Directors of ENDESA, S.A., described in Note 21 to these Interim Condensed Consolidated Financial Statements in relation to the binding offer for the acquisition of the 60% stake held by ENEL Green Power International, B.V. in the share capital of ENEL Green Power España, S.L. (EGPE) for Euros 1,207 million, there was an indication of impairment in the carrying amount of this 40% stake held by ENDESA at 30 June 2016.

Specifically, as a result of the aforementioned proposal, the recoverable amount at 30 June 2016 of ENDESA's stake was below its carrying amount at the date, of Euros 877 million. Accordingly, an impairment loss of Euros 72 million was recognised under "Net Profit/(Loss) of Companies Accounted for using the Equity Method" on the Consolidated Income Statement for the negative difference between the two amounts.

The recoverable amount of the investment in ENEL Green Power España, S.L. (EGPE) was determined as the fair value of ENDESA's stake less costs of disposal. In this transaction, fair value coincided with the value in use of this investment. Fair value was determined by discounting the estimated future cash flows from the investment in its ordinary business of electricity production using renewable energy sources in Spain, less ENDESA's proportionate share in the amount of debt at the reporting date and costs necessary to make the sale. This fair value measurement is classified as Level 3 in the fair value hierarchy.

The projections made cover the next five years. Cash flows are estimated to the end of the useful lives of the assets or the end of the concession, as appropriate, applying reasonable growth rates based on assumptions regarding average long-term growth rates and forecast inflation. To calculate present value, the cash flows are discounted using a pre-tax rate that reflects the cost of capital of the business and geographic area taking into consideration the time value of money and the risk premium used.

At 30 June 2016, the key assumptions used to calculate the recoverable amount of ENEL Green Power España, S.L. (EGPE) did not differ substantially from those considered at 31 December 2015, except regarding the forecast for energy selling prices.

Specifically, in the first half of 2016 forecasts for energy selling prices were cut by approximately 15%-20% compared to the forecasts at 31 December 2015. This new forecasts, based on the macroeconomic outlook, were compared by ENDESA with external sources (e.g. IHS, Bloomberg, Equity Research, Poyry) to verify that internal estimates were aligned with external benchmarks.

Reconciliation of the carrying amount of the stake in ENEL Green Power España, S.L. (EGPE) along with financial information concerning the company at 30 June 2016 and 31 December 2015, is as follows:

Millions of Euros	30 June 2016	31 December 2015
<b>Total Equity of the Parent</b>	<b>1,861</b>	<b>1,816</b>
<b>Share in Total Equity (40%)</b>	<b>744</b>	<b>726</b>
Goodwill	61	144
<b>Carrying Amount of Investment</b>	<b>805</b>	<b>870</b>



Millions of Euros

	30 June 2016	31 December 2015
<b>Profit of the Parent</b>	<b>43</b>	<b>254</b>
<b>Share in Profit of the Parent (40%)</b>	<b>17</b>	<b>102</b>
Goodwill	(83)	(92)
<b>Net Profit/(Loss) of Companies Accounted for using the Equity Method (40%)</b>	<b>(66)</b>	<b>10</b>

### Elcogas, S.A.

In view of the economic non-viability following the termination of application of the measures set out in the Royal Decree establishing the procedure for resolving supply guarantee constraints, Elcogas, S.A., a company producing electricity via coal gasification in which ENDESA holds a 40.99% interest, decided to discontinue its activities at 31 December 2014. Therefore, it submitted a request for authorisation for decommissioning from the Ministry of Industry, Energy and Tourism, on 1 July 2014.

After several appeals to the government, on 21 December 2015, the Board of Directors of Elcogas, S.A. approved the feasibility plan for submission to the Ministry of Industry, Energy and Tourism, which included the minimum conditions needed to make the company viable. On 18 January 2016, the Ministry of Industry, Energy and Tourism rejected the proposed plan, and as a result, in the absence of a feasibility plan, on 21 January 2016, Elcogas, S.A.'s board agreed to proceed with the decommissioning and closure of the plant within the maximum period set by the Ministry of Industry, Energy and Tourism.

ENDESA has recognised a provision to cover the estimated costs it will incur as a result of the closure of this plant.

## 6.2. Joint Ventures

### ENEL Insurance N.V.

In the first half of 2016, ENDESA sold its entire stake in ENEL Insurance N.V. (representing 50% of its share capital) to ENEL Investment Holding B.V. in a deal worth Euros 114 million. The transaction did not generate any gain or loss in the Consolidated Income Statement for the first half of 2016 (see Note 2.5).

Prior to the transaction described in the preceding paragraph, in the first half of 2016 the indirect 100% stake in Compostilla Re, S.A. held through ENEL Insurance N.V., in which ENDESA owns 50% of its share capital, was sold to CLT Holding AD for a total price of Euros 50 million. At 31 December 2015, this investment was recognised under "Non-current Assets Held for Sale and Discontinued Operations" (see Note 16). The sale generated a gain of Euros 9 million included in the profit obtained by ENEL Insurance N.V. in the period.

### Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.

On 30 March 2016, ENDESA acquired from EDP - Gestão de Produção de Energia, S.A. 48,854 shares representing 4.86% of the share capital of Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A., in which ENDESA previously held a stake of 38.89%. As a result of the transaction, the consideration of which amounted to Euros 8 million, ENDESA has increased its investment in the share capital of Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A to 43.75% (see Note 2.5).

### Nuclenor, S.A.

The main business of Nuclenor, S.A. is the operation of the nuclear power plant it owns at Santa María de Garoña, the operating permit for which expired on 6 July 2013. Thus, Santa María de Garoña, the main asset, was not operational in the first half of 2016 or in 2015, the company is now ceasing its operations and has now reached the pre-dismantling phase.

Pursuant to Royal Decree 102/2014, of 21 February 2014, on the responsible and safe management of spent nuclear fuel and radioactive waste, which entitled Nuclenor, S.A. to submit an application prior to 6 July 2014 to extend Santa María de Garoña's operating permit for an indefinite period of time; the company is taking the necessary steps to obtain a new operating permit. To this end, on 27 May 2014 Nuclenor, S.A. presented the Ministry of Industry, Energy and Tourism with the documentation required to renew the operating permit until 2031, and on 2 June 2014 the Ministry issued a request to the Nuclear Safety Council (CSN) for the mandatory report in approval of the renewal, which in turn sent Nuclenor, S.A. Complementary Technical Instruction

ITC/14/01 on 30 July 2014, stipulating the documentation to be presented. On 30 December 2014, Nuclenor, S.A. presented most of this documentation to the Nuclear Safety Council, as it was considered that the Council could pronounce with regard to the documentation presented.

At the date of approval of these Interim Condensed Consolidated Financial Statements, Nuclenor, S.A. was awaiting a ruling by the Body to, as appropriate, assess the conditions imposed in relation to the operating permit.

“Non-current Provisions” under liabilities in the Consolidated Statement of Financial Position at 30 June 2016 and 31 December 2015 included the provision to cover the estimated higher costs to be incurred by the company given the extra time the Nuclear Safety Council (CSN) is taking to issue its statutory report on the request explained in the preceding paragraphs.

## 7. Inventories

Details of this item at 30 June 2016 and 31 December 2015 are as follows:

Millions of Euros	30 June 2016	31 December 2015
Fuel Stocks	791	762
Coal	304	278
Nuclear Fuel	329	336
Fuel Oil	70	71
Gas	88	77
Other Inventories	151	125
CO <sub>2</sub> Emission Allowances	169	379
Valuation Adjustments	(4)	(4)
<b>TOTAL</b>	<b>1,107</b>	<b>1,262</b>

### 7.1. CO<sub>2</sub> emission allowances, CERs , and ERUs

2015 and 2014 CO<sub>2</sub> emission allowances were cancelled in the six months ended 30 June 2016 and 2015, resulting in the derecognition of inventories of Euros 239 million and Euros 197 million, respectively (33.7 million tonnes and 31.3 million tonnes, respectively).

At 30 June 2016, the provision for allowances to be delivered to cover these CO<sub>2</sub> emissions under current liabilities in the Consolidated Statement of Financial Position amounted to Euros 65 million (Euros 240 million at 31 December 2015) (see Note 11).

At 30 June 2016, future commitments to purchase CO<sub>2</sub> emission rights, CERs and ERUs amounted to Euros 147 million (Euros 67 million at 31 December 2015) in accordance with the agreed prices if all the projects are completed successfully.

Of this amount, commitments at 30 June 2016 with Group companies totalled Euros 77 million (see Note 18.1.2).

### 7.2. Other information

At 30 June 2016 and 31 December 2015, ENDESA had not pledged material amounts of inventories to secure the repayment of debts.

### 7.3. Commitments to acquire inventories

At 30 June 2016, fuel stock purchase commitments amounted to Euros 21,641 million (Euros 26,411 million at 31 December 2015), none of which related to Joint Ventures. Part of these commitments relate to agreements with “take or pay” clauses. The amount also includes the commitment to acquire liquefied natural gas (LNG) under contracts arranged in 2014 with Corpus Christi Liquefaction, LLC, part of which are guaranteed by ENEL, S.p.A. (see Note 18.1.2).

At 30 June 2016, none of these amounts included commitments with Group companies.

The Company's Directors consider that ENDESA will be able to fulfil these obligations and, therefore, they do not expect any contingency to arise in this respect.

## 8. Trade and other receivables

Details of this item at 30 June 2016 and 31 December 2015 are as follows:

Millions of Euros			
	Notes	30 June 2016	31 December 2015
<b>Financial Instruments</b>	13	<b>2,396</b>	<b>2,671</b>
Trade Receivables		2,421	2,662
Electricity Trade Receivables		1,951	2,000
Gas Trade Receivables		95	248
Receivables from other Transactions		362	386
Receivable from Group Companies and Associates	18.1.3 and 18.2	13	28
Non-financial Derivatives	13.3.1	178	177
Non-financial Derivatives related to Third-Party Transactions		61	38
Non-financial Derivatives from Group Companies and Associates	18.1.3 and 18.2	117	139
Other Receivables		208	243
Other Receivables from Third Parties		177	199
Other Group Companies and Associates	18.1.3 and 18.2	31	44
Valuation Adjustments		(411)	(411)
Trade Receivables		(406)	(407)
Other Receivables		(5)	(4)
<b>Tax Assets</b>		<b>510</b>	<b>306</b>
Current Income Tax		318	210
Value Added Tax (VAT) Receivable		57	33
Other Taxes		135	63
<b>TOTAL</b>		<b>2,906</b>	<b>2,977</b>

Balances included under this caption do not generally earn interest.

Factoring transactions were carried out in the six months ended 30 June 2016 with undue balances at that date of Euros 328 million, which were derecognised from the Consolidated Statement of Financial Position at 30 June 2016 (Euros 503 million at 31 December 2015). The cost of these transactions was Euros 13 million, recognised under "Gains/(Losses) on Disposal of Assets" in the Consolidated Income Statement for the six months ended 30 June 2016.

## 9. Cash and cash equivalents

Details of this item at 30 June 2016 and 31 December 2015 are as follows:

Millions of Euros			
	Notes	30 June 2016	31 December 2015
Cash in Hand and at Banks		674	344
Cash Equivalents		-	2
<b>TOTAL</b>	13	<b>674</b>	<b>346</b>

Short-term cash investments mature within three months from acquisition date and earn interest at market interest rates for this type of deposits.

There are no restrictions for material amounts on the availability of cash.

There were no investments in sovereign debt at 30 June 2016 and 31 December 2015.

## 10. Equity and dividends

Details of ENDESA's equity at 30 June 2016 and 31 December 2015 are as follows:

Millions of Euros

	Notes	30 June 2016	31 December 2015
<b>Total Equity of the Parent</b>		<b>9,212</b>	<b>9,036</b>
Share Capital	10.1	1,271	1,271
Share Premium		89	89
Legal Reserve		254	254
Revaluation Reserve		404	404
Other Reserves		106	106
Valuation Adjustments		(77)	(120)
Unrealised Valuation Adjustments		(77)	(120)
Reserve for Actuarial Gains and Losses		(584)	(584)
Retained Earnings		7,749	8,040
Interim Dividend		-	(424)
<b>Total Equity of Non-controlling Interests</b>		<b>3</b>	<b>3</b>
<b>TOTAL EQUITY</b>		<b>9,215</b>	<b>9,039</b>

In the six months ended 30 June 2016, ENDESA followed the same capital management policy as that described in Note 14.1.11 to the Consolidated Financial Statements for the year ended 31 December 2015.

ENDESA's credit ratings assigned by credit rating agencies, reflecting investment grade levels, are as follows:

	30 June 2016 <sup>(*)</sup>			31 December 2015 <sup>(*)</sup>		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Standard & Poor's	BBB	A-2	Stable	BBB	A-2	Positive
Moody's	Baa2	P-2	Stable	Baa2	P-2	Stable
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Stable

(\*) At the respective dates of approval of the Consolidated Financial Statements.

The Parent Company's Directors consider that the ratings assigned by the agencies would enable the Parent Company to tap the financial markets on reasonable terms if need be.

## 10.1. Share capital

At 30 June 2016 ENDESA had share capital of Euros 1,270,502,540.40, represented by 1,058,752,117 bearer shares with a par value of Euros 1.2 each, subscribed and fully paid up and all admitted for trading on the Spanish Stock Exchanges. There were no changes in share capital in the six months ended 30 June 2016 or in 2015.

At 30 June 2016 and 31 December 2015, ENEL Group, through ENEL Iberoamérica, S.L.U., held 70.101% of ENDESA, S.A.'s share capital.

At that date no other shareholder held more than 10% of the share capital of ENDESA, S.A.

## 10.2. Dividends

ENDESA S.A.'s Board of Directors, at its meeting on 21 December 2015, resolved to pay shareholders an interim dividend charged against 2015 earnings of a gross Euros 0.4 per share, for a total amount of Euros 424 million. This was paid on 4 January 2016.

Approval was given at ENDESA General Shareholders' Meeting of 26 April 2016 to pay shareholders a total dividend charged against 2015 profit of a gross Euros 1.026 per share (Euros 1,086 million). The difference between the total dividend approved by the shareholders and the interim dividend already paid and described above, for a total payout of Euros 663 million (Euros 0.626 gross per share), was paid on 1 July 2016.

## 11. Non-current and current provisions

### 11.1. Non-current and current provisions

Details of Non-current Provisions in the accompanying Consolidated Statement of Financial Position at 30 June 2016 and 31 December 2015 are as follows:

Millions of Euros			
	Notes	30 June 2016	31 December 2015
Provisions for Pensions and Similar Obligations		835	839
Provisions for Workforce Restructuring Costs		827	876
Workforce Reduction Plans	11.1.1	204	204
Voluntary Redundancy Scheme	11.1.2	623	672
Other Non-current Provisions	11.1.3	1,565	1,690
<b>TOTAL</b>		<b>3,227</b>	<b>3,405</b>

Details of Current Provisions in the accompanying Consolidated Statement of Financial Position at 30 June 2016 and 31 December 2015 are as follows:

Millions of Euros			
	Notes	30 June 2016	31 December 2015
Workforce Restructuring Costs		231	232
Workforce Reduction Plans	11.1.1	150	194
Voluntary Redundancy Scheme	11.1.2	81	38
CO <sub>2</sub> Emission Allowances	7.1	65	240
Other Current Provisions	11.1.3	150	166
<b>TOTAL</b>		<b>446</b>	<b>638</b>

#### 11.1.1 Workforce reduction plans

The assumptions used in the actuarial calculation of the obligations arising under these collective redundancy procedures are as follows.

	30 June 2016	31 December 2015
Interest Rate	0.54%	1.17%
CPI	2.00%	2.00%
Mortality Tables	PERM / F2000	PERM / F2000

#### 11.1.2 Voluntary Redundancy Scheme

The assumptions used in the actuarial calculation of the obligations under the Voluntary Redundancy scheme are as follows.

	30 June 2016	31 December 2015
Interest Rate	0.54%	1.17%
Future Increase in Guarantee	2.00%	2.00%
Increase in Other Items	2.00%	2.00%
Mortality Tables	PERM / F2000	PERM / F2000

According to the "Agreement on Voluntary Suspension or Termination of Employment Contracts in 2013-2018 on the framework agreement of guarantees for ENDESA, S.A. and its electricity subsidiaries" entered into by ENDESA and employee representatives, dated 3 December 2013, (see Note 16.2.2 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2015), in the first half of 2016, a total of 300 new agreements were signed. Therefore, at 30 June 2016, there were 982 employees with a suspended contract pursuant to this Agreement, and the Company acquired to a commitment to offer suspension of the employment contract to a further 97 employees, of which 91 had already signed the suspension agreement at the date of approval of these Interim Condensed Consolidated Financial Statements.

### 11.1.3 Other provisions

This item includes, *inter alia*, the costs ENDESA must incur to dismantle some of its plants and certain electricity distribution facilities. The interest rates applied to adjust these provisions ranged from 0.01% to 1.11% at 30 June 2016, depending on the remaining useful life of the related asset (between 0.2% and 1.5% at 31 December 2015).

## 11.2. Litigation, arbitration and contingent assets

ENDESA filed an appeal before the Tribunal Superior de Justicia de Cataluña (High Court of Catalonia) against Decree 178/2015, of 4 August 2015, approving the Regulation on the tax on the production of nuclear-based electrical power issued to implement Law 12/2014, of 10 October 2014, of the Parliament of Catalonia, approving this tax.

At 30 June 2016, pursuant to a ruling handed down by the Constitutional Court on 20 April 2016, in which the court declared the tax unconstitutional, ENDESA recognised the remaining amount receivable of Euros 57 million under "Trade and Other Receivables" for the settlements appealed for 2014-2016.

In the six months ended 30 June 2016, there were no significant changes in litigation and arbitration proceedings involving the ENDESA companies described in Note 16.3 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2015.

The amounts paid in connection with litigation in the six months ended 30 June 2016 totalled Euros 44 million (Euros 34 million in the six months ended 30 June 2015).

Given the nature of the risks covered by these provisions, it is impracticable to determine a reasonable timetable of payment dates, if any.

The Directors of ENDESA consider that the provisions recognised in the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2016 adequately cover the risks relating to litigation, arbitration and claims, and do not expect these issues to give rise to any liability not already provided for.

## 12. Financial debt

### 12.1. Current and non-current interest-bearing loans and borrowings

Details of Current and Non-current Interest-bearing Loans and Borrowings at 30 June 2016 and 31 December 2015 are as follows:

Millions of Euros						
Notes	30 June 2016					
	Nominal Value	Carrying Amount		Total	Fair Value	
		Non-current	Current			
Bonds and other Marketable Securities	190	202	-	202	199	
Bank Borrowings	651	652	-	652	667	
Other Borrowings <sup>(*)</sup>	3,574	3,574	-	3,574	4,317	
<b>Total Interest-bearing Loans and Borrowings excluding Derivatives</b>	<b>4,415</b>	<b>4,428</b>	<b>-</b>	<b>4,428</b>	<b>5,183</b>	
Derivatives	-	-	-	-	-	
<b>TOTAL</b>	<b>4,415</b>	<b>4,428</b>	<b>-</b>	<b>4,428</b>	<b>5,183</b>	

<sup>(1)</sup> Includes Euros 507 million of finance leases.

Millions of Euros						
	Notes	31 December 2015				
		Nominal Value	Carrying Amount		Total	Fair Value
			Non-current	Current		
Bonds and other Marketable Securities		215	226	-	226	223
Bank Borrowings		676	676	-	676	693
Other Borrowings	(*)	3,778	3,778	-	3,778	4,377
<b>Total Interest-bearing Loans and Borrowings excluding Derivatives</b>		<b>4,669</b>	<b>4,680</b>	<b>-</b>	<b>4,680</b>	<b>5,293</b>
Derivatives		-	-	-	-	-
<b>TOTAL</b>		<b>4,669</b>	<b>4,680</b>	<b>-</b>	<b>4,680</b>	<b>5,293</b>

<sup>(1)</sup> Includes Euros 517 million of finance leases.

The movement in the notional amount of non-current interest-bearing loans and borrowings excluding derivatives in the first half of 2016 is as follows:

Millions of Euros

	Notional Amount at 31 December 2015	Repayments and Redemptions	Changes in Scope	New Borrowings	Transfers to Current and Other	Transfers to Liabilities Associated with Non- current Assets Classified as Held for Sale	Notional Amount at 30 June 2016
Bonds and other Marketable Securities	215	-	-	-	(25)	-	190
Bank Borrowings	676	(1)	-	99	(123)	-	651
Other Borrowings	3,778	(1)	-	6	(209)	-	3,574
<b>TOTAL</b>	<b>4,669</b>	<b>(2)</b>	<b>-</b>	<b>105</b>	<b>(357)</b>	<b>-</b>	<b>4,415</b>

The average interest on interest-bearing loans and borrowings in the six months ended 30 June 2016 and 2015 was 2.7% and 3.0%, respectively.

## 12.2. Other matters

### 12.2.1 Liquidity

At 30 June 2016 and 31 December 2015, ENDESA companies had undrawn credit facilities totalling Euros 3,088 million and Euros 3,187 million, respectively, of which Euros 1,000 million at both dates correspond to a line of credit signed with ENEL Finance International, N.V. (see Note 18.1.2).

These credit facilities secure the refinancing of current debt presented in Non-current Interest-bearing Loans and Borrowings in the accompanying Consolidated Statement of Financial Position (see Notes 3n and 19.4 to the Consolidated Financial Statements for the year ended 31 December 2015), amounting to Euros 266 million and Euros 525 million at 30 June 2016 and 31 December 2015, respectively.

The amount of these credit facilities, together with the current assets, provides sufficient coverage of ENDESA's short-term payment obligations.

### 12.2.2 Main transactions

In the first half of 2016, ENDESA maintained its programme of short-term debt issues on international markets, with an outstanding balance of Euros 107 million at 30 June 2016.

The main transactions in the six months ended 30 June 2015 were as follows:

- In the first half of 2015, ENDESA S.A. renewed the credit facilities arranged with various financial institutions for a total of Euros 300 million and maturing in the first half of 2018.
- On 30 June 2015, ENDESA, S.A. increased the limit on the intercompany credit line with ENEL Finance International N.V., from Euros 1,000 million to Euros 2,000 million. It also reduced the applicable spread to 80 basis points and extended the maturity to 30 June 2018. The amount drawn on this facility at 30 June 2015 totalled Euros 1,000 million (see Note 18.1.2).
- On 30 June 2015, ENDESA, S.A. made a partial redemption of Euros 1,500 million on the long-term loan entered into with ENEL Finance International N.V. At 30 June 2015, the outstanding balance of this loan was Euros 3,000 million (see Note 18.1.2).

### 12.2.3 Financial stipulations and other considerations

Certain ENDESA companies' loans and borrowings contain the usual covenants in this type of agreement.

The financing agreements of ENDESA, S.A., International ENDESA B.V. and ENDESA Capital, S.A.U., which carry out the bulk of ENDESA's financing activity in Spain, contain no obligations whereby failure to maintain certain financial ratios would lead to breach of contract and early termination.



Commitments relating to bonds issued by International ENDESA, B.V. and ENDESA Capital, S.A.U. under their Global Medium Term Notes programmes are as follows:

- Cross-default clauses, whereby debt must be prepaid in the event of default (over and above a certain amount) on the settlement of certain obligations of ENDESA, S.A. (as lender or guarantor), or of the issuers.
- Negative pledge clauses, whereby neither the issuer nor ENDESA, S.A. may issue mortgages, liens or other encumbrances on their assets to secure certain types of bonds, unless similar guarantees are issued on the bonds in question.
- *Pari passu* clauses, whereby the debts and guarantees have at least the same status as any other existing or future unsecured or non-subordinated debts issued by ENDESA, S.A. as guarantor, or by the issuers.

As regards clauses relating to credit ratings, at 30 June 2016 and 31 December 2015 ENDESA, S.A. had entered into financial transactions with the European Investment Bank (EIB) amounting to Euros 300 million and Euros 343 million, respectively, that could require additional guarantees or renegotiation if its credit rating were downgraded to below certain levels.

At 30 June 2016, ENDESA and its subsidiaries had loans or other borrowings with the EIB and ENEL Finance International N.V. amounting to Euros 4,950 million, of which Euros 3,450 million had been drawn, that contain clauses that could require early repayment in the event of a change of control over ENDESA (Euros 4,950 million and Euros 3,650 million, respectively, at 31 December 2015). At the same dates, there were no financial derivatives that could require early repayment as a result of a change of control.

At 30 June 2016 and 31 December 2015, there was no obligation to pledge assets in favour of creditors.

Regarding clauses related to the assignment of assets, part of the debt of ENDESA S.A. includes restrictions if a certain percentage of ENDESA's consolidated assets is surpassed, which varies for the related transactions from 7% to 10%. Above these ceilings, the restrictions would only apply, in general, if no equivalent consideration is received or if there was a material negative impact on ENDESA, S.A.'s solvency. The amount of debt affected by these clauses at 30 June 2016 is Euros 540 million (Euros 619 million at 31 December 2015).

ENDESA's Directors do not consider that these clauses will change the current/non-current classification in the Consolidated Statement of Financial Position at 30 June 2016 and 31 December 2015.

## 13. Financial instruments

The classification of financial instruments in the Consolidated Statement of Financial Position at 30 June 2016 and 31 December 2015 is as follows:

Millions of Euros					
	Notes	30 June 2016		31 December 2015	
		Non-current	Current	Non-current	Current
<b>Financial Asset Instruments</b>					
Non-current Financial Assets		667	-	629	-
Current Financial Assets		-	267	-	353
Trade and Other Receivables	8	-	2,396	-	2,671
Cash and Cash Equivalents	9	-	674	-	346
<b>TOTAL</b>	<b>13.1</b>	<b>667</b>	<b>3,337</b>	<b>629</b>	<b>3,370</b>
<b>Financial Liability Instruments</b>					
Non-current Interest-Bearing Loans and Borrowings	12.1	4,428	-	4,680	-
Other Non-current Liabilities		619	-	632	-
Current Interest-Bearing Loans and Borrowings	12.1	-	-	-	-
Trade Payables and other Current Liabilities	15	-	4,242	-	4,497
<b>TOTAL</b>	<b>13.2</b>	<b>5,047</b>	<b>4,242</b>	<b>5,312</b>	<b>4,497</b>



### 13.1. Classification of financial assets

The classification of financial assets by class and category in the Consolidated Statement of Financial Position at 30 June 2016 and 31 December 2015 is as follows:

Millions of Euros	30 June 2016		31 December 2015	
	Non-current	Current	Non-current	Current
Loans and Receivables	577	3,158	560	3,193
Available-for-sale Financial Assets	7	-	7	-
Held-to-Maturity Investments	-	-	-	-
Financial Assets Held for Trading	-	-	-	-
Other Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Derivatives	83	179	62	177
<b>TOTAL</b>	<b>667</b>	<b>3,337</b>	<b>629</b>	<b>3,370</b>

### 13.2. Classification of financial liabilities

The classification of financial liabilities by class and category in the Consolidated Statement of Financial Position at 30 June 2016 and 31 December 2015 is as follows:

Millions of Euros	30 June 2016		31 December 2015	
	Non-current	Current	Non-current	Current
Debts and Payables	4,916	4,064	5,159	4,239
Financial Liabilities Held for Trading	-	-	-	-
Other Financial Liabilities at Fair Value through Profit or Loss <sup>(1)</sup>	80	-	94	-
Derivatives	51	178	59	258
<b>TOTAL</b>	<b>5,047</b>	<b>4,242</b>	<b>5,312</b>	<b>4,497</b>

<sup>(1)</sup> Relates entirely to financial liabilities embedded in a fair value hedge since the contract date.

### 13.3. Fair value measurement

#### 13.3.1 Fair value measurement of categories of financial assets

The classifications of financial assets measured at fair value in the Consolidated Statements of Financial Position by fair value hierarchy at 30 June 2016 and 31 December 2015 are as follows:

Millions of Euros		30 June 2016			
	Notes	Fair Value	Level 1	Level 2	Level 3
Debt Derivatives	13.1	12	-	12	-
Interest Rate Hedges		12	-	12	-
Fair Value Hedges		12	-	12	-
Physical Derivatives	13.1	71	10	61	-
Price Hedges		15	-	15	-
Cash Flow Hedges		15	-	15	-
Derivatives not Designated as Hedging Instruments		56	10	46	-
<b>Total Non-current Assets</b>		<b>83</b>	<b>10</b>	<b>73</b>	-
Debt Derivatives	13.1	1	-	1	-
Interest Rate Hedges		1	-	1	-
Fair Value Hedges		1	-	1	-
Physical Derivatives	8 and 13.1	178	18	160	-
Foreign Currency Hedges		2	-	2	-
Cash Flow Hedges		2	-	2	-
Price Hedges		31	3	28	-
Cash Flow Hedges		31	3	28	-
Derivatives not Designated as Hedging Instruments		145	15	130	-
Inventories	7	-	-	-	-
Non-current Assets Held for Sale and Discontinued Operations	16	-	-	-	-
<b>Total Current Assets</b>		<b>179</b>	<b>18</b>	<b>161</b>	-

Millions of Euros

	Notes	31 December 2015			
		Fair Value	Level 1	Level 2	Level 3
Debt Derivatives	13.1	11	-	11	-
Interest Rate Hedges		11	-	11	-
Fair Value Hedges		11	-	11	-
Physical Derivatives	13.1	51	2	49	-
Price Hedges		1	1	-	-
Cash Flow Hedges		1	1	-	-
Derivatives not Designated as Hedging Instruments		50	1	49	-
<b>Total Non-current Assets</b>		<b>62</b>	<b>2</b>	<b>60</b>	-
Debt Derivatives	13.1	-	-	-	-
Interest Rate Hedges		-	-	-	-
Fair Value Hedges		-	-	-	-
Physical Derivatives	8 and 13.1	177	7	170	-
Foreign Currency Hedges		5	-	5	-
Cash Flow Hedges		5	-	5	-
Price Hedges		3	-	3	-
Cash Flow Hedges		3	-	3	-
Derivatives not Designated as Hedging Instruments		169	7	162	-
Inventories	7	10	10	-	-
Non-current Assets Held for Sale and Discontinued Operations	16	50	-	50	-
<b>Total Current Assets</b>		<b>237</b>	<b>17</b>	<b>220</b>	-

### 13.3.2 Fair value measurement of categories of financial liabilities

The classifications of financial liabilities measured at fair value in the Consolidated Statements of Financial Position by fair value hierarchy at 30 June 2016 and 31 December 2015 are as follows:

Millions of Euros

	Notes	30 June 2016			
		Fair Value	Level 1	Level 2	Level 3
Bank Borrowings	13.2	21	-	21	-
Bonds and other Marketable Securities	13.2	59	-	59	-
Physical Derivatives	13.2	51	8	43	-
Price Hedges		10	5	5	-
Cash Flow Hedges		10	5	5	-
Derivatives not Designated as Hedging Instruments		41	3	38	-
<b>Total non-current liabilities</b>		<b>131</b>	<b>8</b>	<b>123</b>	-
Physical Derivatives	13.2 and 15	178	26	152	-
Foreign Currency Hedges		2	-	2	-
Cash Flow Hedges		2	-	2	-
Price Hedges		10	2	8	-
Cash Flow Hedges		10	2	8	-
Derivatives not Designated as Hedging Instruments		166	24	142	-
<b>Total Current Liabilities</b>		<b>178</b>	<b>26</b>	<b>152</b>	-

Millions of Euros

	Notes	31 December 2015			
		Fair Value	Level 1	Level 2	Level 3
Bank Borrowings	13.2	21	-	21	-
Bonds and other Marketable Securities	13.2	73	-	73	-
Physical Derivatives	13.2	59	3	56	-
Price Hedges		1	1	-	-
Cash Flow Hedges		1	1	-	-
Derivatives not Designated as Hedging Instruments		58	2	56	-
<b>Total non-current liabilities</b>		<b>153</b>	<b>3</b>	<b>150</b>	-
Physical Derivatives	13.2 and 15	258	7	251	-
Foreign Currency Hedges		2	-	2	-
Cash Flow Hedges		2	-	2	-
Price Hedges		41	1	40	-
Cash Flow Hedges		41	1	40	-
Derivatives not Designated as Hedging Instruments		215	6	209	-
<b>Total Current Liabilities</b>		<b>258</b>	<b>7</b>	<b>251</b>	-

### 13.3.3 Other matters

In the six months ended 30 June 2016, ENDESA used the same hierarchy levels to measure the fair value of non-current and current assets and liabilities as those detailed in Notes 3t and 18.6 to the annual Consolidated Financial Statements for the year ended 31 December 2015, with no transfers between levels. In addition, the

methods used to calculate fair value of assets using Level 2 inputs are the same as those detailed in Note 18.6.3 of the Notes to the Consolidated Financial Statements for the year ending 31 December 2015.

## 14. Risk management policy

In the first half of 2016, ENDESA followed the same risk management policy as that described in Note 19 to the Consolidated Financial Statements for the year ended 31 December 2015.

In this regard, the financial instruments and types of hedges are the same as those described in those Consolidated Financial Statements.

## 15. Trade payables and other current liabilities

Details of this item at 30 June 2016 and 31 December 2015 are as follows:

Millions of Euros			
	Notes	30 June 2016	31 December 2015
<b>Financial Liabilities</b>	<b>13</b>	<b>4,242</b>	<b>4,497</b>
Suppliers and other Payables		2,913	3,386
Non-financial Derivatives	13.3.2	178	258
Dividend Payable	10.2	663	424
Other Payables		488	429
<b>Tax Liabilities</b>		<b>1,120</b>	<b>736</b>
Current Income Tax		645	260
Value Added Tax (VAT) Payable		21	32
Other Taxes		454	444
<b>TOTAL</b>		<b>5,362</b>	<b>5,233</b>

At 30 June 2016, the amount of trade payables sent to financing entities for managing payment to suppliers (confirming) recognised under "Trade and other Payables" totalled Euros 186 million (Euros 295 million at 31 December 2015). The finance income accrued on confirming arrangements in the first half of 2016 and 2015 was less than Euros 1 million in each period.

## 16. Non-current assets held for sale and discontinued operations

There were no Non-current Assets Held for Sale and Discontinued Operations in the Consolidated Statement of Financial Position at 30 June 2016.

At 31 December 2015, "Non-current Assets Held for Sale and Discontinued Operations" included the indirect investment in Compostilla Re, S.A., through ENEL Insurance, N.V., in accordance with the agreement entered into on 19 October 2015 to initiate the plan to sell this investment. This sale was carried out on 16 February 2016 (see Note 6.2).

## 17. Segment information

### 17.1. Basis of segmentation

In carrying out its business activities, ENDESA's organisation prioritises its core business of electricity and gas generation, transmission, distribution and supply and related services. Therefore, the financial information analysed by the Company for the purposes of taking its decisions is the Segment information, which includes:

- Generation and Supply;
- Distribution;
- Structure, including the balances and transactions of holding companies and financing companies; and

- Consolidation Adjustments and Eliminations, including the inter-segment consolidation eliminations and adjustments.

The corporate organisation of ENDESA essentially matches these Segments. Therefore, the allocation established in the Segment reporting presented below is based on the financial information of the companies making up each Segment.

Transactions between Segments form part of normal business activities in terms of their purpose and terms and conditions.

External customers did not represent 10% or more of the revenues of any ENDESA segment in the six months ended 30 June 2016 or in 2015.

## **17.2. Segment information**

Segment information referring to the Consolidated Income Statements for the six months ended 30 June 2016 and 2015 and the Consolidated Statements of Financial Position at 30 June 2016 and 31 December 2015 is as follows:

## Segment information: Income Statement for the six months ended 30 June 2016

Millions of Euros

	January-June 2016				
	Generation and Supply <sup>(1)</sup>	Distribution <sup>(2)</sup>	Structure <sup>(3)</sup>	Consolidated Adjustments and Eliminations	Total
<b>INCOME</b>	<b>8,004</b>	<b>1,289</b>	<b>143</b>	<b>(233)</b>	<b>9,203</b>
Revenue	7,775	1,132	107	(177)	8,837
Other Operating Income	229	157	36	(56)	366
<b>PROCUREMENTS AND SERVICES</b>	<b>(6,352)</b>	<b>(62)</b>	<b>(63)</b>	<b>110</b>	<b>(6,367)</b>
Power Purchased	(1,935)	-	-	-	(1,935)
Cost of Fuel Consumed	(621)	-	-	-	(621)
Transport Costs	(2,952)	-	-	2	(2,950)
Other Variable Procurements and Services	(844)	(62)	(63)	108	(861)
<b>CONTRIBUTION MARGIN</b>	<b>1,652</b>	<b>1,227</b>	<b>80</b>	<b>(123)</b>	<b>2,836</b>
Self-Constructed Assets	1	49	1	-	51
Personnel Expenses	(228)	(131)	(82)	9	(432)
Other Fixed Operating Expenses	(451)	(193)	(39)	94	(589)
<b>GROSS PROFIT FROM OPERATIONS</b>	<b>974</b>	<b>952</b>	<b>(40)</b>	<b>(20)</b>	<b>1,866</b>
Depreciation and Amortisation, and Impairment Losses	(338)	(328)	(11)	1	(676)
<b>PROFIT FROM OPERATIONS</b>	<b>636</b>	<b>624</b>	<b>(51)</b>	<b>(19)</b>	<b>1,190</b>
<b>NET FINANCIAL PROFIT/(LOSS)</b>	<b>(80)</b>	<b>(67)</b>	<b>46</b>	<b>-</b>	<b>(101)</b>
Financial Income	22	2	158	(150)	32
Financial Expense	(102)	(69)	(112)	150	(133)
Net Exchange Differences	-	-	-	-	-
Net Profit/(Loss) of Companies Accounted for Using the Equity Method	(46) <sup>(4)</sup>	2	6	-	(38)
Gains/(Losses) from Other Investments	-	-	421	(421)	-
Gains/(Losses) on Disposal of Assets	(11)	1	94	(94)	(10)
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>499</b>	<b>560</b>	<b>516</b>	<b>(534)</b>	<b>1,041</b>
Income Tax Expense	(108)	(133)	(2)	(2)	(245)
<b>PROFIT AFTER TAX FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>391</b>	<b>427</b>	<b>514</b>	<b>(536)</b>	<b>796</b>
<b>PROFIT AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROFIT FOR THE PERIOD</b>	<b>391</b>	<b>427</b>	<b>514</b>	<b>(536)</b>	<b>796</b>
Parent Company	391	427	514	(536)	796
Non-Controlling Interests	-	-	-	-	-

<sup>(1)</sup> Includes a Euros 25 million allowance for impairment from commercial insolvencies.

<sup>(2)</sup> Includes net impairment of Euros 1 million related to property, plant and equipment (see Note 4.2) and a Euros 29 million allowance for impairment from commercial insolvencies.

<sup>(3)</sup> No allowances for impairment were recognised in the first half of 2016.

<sup>(4)</sup> Includes the recognition of an impairment loss of Euros 72 million (see Notes 6.1 and 21).

## Segment information: Income Statement for the six months ended 30 June 2015

Millions of Euros

	January-June 2015				Total
	Generation and Supply <sup>(1)</sup>	Distribution <sup>(2)</sup>	Structure <sup>(3)</sup>	Consolidated Adjustments and Eliminations	
<b>INCOME</b>	<b>9,132</b>	<b>1,278</b>	<b>315</b>	<b>(411)</b>	<b>10,314</b>
Revenue	8,723	1,133	156	(229)	9,783
Other Operating Income	409	145	159	(182)	531
<b>PROCUREMENTS AND SERVICES</b>	<b>(7,396)</b>	<b>(72)</b>	<b>(173)</b>	<b>235</b>	<b>(7,406)</b>
Power Purchased	(2,537)	-	-	4	(2,533)
Cost of Fuel Consumed	(1,019)	-	-	-	(1,019)
Transport Costs	(2,957)	-	-	(3)	(2,960)
Other Variable Procurements and Services	(883)	(72)	(173)	234	(894)
<b>CONTRIBUTION MARGIN</b>	<b>1,736</b>	<b>1,206</b>	<b>142</b>	<b>(176)</b>	<b>2,908</b>
Self-Constructed Assets	3	47	-	-	50
Personnel Expenses	(229)	(169)	(66)	6	(458)
Other Fixed Operating Expenses	(470)	(209)	(65)	178	(566)
<b>GROSS PROFIT FROM OPERATIONS</b>	<b>1,040</b>	<b>875</b>	<b>11</b>	<b>8</b>	<b>1,934</b>
Depreciation and Amortisation, and Impairment Losses	(349)	(313)	(11)	1	(672)
<b>PROFIT FROM OPERATIONS</b>	<b>691</b>	<b>562</b>	<b>-</b>	<b>9</b>	<b>1,262</b>
<b>NET FINANCIAL PROFIT/(LOSS)</b>	<b>(72)</b>	<b>(61)</b>	<b>39</b>	<b>-</b>	<b>(94)</b>
Financial Income	24	5	171	(158)	42
Financial Expense	(93)	(66)	(132)	158	(133)
Net Exchange Differences	(3)	-	-	-	(3)
Net Profit/(Loss) of Companies Accounted for Using the Equity Method	(21)	1	3	-	(17)
Gains/(Losses) from Other Investments	-	1	359	(360)	-
Gains/(Losses) on Disposal of Assets	-	1	-	-	1
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>598</b>	<b>504</b>	<b>401</b>	<b>(351)</b>	<b>1,152</b>
Income Tax Expense	(149)	(125)	(4)	(2)	(280)
<b>PROFIT AFTER TAX FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>449</b>	<b>379</b>	<b>397</b>	<b>(353)</b>	<b>872</b>
<b>PROFIT AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROFIT FOR THE PERIOD</b>	<b>449</b>	<b>379</b>	<b>397</b>	<b>(353)</b>	<b>872</b>
Parent Company	449	377	397	(353)	870
Non-Controlling Interests	-	2	-	-	2

<sup>(1)</sup> Includes net reversals of impairment of intangible assets for Euros 3 million (see Note 5.2) and Euro 53 million for the allowance for impairment of commercial insolvencies.

<sup>(2)</sup> Includes net impairment of Euros 3 million related to property, plant and equipment (see Note 4.2) and a Euros 1 million allowance for impairment from commercial insolvencies.

<sup>(3)</sup> No allowances for impairment were recognised in the first half of 2015.

## Segment Information: Statement of Financial Position at 30 June 2016

Millions of Euros

	30 June 2016				
	Generation and Supply	Distribution	Structure	Consolidated Adjustments and Eliminations	Total
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>11,649</b>	<b>12,852</b>	<b>25,041</b>	<b>(25,596)</b>	<b>23,946</b>
Property, Plant and Equipment	8,896	11,756	11	(4)	20,659
Investment Property	-	3	18	-	21
Intangible Assets	184	119	110	-	413
Investments Accounted for using the Equity Method	945	20	-	-	965
Non-current Financial Assets	995	539	24,744	(25,611)	667
Deferred Tax Assets	629	415	158	19	1,221
<b>Current Assets</b>	<b>3,690</b>	<b>1,085</b>	<b>1,317</b>	<b>(1,138)</b>	<b>4,954</b>
Inventories	1,058	49	-	-	1,107
Trade and Other Receivables	2,438	852	304	(688)	2,906
Current Financial Assets	70	180	467	(450)	267
Cash and Cash Equivalents	124	4	546	-	674
Non-current Assets Held for Sale and Discontinued Operations	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>15,339</b>	<b>13,937</b>	<b>26,358</b>	<b>(26,734)</b>	<b>28,900</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>4,856</b>	<b>1,922</b>	<b>17,235</b>	<b>(14,798)</b>	<b>9,215</b>
Of the Parent	4,856	1,918	17,236	(14,798)	9,212
Of Non-Controlling Interests	-	4	(1)	-	3
<b>Non-current liabilities</b>	<b>6,864</b>	<b>9,850</b>	<b>7,722</b>	<b>(10,559)</b>	<b>13,877</b>
Deferred Income	42	4,661	-	(29)	4,674
Non-current Provisions	1,864	1,000	322	41	3,227
Non-current Interest-Bearing Loans and Borrowings	4,229	3,427	7,337	(10,565)	4,428
Other Non-current Liabilities	191	427	6	(5)	619
Deferred Tax Liabilities	538	335	57	(1)	929
<b>Current Liabilities</b>	<b>3,619</b>	<b>2,165</b>	<b>1,401</b>	<b>(1,377)</b>	<b>5,808</b>
Current Interest-Bearing Loans and Borrowings	309	5	387	(701)	-
Current Provisions	309	75	62	-	446
Trade Payables and other Current Liabilities	3,001	2,085	952	(676)	5,362
Liabilities Associated with Non-current Assets Classified as Held for Sale and Discontinued Operations	-	-	-	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15,339</b>	<b>13,937</b>	<b>26,358</b>	<b>(26,734)</b>	<b>28,900</b>

## Segment Information: Statement of Financial Position at 31 December 2015

Millions of Euros

	31 December 2015				
	Generation and Supply	Distribution	Structure	Consolidated Adjustments and Eliminations	Total
<b>ASSETS</b>					
<b>Non-current Assets</b>	<b>11,442</b>	<b>12,905</b>	<b>25,547</b>	<b>(25,628)</b>	<b>24,266</b>
Property, Plant and Equipment	9,004	11,803	11	(3)	20,815
Investment Property	-	3	49	(31)	21
Intangible Assets	190	125	113	-	428
Investments Accounted for using the Equity Method	1,003	21	63	-	1,087
Non-current Financial Assets	586	514	25,151	(25,622)	629
Deferred Tax Assets	659	439	160	28	1,286
<b>Current Assets</b>	<b>4,104</b>	<b>1,021</b>	<b>833</b>	<b>(979)</b>	<b>4,979</b>
Inventories	1,226	36	-	-	1,262
Trade and Other Receivables	2,495	826	444	(788)	2,977
Current Financial Assets	182	156	206	(191)	353
Cash and Cash Equivalents	201	3	142	-	346
Non-current Assets Held for Sale and Discontinued Operations	-	-	41	-	41
<b>TOTAL ASSETS</b>	<b>15,546</b>	<b>13,926</b>	<b>26,380</b>	<b>(26,607)</b>	<b>29,245</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>4,650</b>	<b>1,651</b>	<b>17,570</b>	<b>(14,832)</b>	<b>9,039</b>
Of the Parent	4,650	1,647	17,571	(14,832)	9,036
Of Non-Controlling Interests	-	4	(1)	-	3
<b>Non-current liabilities</b>	<b>7,101</b>	<b>10,205</b>	<b>7,302</b>	<b>(10,273)</b>	<b>14,335</b>
Deferred Income	45	4,666	-	(32)	4,679
Non-current Provisions	1,882	1,089	329	105	3,405
Non-current Interest-Bearing Loans and Borrowings	4,444	3,671	6,910	(10,345)	4,680
Other Non-current Liabilities	193	433	6	-	632
Deferred Tax Liabilities	537	346	57	(1)	939
<b>Current Liabilities</b>	<b>3,795</b>	<b>2,070</b>	<b>1,508</b>	<b>(1,502)</b>	<b>5,871</b>
Current Interest-Bearing Loans and Borrowings	49	4	645	(698)	-
Current Provisions	496	76	94	(28)	638
Trade Payables and other Current Liabilities	3,250	1,990	769	(776)	5,233
Liabilities Associated with Non-current Assets Classified as Held for Sale and Discontinued Operations	-	-	-	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15,546</b>	<b>13,926</b>	<b>26,380</b>	<b>(26,607)</b>	<b>29,245</b>



## Segment Information: Statements of Cash Flows for the six months ended 30 June 2016 and 2015

Millions of Euros

Statement of Cash Flows	January-June 2016			
	Generation and Supply	Distribution	Structure, Services and Adjustments	TOTAL
Net Cash Flows from Operating Activities	955	837	(322)	1,470
Net Cash Flows used in Investing Activities	(639)	(282)	446	(475)
Net Cash Flows used in Financing Activities	(394)	(555)	282	(667)

Millions of Euros

Statement of Cash Flows	January-June 2015			
	Generation and Supply	Distribution	Structure, Services and Adjustments	TOTAL
Net Cash Flows from Operating Activities	384	803	7	1,194
Net Cash Flows used in Investing Activities	(292)	(161)	82	(371)
Net Cash Flows used in Financing Activities	(102)	(637)	(79)	(818)

### 17.3. Other information

Sales in the first half of 2016 and 2015 were as follows:

Millions of Euros

	January-June 2016	January-June 2015
Electricity Sales	6,437	7,119
Sales to the Deregulated Market	4,033	4,157
Supply to Customers in Deregulated Markets outside Spain	469	481
Sales at Regulated Prices	1,154	1,498
Wholesale Market Sales	322	422
Compensation for Non-mainland Territories (TNP)	451	555
Other Electricity Sales	8	6
Gas Sales	1,072	1,317
Regulated Revenue from Electricity Distribution	1,024	1,020
Other Sales and Services Rendered	304	327
<b>TOTAL</b>	<b>8,837</b>	<b>9,783</b>

The breakdown of sales from external customers by the main geographical areas where ENDESA operates are as follows:

Millions of Euros

	January-June 2016	January-June 2015
Spain	8,024	8,908
Portugal	425	424
France	187	162
Germany	85	80
Holland	32	50
United Kingdom	3	20
Other	81	139
<b>TOTAL</b>	<b>8,837</b>	<b>9,783</b>

## 18. Related-party balances and transactions

Related parties are parties over which ENDESA, directly or indirectly via one or more intermediate companies, exercises control or joint control or has significant influence, or which are key members of the ENDESA Management team.

Key members of the ENDESA Management team are those with the authority and responsibility to plan, direct and control ENDESA's business either directly or indirectly, including any member of the Board of Directors.

Transactions between the Company and its Subsidiaries and Joint Operations, which are related parties, form part of the Company's normal business activities (in terms of their purpose and conditions) and have been eliminated on consolidation. Therefore, they are not disclosed in this Note.

For information purposes, all companies comprising the ENEL Group and not included in ENDESA's Consolidated Financial Statements were considered significant shareholders.

The amount of transactions carried out in the six months ended 30 June 2016 with other related parties of certain members of the Board of Directors combined does not exceed Euros 3 million (less than Euros 1 million in the six months ended 30 June 2015). All of them correspond to the Company's normal business activities and were in all cases carried out under normal market conditions.

All transactions with related parties are at arm's length.

### 18.1. Expenses and income and other transactions

Noteworthy balances and transactions carried out with related parties in the six months ended 30 June 2016 and 2015, all of which were on an arm's length basis, are as follows:

#### 18.1.1 Expenses and income

Millions of Euros					
	January-June 2016				
	Significant Shareholders	Directors and Executives	ENDESA Employees, Companies or Entities	Other Related Parties	Total
Financial Expenses	46	-	-	-	46
Management or Cooperation Agreements	26	-	-	-	26
R&D Transfers and Licensing Agreements	-	-	-	-	-
Leases	-	-	-	-	-
Services Received	81	-	-	2	83
Purchase of Finished Goods and Work in Progress	93	-	-	-	93
Valuation Adjustments for Uncollectible or Doubtful Debts	-	-	-	-	-
Losses on Derecognition or Disposal of Assets	-	-	-	-	-
Other Expenses (*)	172	-	-	-	172
<b>EXPENSES</b>	<b>418</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>420</b>
Financial Income	-	-	-	-	-
Management or Cooperation Agreements	3	-	-	-	3
R&D Transfers and Licensing Agreements	-	-	-	-	-
Dividends Received	-	-	-	-	-
Leases	3	-	-	-	3
Rendering of Services	2	-	-	1	3
Sale of Finished Goods and Work in Progress	52	-	-	-	52
Gains on Derecognition or Disposal of Assets	-	-	-	-	-
Other Income	50	-	-	-	50
<b>INCOME</b>	<b>110</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>111</b>

(\*) Includes Euros 13 million recognised in Other Comprehensive Income.

Millions of Euros

	January-June 2015				
	Significant Shareholders	Directors and Executives	ENDESA Employees, Companies or Entities	Other Related Parties	Total
Financial Expenses	76	-	-	-	76
Management or Cooperation Agreements	8	-	-	-	8
R&D Transfers and Licensing Agreements	-	-	-	-	-
Leases	-	-	-	-	-
Services Received	89	-	-	-	89
Purchase of Finished Goods and Work in Progress	141	-	-	-	141
Valuation Adjustments for Uncollectible or Doubtful Debts	-	-	-	-	-
Losses on Derecognition or Disposal of Assets	-	-	-	-	-
Other Expenses	112	-	-	-	112
<b>EXPENSES</b>	<b>426</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>426</b>
Financial Income	5	-	-	-	5
Management or Cooperation Agreements	6	-	-	-	6
R&D Transfers and Licensing Agreements	-	-	-	-	-
Dividends Received	-	-	-	-	-
Leases	3	-	-	-	3
Rendering of Services	3	-	-	-	3
Sale of Finished Goods and Work in Progress	67	-	-	-	67
Gains on Derecognition or Disposal of Assets	-	-	-	-	-
Other Income (*)	101	-	-	-	101
<b>INCOME</b>	<b>185</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185</b>

(\*) Includes Euros 12 million recognised in Other Comprehensive Income.

The main transactions with related parties included in “Other Expenses” in the six months ended 30 June 2016 relate to:

- Decreases in the fair value of derivative financial instruments for electricity and other energy products of Euros 74 million (Euros 92 million in the six months ended 30 June 2015);
- Losses of Euros 66 million from the 40% stake in ENEL Green Power España, S.L. (see Note 6.1), which is accounted for in ENDESA's Consolidated Financial Statements using the equity method; and
- Energy purchases amounting to Euros 32 million (Euros 20 million in the six months ended 30 June 2015).

The main transactions with related parties included in “Other Income” in the six months ended 30 June 2016 relate to:

- Increases in the fair value of derivative financial instruments for electricity and other energy products of Euros 43 million (Euros 93 million in the six months ended 30 June 2015);
- Profits of Euros 6 million, up to the date of the company's sale, contributed by ENEL Insurance N.V. (see Note 6.2), which is recognised in ENDESA's Consolidated Financial Statements using the equity method (Euros 8 million contributed by ENEL Green Power España, S.L. and ENEL Insurance N.V. in which ENDESA held ownership interest of 40% and 50%, respectively, at 30 June 2015); and
- Energy sales totalling Euros 1 million.

## 18.1.2 Other transactions

Millions of Euros						
	Notes	January-June 2016				Total
		Significant Shareholders	Directors and Executives	ENDESA Employees, Companies or Entities	Other Related Parties	
Purchase of Property, Plant and Equipment, Intangible Assets or Other Assets		59	-	-	-	59
Financing Agreements (Lender)		-	1	-	-	1
Finance Leases (Lessor)		-	-	-	-	-
Repayment or Cancellation of Loans and Leases (Lessor)		-	-	-	-	-
Sale of Property, Plant and Equipment, Intangible Assets or Other Assets		-	-	-	-	-
Financing Agreements (Borrower)	12.2.2	3,000	-	-	-	3,000
Finance Leases (Lessee)		-	-	-	-	-
Repayment or Cancellation of Loans and Leases (Lessee)		-	-	-	-	-
Guarantees Provided		-	7	-	-	7
Guarantees Received	7.3	123	-	-	-	123
Commitments Acquired	4.3 and 7.1	245	-	-	-	245
Commitments/Guarantees Cancelled		-	-	-	-	-
Dividends and other Distributions	10.2	297	-	-	-	297
Other Transactions		-	-	-	-	-

  

Millions of Euros						
	Notes	January-June 2015				Total
		Significant Shareholders	Directors and Executives	ENDESA Employees, Companies or Entities	Other Related Parties	
Purchase of Property, Plant and Equipment, intangible Assets or other Assets		80	-	-	-	80
Financing Agreements (Lender)		6	1	-	-	7
Finance Leases (Lessor)		-	-	-	-	-
Repayment or Cancellation of Loans and Leases (Lessor)		-	-	-	-	-
Sale of Property, Plant and Equipment, Intangible Assets or other Assets		-	-	-	-	-
Financing Agreements (Borrower)	12.2.2	4,000	-	-	-	4,000
Finance Leases (Lessee)		-	-	-	-	-
Repayment or Cancellation of Loans and Leases (Lessee)	12.2.2	1,500	-	-	-	1,500
Guarantees Provided		-	7	-	-	7
Guarantees Received	7.3	122	-	-	-	122
Commitments Acquired	4.3 and 7.1	598	-	-	-	598
Commitments/Guarantees Cancelled		-	-	-	-	-
Dividends and other Distributions		282	-	-	-	282
Other Transactions		-	-	-	-	-

At 30 June 2016 and 2015, Financing Agreements (Borrower) included the outstanding balance on the intercompany loan with ENEL Finance International, N.V. in October 2014 of Euros 3,000 million. At 30 June 2015, it also included the amount drawn on the uncommitted credit line arranged with ENEL Finance International N.V. for Euros 1,000 million.

In the first half of 2016 and 2015, "Guarantees Provided and Received" included the guarantee received from ENEL, S.p.A. by ENDESA of US Dollars 137 million (approximately Euros 123 million and Euros 122 million, respectively) for compliance with agreements signed by ENDESA with Corpus Christi Liquefaction, LLC for the acquisition of liquefied natural gas (LNG) (see Note 7.3).

"Commitments Acquired" with Significant Shareholders at 30 June 2016 included mainly the commitment to acquire smart meters for Euros 168 million (see Note 4.3) and the commitment to acquire inventories of CO<sub>2</sub> emission allowances for Euros 77 million (see Note 7.1) (Euros 291 million and Euros 307 million, respectively, at 30 June 2015).

"Dividends and other Distributions" included dividends paid to ENEL Iberoamérica, S.L.U. in both periods (see Note 10.2).

During the first half of 2016 and 2015, the Directors, or persons acting on their behalf, did not carry out transactions with the Company (or its other subsidiaries) that do not correspond to the normal course of business or were not carried out in keeping with prevailing market conditions.

### 18.1.3 Other information

Balances at 30 June 2016 and 31 December 2015 with significant shareholders are as follows:

Millions of Euros				
	30 June 2016	% of Consolidated Statement of Financial Position	31 December 2015	% of Consolidated Statement of Financial Position
Non-current Financial Assets	34	5.1	44	7.0
Trade Receivables	144	5.6	209	7.5
Current Income Tax Assets	313	98.4	188	89.5
<b>ASSETS</b>	<b>491</b>	<b>1.7</b>	<b>441</b>	<b>1.5</b>
Non-current Interest-Bearing Loans and Borrowings	3,005	67.9	3,201	68.4
Other Non-current Liabilities	28	4.5	51	8.1
Suppliers and other Payables	905	19.2	968	19.5
Current Income Tax Liabilities	616	95.5	259	99.6
<b>LIABILITIES</b>	<b>4,554</b>	<b>15.8</b>	<b>4,479</b>	<b>15.3</b>

## 18.2. Associates and joint ventures

The following are the details at 30 June 2016 and 31 December 2015 of trade receivables, and credits and guarantees issued to Associates and Joint Ventures:

Millions of Euros				
Notes	Associates		Joint Ventures	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Trade Receivables	-	2	17	-
Credits	6	6	4	12
Guarantees Issued	20.1	-	-	-

Transactions in the six months ended 30 June 2016 and 2015 with Associates, Joint Ventures and Joint Operations not eliminated in the consolidation process were as follows:

Millions of Euros

	Associates		Joint Ventures		Joint Operation	
	January-June 2016	January-June 2015	January-June 2016	January-June 2015	January-June 2016	January-June 2015
Revenue	-	3	1	-	-	-
Expenses	-	4	11	8	22	22

### 18.3. Remuneration and other benefits of Directors and Senior Management personnel

Details of remuneration and other benefits received by Directors in the six months ended 30 June 2016 and 2015 are as follows:

Thousands of Euros

Item	Directors Amount	
	January-June 2016	January-June 2015
Fixed Remuneration	1,504	1,294
Variable Remuneration	925 <sup>(1)</sup>	1,450
Per Diems for Attendance	143	67
Bylaw-stipulated Emoluments	-	-
Options on Shares and Other Financial Instruments	-	-
Other	178	42
<b>TOTAL</b>	<b>2,750</b>	<b>2,853</b>

<sup>(1)</sup> Includes the 2014-2015 and 2015-2017 Loyalty Schemes linked to the share price, but not the 2016-2018 Scheme, which has yet to be allocated.

Thousands of Euros

Other Benefits	Directors Amount	
	January-June 2016	January-June 2015
Advances	-	-
Loans	-	-
Pension Funds and Schemes: Contributions	491	574
Pension Funds and Schemes: Obligations Assumed	-	-
Life Insurance Premiums	255	-
Guarantees Provided to Directors	7,036	7,102

<sup>(1)</sup> Corresponds to the balance at 30 June 2016 and 2015, respectively.

Remuneration received by Senior Management in the six months ended 30 June 2016 and 2015 amounted to Euros 5,881 thousand and Euros 6,155 thousand, respectively. Senior Management at 30 June 2016 and 2015 comprised 15 and 16 people, respectively.

At 30 June 2016 and 2015, the Company had not issued any guarantees to Senior Management.

At 30 June 2016 and 2015, the Company had all its early retirement and pension obligations with Directors and Senior Management covered.

### 18.4. Conflicts of interest

In accordance with Article 229 of the Corporate Enterprises Act, the direct or indirect situations of conflict of interest involving members of the Board of Directors with the interest of the Company, along with how they were handled in the first half of 2016, were as follows:

- The Executive Directors, in their capacity as Directors of ENEL Iberoamérica S.L.U., appointed by Enel, S.p.A., had conflicts of interest when authorising transactions with Enel, S.p.A. or Enel Group companies. In all the situations arising in the first half of 2016, the Executive Directors did not participate in the related items on the agenda of the Board of Directors meeting.
- The Proprietary Directors, appointed by ENEL, S.p.A., had a conflict of interest when authorising transactions with ENEL, S.p.A. or ENEL Group companies. In all the situations

arising in the first half of 2016, the Proprietary Directors did not participate in the related items on the agenda of the Board of Directors meeting.

- The independent Director, Helena Revoredo Delvecchio, in her capacity as Chairman of Prosegur Compañía de Seguridad, S.A., had a conflict of interest in the first half of 2016 for her involvement in the decision-making over a transaction with Prosegur Compañía de Seguridad, S.A. or companies in the Prosegur Group. The independent Director did not participate in this item on the agenda of the Board of Directors meeting.

## 19. Personnel

ENDESA's final and average headcounts, by Segment, professional category and gender, are as follows:

Number of employees

	Final Headcount					
	30 June 2016			31 December 2015		
	Male	Female	Total	Male	Female	Total
Executives	252	46	298	249	43	292
Graduates	1,864	816	2,680	1,852	808	2,660
Middle Management and Manual Workers	5,454	1,271	6,725	5,752	1,296	7,048
<b>TOTAL</b>	<b>7,570</b>	<b>2,133</b>	<b>9,703</b>	<b>7,853</b>	<b>2,147</b>	<b>10,000</b>

Number of employees

	Final Headcount					
	30 June 2016			31 December 2015		
	Male	Female	Total	Male	Female	Total
Generation and Supply	4,049	958	5,007	4,137	971	5,108
Distribution	2,830	475	3,305	3,019	483	3,502
Structure and Others	691	700	1,391	697	693	1,390
<b>TOTAL</b>	<b>7,570</b>	<b>2,133</b>	<b>9,703</b>	<b>7,853</b>	<b>2,147</b>	<b>10,000</b>

Number of Employees

	Average Headcount					
	January-June 2016			January-June 2015		
	Male	Female	Total	Male	Female	Total
Executives	253	46	299	279	46	325
Graduates	1,861	806	2,667	1,877	803	2,680
Middle Management and Manual Workers	5,606	1,288	6,894	6,009	1,390	7,399
<b>TOTAL</b>	<b>7,720</b>	<b>2,140</b>	<b>9,860</b>	<b>8,165</b>	<b>2,239</b>	<b>10,404</b>

Number of Employees

	Average Headcount					
	January-June 2016			January-June 2015		
	Male	Female	Total	Male	Female	Total
Generation and Supply	4,096	962	5,058	4,225	1,009	5,234
Distribution	2,928	481	3,409	3,166	497	3,663
Structure and Others	696	697	1,393	774	733	1,507
<b>TOTAL</b>	<b>7,720</b>	<b>2,140</b>	<b>9,860</b>	<b>8,165</b>	<b>2,239</b>	<b>10,404</b>

The average number of employees in Joint Operations in the six months ended 30 June 2016 and 2015 was 885 and 898, respectively.

## 20. Other information

There were no one-off events of significant amounts during the six months ended 30 June 2016 and 2015 other than those referred to in other Notes to these Interim Condensed Consolidated Financial Statements.

### 20.1. Other commitments and guarantees

At 30 June 2016 and 31 December 2015, ENDESA had issued a guarantee for the commercial risks of the US Dollars 36 million (Euros 33 million) loan granted by the Central American Bank for Economic Integration to Empresa Propietaria de la Red, S.A., Sucursal en Costa Rica, which falls due in 2028. The contract for the purchase-sale of shares governing the disposal in Latin America in 2014 included a set of provisions whereby ENEL Iberoamérica, S.L.U. undertakes to take any steps necessary to free ENDESA, S.A. of any responsibilities deriving from this guarantee. Until the process is completed, ENEL Iberoamérica, S.L.U. will not hold ENDESA, S.A. liable for any damages in relation to these obligations.

Pursuant to the agreement entered into between Hidromondego – Hidroeléctrica do Mondego, Lda and the Portuguese government, in the first half of 2016 the guarantees that ENDESA, S.A. had issued in relation to the development of the Girabolhos Hydroelectric Plant construction project (Portugal) were released, for Euros 28 million.

At 30 June 2016 and 31 December 2015, there were no guarantees issued in favour of ENDESA's Associates and Joint Ventures (see Note 18.2).

ENDESA considers that any additional liabilities arising from guarantees given at 30 June 2016 would not be material.

### 20.2. Other information

At 30 June 2016 and 31 December 2015, no liquid financial assets held by ENDESA had been pledged as security for liabilities or contingent liabilities.

In addition, at 30 June 2016 and 31 December 2015, there were no pledges on future collections in financing agreements.

## 21. Events after the reporting period

On 21 June 2016, ENDESA signed a purchase agreement to acquire the entire share capital of Eléctrica del Ebro, S.A. in exchange for Euros 25 million. This amount will be adjusted to reflect the net agreed financial position on the completion date. On 14 July 2016 the agreement was approved by the Spanish anti-trust authorities, and the operation is expected to go through on 28 July 2016.

On 26 July 2016, the Board of Directors of ENDESA, S.A. agreed on its wholly owned subsidiary ENDESA Generación S.A.U. sending to ENEL Green Power International B.V. a binding offer to acquire the 60% stake ENEL Green Power International B.V. has in the share capital of ENEL Green Power España, S.L. (EGPE) for Euros 1,207 million.

If the offer were accepted and the acquisition carried out, ENDESA Generación, S.A.U. would have 100% ownership of ENEL Green Power España, S.L. (EGPE), giving it control rather than significant influence as until now.



ENEL Green Power España, S.L. (EGPE) engages, directly or through companies it controls, in the production of electricity using renewable energy sources in the Iberian Peninsula. It currently has approximately 93 wind power, hydroelectric, solar and biomass plants, with total installed capacity of 1,705 MW and output of 3,900 GWh.

ENDESA's objective with this proposed acquisition is to reinforce its presence in the Iberian generation market by adding an attractive portfolio of renewable energy assets to its production mix.

No other significant events took place between 30 June 2016 and the date of issue of the accompanying Interim Condensed Consolidated Financial Statements.

## **22. Explanation added for translation to English**

These Interim Condensed Consolidated Financial Statements are presented on the basis of International Financial Reporting Standards ("IFRSs"), as adopted by the European Union. Consequently, certain accounting practices applied by the Group that conform to International Financial Reporting Standards ("IFRSs") may not conform to other generally accepted accounting principles in other countries. Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

**ENDESA, S.A.  
and Subsidiaries**

**Consolidated Management Report for the six  
months ended 30 June 2016**

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

**Madrid, 26 July 2016**

**ENDESA, S.A. AND SUBSIDIARIES**

**CONSOLIDATED MANAGEMENT REPORT FOR THE**

**SIX-MONTH PERIOD ENDED**

**30 JUNE 2016**

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**ENDESA, S.A. AND SUBSIDIARIES**

**CONSOLIDATED MANAGEMENT REPORT FOR THE**

**SIX-MONTH PERIOD ENDED**

**30 June 2016**

## 1. Business Trends and Results in the first half of 2016

### 1.1. Consolidated results

#### ENDESA reported net income of Euros 796 million (-8.5%) in the first half of 2016

ENDESA reported net income of Euros 796 million in the first half of 2016, down 8.5% on the Euros 870 million reported in the first half of 2015.

Net income for the first half of 2015 included Euros 132 million in profit deriving from the recognition of the value of European Union Allowances (EUAs) obtained from the swap of Emission Reduction Units (ERUs) and Certified Emission Reductions (CERs) in accordance with the process established under EU Regulation No 389/2013, articles 58-61, the sale of which was completed in December 2015.

Stripping out this impact, ENDESA's net income in the first half of 2016 was up 7.9% year-on-year.

The table below shows the breakdown of net income in ENDESA's businesses and its year-on-year change:

Million Euros

	Net income			
	January-June 2016	January-June 2015	% chg	% contribution to total
Generation and supply	391	449	(12.9)	49.1
Distribution	427	377	13.3	53.6
Structure and Others (1)	(22)	44	N/A	(2.7)
<b>TOTAL</b>	<b>796</b>	<b>870</b>	<b>(8.5)</b>	<b>100.0</b>

(1) Structure, Services and Adjustments.

### 1.2. Analysis of results

ENDESA's contribution margin in the first half of 2016 amounted to Euros 2,836 million, down Euros 72 million year on year (-2.5%), while EBITDA amounted to Euros 1,866 million (-3.5%). EBIT for the first six months of 2016 dropped 72 million year-on-year to reach Euros 1,190 million.

The table below shows the breakdown of EBITDA and EBIT in ENDESA's businesses and their year-on-year change:

Million Euros

	EBITDA				EBIT			
	January-June 2016	January-June 2015	% chg	% contribution to total	January-June 2016	January-June 2015	% chg	% contribution to total
Generation and supply	974	1,040	(6.3)	52.2	636	691	(8.0)	53.5
Distribution	952	875	8.8	51.0	624	562	11.0	52.4
Structure and Others (1)	(60)	19	N/A	(3.2)	(70)	9	N/A	(5.9)
<b>TOTAL</b>	<b>1,866</b>	<b>1,934</b>	<b>(3.5)</b>	<b>100.0</b>	<b>1,190</b>	<b>1,262</b>	<b>(5.7)</b>	<b>100.0</b>

(1) Structure, Services and Adjustments.

When looking at EBITDA for the first half of 2016, please note that income of Euros 184 million was recognised in the first six months of the year deriving from the recognition of the value of European Union Allowances (EUAs) obtained from the swap of Emission Reduction Units (ERUs) and Certified Emission Reductions (CERs) in accordance with the process established under EU Regulation 389/2013, articles 58-61, the sale of which was completed in December 2015.

Stripping out this impact, EBITDA was up by Euros 116 million (+6.6%) in the first half of 2016, due mainly to:

- Lower fuel consumption (-39.1%) and energy purchases (-23.6%), which offset the decrease in the average sale price, and the tax on electricity production.
- The drive to contain personnel costs, which were down Euros 26 million (-5.7%) in the first half of 2016.
- The deregulated gas business was affected by greater competitive pressure, mainly in the wholesale market.

EBIT for the first half of 2016 fell 5.7% year-on-year to Euros 1,190 million, mainly as a result of the 3.5% drop in EBITDA.

Stripping out the swap transaction discussed above, EBIT in the first half of 2016 was up Euros 112 million (+10.4%).

### Revenue: Euros 9,203 million (-10.8%)

Revenue totalled Euros 9,203 million in the first half of 2016, compared to the Euros 10,314 million reported in the first half of 2015. Of this amount, revenue from sales accounted for Euros 8,837 million (-9.7%), while other operating income accounted for Euros 366 million (-31.1%).

The table below shows the breakdown of sales and other operating revenues of ENDESA's businesses and their year-on-year change:

Million Euros								
	Revenue				Other operating income			
	January-June 2016	January-June 2015	% chg	% contribution to total	January-June 2016	January-June 2015	% chg	% contribution to total
Generation and supply	7,775	8,723	(10.9)	88.0	229	409	(44.0)	62.6
Distribution	1,132	1,133	(0.1)	12.8	157	145	8.3	42.9
Structure and Others (1)	(70)	(73)	(4.1)	(0.8)	(20)	(23)	(13.0)	(5.5)
<b>TOTAL</b>	<b>8,837</b>	<b>9,783</b>	<b>(9.7)</b>	<b>100.0</b>	<b>366</b>	<b>531</b>	<b>(31.1)</b>	<b>100.0</b>

(1) Structure, Services and Adjustments.

## Sales

Sales in the first half of 2016 were as follows:

Million Euros				
	January-June 2016	January-June 2015	Difference	% chg
Electricity sales	6,437	7,119	(682)	(9.6)
Sales to the deregulated market	4,033	4,157	(124)	(3.0)
Supply to customers in deregulated markets outside Spain	469	481	(12)	(2.5)
Sales at regulated prices	1,154	1,498	(344)	(23.0)
Wholesale market sales	322	422	(100)	(23.7)
Compensation for Non-mainland Territories	451	555	(104)	(18.7)
Other electricity sales	8	6	2	33.3
Gas sales	1,072	1,317	(245)	(18.6)
Regulated revenue from electricity distribution	1,024	1,020	4	0.4
Other sales and services rendered	304	327	(23)	(7.0)
<b>TOTAL</b>	<b>8,837</b>	<b>9,783</b>	<b>(946)</b>	<b>(9.7)</b>

Mainland electricity demand remained constant in comparison with the first half of 2015 (+0.1% adjusted for working days and temperature).

The first six months of 2016 were characterised by rock bottom prices, mainly due to high wind and hydro output, as well as increased trading of electricity between Spain and France through the electricity interconnection and low commodity prices.

Against this backdrop, ENDESA's mainland ordinary regime output totalled 24,512 GWh in the first half of the year, down 16.8% on the first half of 2015, with decreased output at coal-fired plants (-45.4%), combined cycle plants (-32.1%), nuclear plants (-0.5%) and hydroelectric plants (+6.7%). Nuclear and hydro energy accounted

for 72.7% of ENDESA's mainland generation mix under the ordinary regime (59.7% in January-June 2015), compared with 74.8% for the rest of the sector (54.6% in January-June 2015).

ENDESA's output in Non-mainland Territories (TNP) was 5,938 GWh, a rise of 1.3% compared to the first half of 2015.

ENDESA obtained a market share of 33.1% in mainland generation under the ordinary regime, a 42.9% share in distribution and a 35.4% share in sales to customers in the deregulated market.

In the first half of 2016, gas demand was down by 1.4% year-on-year, and ENDESA secured a market share of 17.2% in sales to customers in the deregulated market.

#### Sales to customers in the deregulated market

ENDESA had 5,236,131 customers in the deregulated market at the end of June 2016, a 3.0% increase on the number at 31 December 2015: 4,356,283 (+3.4%) in the Spanish mainland market, 717,645 (+3.6%) in the Non-Mainland Territories market and 162,203 (-8.6%) in European deregulated markets other than Spain.

ENDESA sold a total of 38,825 GWh to these customers in the first half of 2016, a 2.4% increase on the same period in 2015.

In economic terms, sales in the Spanish deregulated market amounted to Euros 4,033 million in the first half of 2016, Euros 124 million less than the year-ago figure (-3.0%) as higher numbers of customers and the increase in physical units sold failed to offset the decrease in the average sales price to end customers.

Revenue from sales to deregulated European markets other than Spain totalled Euros 469 million, down Euros 12 million (-2.5%) on the first half of 2015 due to the drop in customer numbers and in the average sales price.

#### Sales at regulated prices

During the first six months of 2016, ENDESA sold 6,859 GWh to customers via its Supplier of Reference under regulated prices, which is 11.7% lower than the same period of 2015.

These sales generated revenue of Euros 1,154 million in the first half of 2016, down 23.0% year-on-year due to the drop in physical units sold and the lower average sales price.

#### Gas sales

ENDESA sold 39,402 GWh to customers in the natural gas market in the first half of 2016, which represents a 5.3% increase on the first half 2015 figure.

Revenue from gas sales totalled Euros 1,072 million, down Euros 245 million (-18.6%) on the first half 2015 figure due to the drop in average sale prices.

## Compensation for Non-Mainland Territories systems ("TNP")

Compensation for Non-mainland Territories generation stranded costs in the first half of 2016 amounted to Euros 451 million, down Euros 104 million (-18.7%) on the first half of 2015, due mainly to the drop in fuel prices brought about by changes in commodity prices.

## Electricity distribution

ENDESA distributed 55,959 GWh in the Spanish market in the first half of 2016, roughly on par with the first half of 2015 (-0.1%).

Revenue from regulated distribution activities in the first half of 2016 totalled Euros 1,024 million, up Euros 4 million (+0.4%) on January-June 2015.

## Other operating revenues

Other operating income totalled Euros 366 million in the first half of 2016, down Euros 165 million year on year (-31.1%).

In the first half of 2015, "Other operating revenues" included the gain of Euros 184 million from the swap of 25 million tonnes of Emission Reduction Units (ERUs) / Certified Emission Reductions (CERs) for European Union Allowances (EUAs).

## Operating expenses

Operating expenses totalled Euros 8,064 million in the first half of 2016, 11.4% less than in the first half of 2015.

The breakdown of operating expenses in the first half of 2016 is as follows:

Million Euros				
	January-June 2016	January-June 2015	Difference	% chg
Procurement and services	6,367	7,406	(1,039)	(14.0)
Power purchased	1,935	2,533	(598)	(23.6)
Cost of fuel consumed	621	1,019	(398)	(39.1)
Transmission costs	2,950	2,960	(10)	(0.3)
Other variable procurements and services	861	894	(33)	(3.7)
Personnel expenses	432	458	(26)	(5.7)
Other fixed operating expenses	589	566	23	4.1
Depreciation and amortisation, and impairment losses	676	672	4	0.6
<b>TOTAL</b>	<b>8,064</b>	<b>9,102</b>	<b>(1,038)</b>	<b>(11.4)</b>

The table below shows the breakdown of operating expenses in ENDESA's businesses and their year-on-year change:

Million Euros																
	Procurement and services				Personnel expenses				Other fixed operating expenses				Depreciation and amortisation, and impairment losses			
	January-June 2016	January-June 2015	% chg	% contribution to total	January-June 2016	January-June 2015	% chg	% contribution to total	January-June 2016	January-June 2015	% chg	% contribution to total	January-June 2016	January-June 2015	% chg	% contribution to total
Generation and supply	6,352	7,396	(14.1)	99.8	228	229	(0.4)	52.8	451	470	(4.0)	76.6	338	349	(3.2)	50.0
Distribution	62	72	(13.9)	1.0	131	169	(22.5)	30.3	193	209	(7.7)	32.8	328	313	4.8	48.5
Structure and Others (1)	(47)	(62)	(24.2)	(0.8)	73	60	21.7	16.9	(55)	(113)	(51.3)	(9.4)	10	10	-	1.5
TOTAL	6,367	7,406	(14.0)	100.0	432	458	(5.7)	100.0	589	566	4.1	100.0	676	672	0.6	100.0

(1) Structure, Services and Adjustments.

## Procurements and services (variable costs)

Procurements and services (variable costs) totalled Euros 6,367 million in the first half of 2016, 14.0% less than in the same period of 2015.

Details of these costs are as follows:

- Power purchased in the first half of 2016 dropped by Euros 598 million (-23.6%) to Euros 1,935 million, largely as a result of the reduction in the average purchase price of the electricity acquired in the market (the arithmetic mean price for the period was Euros 30.8/MWh, down 36.5%) and in the volume of gas acquired for sale to end customers.
- The cost of the fuel consumed in the first half of 2016 was Euros 621 million, down 39.1% (Euros 398 million) due to the drop in fossil-fuel output in the period and the reduction in the average purchase price.
- “Other variable procurements and services” totalled Euros 861 million, down Euros 33 million year-on-year. This change was largely due to the Euros 90 million (+82.6%) increase in expenses relating to energy derivatives, partially offset by a Euros 32 million (+22.1%) increase in revenue relating to this item recognised under “Other operating income” and the Euros 41 million drop in CO<sub>2</sub> emissions costs on the back of lower fossil-fuel output and the Euros 88 million decrease in taxes and other charges owing to the tax reduction and lower electrical power output in the period and due also to the correction of the amount paid on account of the nuclear tax for Catalonia in the wake of the ruling handed down by the Constitutional Court on 20 April 2016, in which the court declared the tax unconstitutional (Euros 63 million).

The breakdown of the contribution margin in ENDESA’s businesses and the year-on-year change was as follows:

Million Euros					
		Contribution margin			
		January-June 2016	January-June 2015	% chg	% contribution to total
Generation and supply		1,652	1,736	(4.8)	58.3
Distribution		1,227	1,206	1.7	43.3
Structure and Others	(1)	(43)	(34)	26.5	(1.6)
<b>TOTAL</b>		<b>2,836</b>	<b>2,908</b>	<b>(2.5)</b>	<b>100.00</b>

(1) Structure, Services and Adjustments.

### Personnel and other operating expenses (fixed costs)

Fixed costs amounted to Euros 1,021 million in the first half of 2016, down Euros 3 million (-0.3%) with regard to the same period of 2015.

“Personnel expenses” were Euros 432 million in the period, down Euros 26 million (-5.7%) with regard to the same period of 2015.

In the first half of 2016 and 2015, provisions were adjusted to account for obligations relating to ongoing workforce restructuring plans and for voluntary departure agreements, generating income of Euros 9 million and Euros 28 million, respectively. Excluding this effect, personnel expenses would have fallen by Euros 45 million (-9.3%), largely due to a 5.2% reduction in the average workforce.

“Other fixed operating expenses” in the first half of 2016 stood at Euros 589 million, up Euros 23 million (+4.1%).

In the first half of 2016, this heading includes a net provision of Euros 9 million to cover the risk of infringement proceedings, compared to a net reversal of Euros 2 million in this connection in the first half of 2015. Stripping out this effect, “Other fixed operating expenses” would have gained 2.1% largely due to the increase in repair and maintenance costs.



## Depreciation and amortisation, and impairment losses

Depreciation and amortisation charges and impairment losses totalled Euros 676 million in the first half of 2016, Euros 4 million (+0.6%) more than the same period of 2015.

### Net financial loss: Euros 101 million (+7.4%).

The net financial loss for the first half of 2016 was Euros 101 million, up by Euros 7 million (+7.4%) year-on-year.

In the first six months of 2016, net financial expenses totalled Euros 101 million, up Euros 10 million (+11.0%) year on year.

Movements in long-term interest rates in both the first half of 2016 and the first half of 2015 have implied a change in provisions to account for obligations relating to ongoing workforce restructuring plans and for voluntary departure agreements, for the sums of Euros 48 (negative) and Euros 4 million (positive), respectively.

Stripping out this impact, net financial expenses would have shed Euros 42 million (-44.2%) due to the reduction in the average net financial debt and in the average cost of debt.

### Net income of companies accounted for using the equity method.

In the first half of 2016, companies accounted for using the equity method contributed a net loss of Euros 38 million, compared to the net loss of Euros 17 million in the first half of 2015.

As a result of the resolution adopted by the Board of Directors of ENDESA, S.A., described in Note 21 to the Condensed Interim Consolidated Financial Statements for the six months ended 30 June 2016, in relation to the binding offer for acquisition of the 60% stake held by ENEL Green Power International, B.V. in the share capital of ENEL Green Power España, S.L. (EGPE) for Euros 1,207 million, in the first half of 2016 this heading includes a loss of Euros 72 million to recognise impairment to the carrying amount of ENDESA's 40% stake in ENEL Green Power España, S.L. (EGPE) held at 30 June 2016.

In the first half of 2015, this heading included a loss of Euros 40 million on the 50% interest in Nuclenor, S.A. due to recognition of a provision to cover the estimated higher costs the company was to incur given the extra time the Nuclear Safety Council (CSN) was taking to issue its statutory report on the request to renew the operating licence for the Santa María de Garoña nuclear power plant.

## 2. Regulatory Framework

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

### Remuneration of the distribution activity

On 28 November 2015, the Official State Gazette published Royal Decree 1073/2015, of 27 November 2015, which modifies certain provisions in the Royal Decrees on the remuneration of electricity networks (Royal Decree 1047/2013, of 27 December 2013, for transmission, and Royal Decree 1048/2013, of 27 December 2013, for distribution). Among other aspects, the Royal Decree eliminates the yearly update of unitary values based on the CPI, in accordance with Law 2/2015 of 30 March 2015 on de-indexing the economy.

On 12 December 2015, Ministerial Order IET/2660/2015, of 11 December 2015, was published, establishing the types of installations and unitary value to be used in calculating distribution remuneration. This Order sets the beginning of the first regulatory period as 1 January 2016.

On 17 June 2016, Order IET/980/2016 of 10 June was published in the Official State Gazette, setting remuneration on distribution activity for 2016 and awarding ENDESA Euros 2,014 million in remuneration for this activity. ENDESA has also been awarded quality and anti-fraud incentives of Euros 7 million and Euros 2 million, respectively.

This Order sets the base remuneration for the entire regulatory period, running from 1 January 2016 through to 31 December 2019.

### **Subsidised electricity tariff**

Law 24/2013, of 26 December, required that the Social Bonus cost must be assumed, as a public service obligation, by parent companies or vertically-integrated groups of companies carrying out the activities of generation, distribution and supply of electricity, to assume the cost of the subsidised electricity tariff in proportion to a percentage based on both their number of supply connections to distribution grids and the number of customers supplied. The Spanish Markets and Competition Commission ("CNMC") will calculate this percentage annually, without prejudice to approval by a Ministry of Industry, Energy and Tourism Order.

The Spanish Ministry of Industry, Energy and Tourism is now analysing the draft bill of the Order to approve the final percentages for sharing out the subsidised electricity tariff for 2016, under which ENDESA, S.A. would be entitled to receive 41.10%.

### **Draft Royal Decree on the procedure for calculating the trading margin to be added to the Small Consumer Voluntary Price (SCVP).**

The Ministry of Industry, Energy and Tourism is now preparing a draft Royal Decree to set out the procedure for calculating the trading margin on the Small Consumer Voluntary Price (SCVP), thus complying with various rulings handed down by the Supreme Court that annulled the trading margin contained in Royal Decree 216/2014 of 28 March 2016, establishing the procedure for calculating Small Consumer Voluntary Prices (SCVP) for electricity and the legal framework for arranging power.

### **2016 electricity tariff**

On 18 December 2015, the Order IET/2735/2015 of 17 December 2015 establishing access charges for 2016 was published in the Official State Gazzete.

Pursuant to this Order, tariffs remained unchanged, except for high-voltage access tariff 6.1B (30<kV≤36). However, the unit prices paid by customers to finance capacity payments were reduced by 21.5% against prices on 31 December 2015.

### **Natural gas tariff for 2016**

Ministerial Order IET/2736/2015, of 17 December 2015, generally maintained the access tariffs with respect to 2015, having updated the Last Resort Tariffs with an average 3% reduction, resulting from lower raw material costs.

### **Energy efficiency**

Law 18/2014, of 15 October 2014, approving urgent measures to boost growth, competitiveness and efficiency, created, in the context of energy efficiency, the Energy Efficiency National Fund with the aim of achieving energy savings.

Order IET/359/2016, of 17 March 2016, establishes ENDESA's contribution to the Energy Efficiency National Fund at Euros 29.7 million for 2016.

### 3. Liquidity and Capital Resources

#### 3.1. Financial management

##### Financial debt

The reconciliation of ENDESA's gross and net financial debt at 30 June 2016 and 31 December 2015 is as follows:

Million Euros				
	30 June 2016	31 December 2015	Difference	% chg
Non-current interest-bearing loans and borrowings	4,428	4,680	(252)	(5.4)
Current interest-bearing loans and borrowings	-	-	-	-
<b>Gross financial debt</b>	<b>4,428</b>	<b>4,680</b>	<b>(252)</b>	<b>(5.4)</b>
Cash and cash equivalents	(674)	(346)	(328)	94.8
Derivatives recognised as financial assets	(13)	(11)	(2)	18.2
<b>Net financial debt</b>	<b>3,741</b>	<b>4,323</b>	<b>(582)</b>	<b>(13.5)</b>

ENDESA had net financial debt of Euros 3,741 million at 30 June 2016, a reduction of Euros 582 million (-13.5%) compared to 31 December 2015.

The structure of ENDESA's gross financial debt at 30 June 2016 and 31 December 2015 was as follows:

Million Euros				
	30 June 2016	31 December 2015	Difference	% chg
Euro	4,428	4,680	(252)	(5.4)
<b>TOTAL</b>	<b>4,428</b>	<b>4,680</b>	<b>(252)</b>	<b>(5.4)</b>
Fixed rate	3,537	3,537	-	-
Floating rate	891	1,143	(252)	(22.0)
<b>TOTAL</b>	<b>4,428</b>	<b>4,680</b>	<b>(252)</b>	<b>(5.4)</b>
Average life (years)	7.9	8.0	-	-
Average cost %	2.7	2.7	-	-

At 30 June 2016, 80% of the Company's gross financial debt accrued interest at fixed rates, while the remaining 20% accrued interest at floating rates.

At this date, 100% of the Company's gross financial debt is denominated in euros.

##### Main Financial Transactions

In the first half of 2016, ENDESA also maintained its programme of short-term debt issues on international markets, with an outstanding figure of Euros 107 million at 30 June 2016.

##### Liquidity

ENDESA had liquidity of Euros 3,762 million at 30 June 2016 (Euros 3,533 million at 31 December 2015), sufficient to meet its total debt repayments over the next 63 months.

This amount included Euros 674 million in cash and cash equivalents and Euros 3,088 million in undrawn and unconditionally available line of credit, of which Euros 1,000 million correspond to the line of credit drawn up with ENEL Finance International, N.V.

"Cash and cash equivalents" mature within three months from their acquisition date and earn interest at market rates for this type of deposit.

## Leverage ratio

Details of the consolidated leverage ratio at 30 June 2016 and 31 December 2015 are as follows:

	Leverage ratio	
	30 June 2016	31 December 2015
<b>Net financial debt:</b>	<b>3,741</b>	<b>4,323</b>
Non-current interest-bearing loans and borrowings	4,428	4,680
Current interest-bearing loans and borrowings	-	-
Cash and cash equivalents	(674)	(346)
Derivatives recognised as financial assets	(13)	(11)
<b>Equity:</b>	<b>9,215</b>	<b>9,039</b>
Of the Parent	9,212	9,036
Of non-controlling interests	3	3
<b>Leverage ratio (%)</b>	<b>40.6</b>	<b>47.8</b>

(\*) Net financial debt / Equity.

## Credit rating

At the date of this Consolidated Management Report, ENDESA's credit ratings were as follows:

	30 June 2016 (*)			31 December 2015 (*)		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Standard & Poor's	BBB	A-2	Stable	BBB	A-2	Positive
Moody's	Baa2	P-2	Stable	Baa2	P-2	Stable
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Stable

(\*) At the respective dates of issue of the Consolidated Management Report.

## 3.2. Cash flows

At 30 June 2016, cash and cash equivalents amounted to Euros 674 million.

ENDESA's net cash flow at 30 June 2016 and 2015, broken down into operating, investing and financing activities, was as follows:

	Statement of Cash Flows	
	January-June 2016	January-June 2015
Net cash flows from operating activities	1,470	1,194
Net cash flows used in investing activities	(475)	(371)
Net cash flows used in financing activities	(667)	(818)

Cash flows from operating activities in the first half of 2016 enabled ENDESA to carry out the investments needed to develop ENDESA businesses and pay out Euros 424 million in dividends, also generating an increase of Euros 328 million in cash and cash equivalents in the period.

## Net cash flows from operating activities

Net cash from operating activities in the first half of 2016 amounted to Euros 1,470 million, up Euros 276 million on the Euros 1,194 million reported in the same period of 2015, despite the lower income reported in the period. The increase is due to the change in working capital caused mainly by the Euros 256 million increase in net receipts from compensation corresponding to Non-Mainland Territories Electricity Systems.

At 30 June 2016 and 31 December 2015, working capital comprised the following items:

Million Euros	30 June 2016	31 December 2015
<b>Current assets (*)</b>	<b>4,279</b>	<b>4,633</b>
Inventories	1,107	1,262
Trade and other receivables	2,906	2,977
Current financial assets	266	353
Non-current assets held for sale	-	41
<b>Current liabilities (**)</b>	<b>5,808</b>	<b>5,871</b>
Current provisions	446	638
Trade payables and other current liabilities	5,362	5,233
Liabilities directly associated with non-current assets classified as held for sale	-	-

(\*) Excludes "Cash and cash equivalents" and derivatives recognised as financial assets corresponding to debt.

(\*\*) Excludes "Financial debt" and derivatives recognised as financial liabilities corresponding to debt.

### Net cash flows used in investing activities

In the first half of 2016, net cash flows applied to investments amounted to Euros 475 million and reflect, among others, the acquisition of 4.86% of the share capital of Tejo Energia – Produção e Distribuição de Energia Eléctrica, S.A. for Euros 8 million (see Section 6. Other Information, of this Consolidated Management Report), the sale of the 50% stake in ENEL Insurance N.V. in the amount of Euros 114 million (see Section 6. Other Information of this Consolidated Management Report), and net payments for investment in PPE and intangible assets in the amount of Euros 486 million (Euros 378 million in the first half of 2015) (see Section 3.3 Investments of this Consolidated Management Report).

### Net cash flows used in financing activities

In the first half of 2016, net cash flows used in financing activities totalled Euros 667 million (Euros 818 million in the first half of 2015) and include the payment of Euros 424 million for the interim dividend to be charged to 2015 profit (Euros 402 million in the first half of 2015) (See Section 3.4 Dividends of this Consolidated Management Report).

## 3.3. Investments

In the first half of 2016 ENDESA made gross investments of Euros 484 million. Of this amount, Euros 407 million related to capex and investment in intangible assets, and the remaining Euros 77 million to financial investments, as follows:

Million Euros	January-June 2016	January-June 2015	% chg
Generation and supply	140	122	14.8
Distribution	230	232	(0.9)
<b>TOTAL CAPEX</b>	<b>370</b>	<b>354</b>	<b>4.5</b>
Generation and supply	18	10	80.0
Distribution	11	12	(8.3)
Other	8	9	(11.1)
<b>TOTAL INTANGIBLE ASSETS</b>	<b>37</b>	<b>31</b>	<b>19.4</b>
<b>FINANCIAL INVESTMENTS</b>	<b>77</b>	<b>32</b>	<b>140.6</b>
<b>TOTAL INVESTMENTS</b>	<b>484</b>	<b>417</b>	<b>16.1</b>

Gross investment in generation in the first half of 2016 largely related to plants that were already operating at 31 December 2015, including investments in the Litoral power plant for Euros 35 million, in order to adapt to European environmental law, which extended its useful life.

Gross investment in supply mainly related to the development of the activities related to added-value products and services.

Gross investment in distribution related to network extensions and expenditure aimed at optimising the network in order to improve the efficiency and quality of the service provided. These also included investment for the widespread installation of remote management smart meters and their operating systems.

Gross investment in intangibles mainly related to software applications.

Financial investments in the first half of 2016 mainly related to guarantees provided for operation in the market in the amount of Euros 40 million.

### 3.4. Dividends

Approval was given at ENDESA General Shareholders' Meeting of 26 April 2016 to pay shareholders a total dividend charged against 2015 profit of a gross Euros 1.026 per share (Euros 1,086 million).

Taking into consideration the interim dividend of Euros 0.4 per share (Euros 424 million) paid on 4 January 2016, the final dividend charged to 2015 profit amounts to Euros 0.626 gross per share (Euros 663 million) and was paid on 1 July 2016.

## 4. Main Risks and Uncertainties in the second half of 2016

The main risks and uncertainties ENDESA faces in the second half of 2016 arise mostly from the following:

- ENDESA sales in the second half of the year will largely be affected by gas and electricity demand in Spain during the period, which in turn will be shaped by the Spanish economy and, mostly, GDP growth.
- Rainfall and wind potential levels will also affect electricity production costs and market price, in turn affecting margins in the latter half of 2016.
- Furthermore, fuel and electricity prices on the wholesale market, fundamentally coal and gas, will impact business costs and sales prices. Although ENDESA has fuel price hedges in place and has finalised contracts for power sold to customers for the next few months, fluctuations in both the market price for fuel and for electricity will affect the Group's costs and revenues, and therefore, margins.
- Interest rates will have an impact on ENDESA's results in the second half of 2016 because of the portion of the Group's net debt held at floating interest rates. To mitigate this impact, ENDESA hedges interest rate risk by entering into derivatives.
- The results and fair value of investee over which ENDESA does not exercise control and which are accounted for in the Consolidated Financial Statements using the equity method may also affect earnings in the second half of 2016. Specifically, the current situation at Nuclenor, S.A. and Elcogas, S.A., as described in Note 6 of the Notes to the Condensed Interim Consolidated Financial Statements for the six months ended 30 June 2016, may significantly impact these companies' results.
- ENDESA is also involved in a number of legal proceedings which, when resolved, may impact the Consolidated Financial Statements.

## 5. Information on related-party transactions

Information concerning related-party transactions is included in Note 18 of the Condensed Interim Consolidated Financial Statements for the six months ended 30 June 2016.

## 6. Other Information

On 30 March 2016, ENDESA acquired from EDP - Gestão de Produção de Energia, S.A. 48,854 shares representing 4.86% of the share capital of Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A., in which ENDESA previously held a stake of 38.89%. As a result of the transaction, the consideration of which amounted to Euros 8 million, ENDESA has increased its investment in the share capital of Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A to 43.75%.

On 24 May 2016, ENDESA sold its entire stake in ENEL Insurance N.V. (representing 50% of its share capital) to ENEL Investment Holding B.V. in a deal worth Euros 114 million. The transaction has had no impact on the consolidated income statement for the first half of 2016.

On 21 June 2016, ENDESA signed a purchase agreement to acquire the entire share capital of Eléctrica del Ebro, S.A. in exchange for Euros 25 million. This amount will be adjusted to reflect the net agreed financial position on the completion date. On 14 July 2016 the agreement was approved by the Spanish anti-trust authorities, and the operation is expected to go through on 28 July 2016.

There were no one-off events involving significant amounts during the first half of 2016 other than those discussed herein. Therefore, during the first half of 2016 no new significant contingent liabilities arose other than those described in the Consolidated Financial Statements for the year ended 31 December 2015. Information on lawsuits, arbitration proceedings and contingent assets is included in Note 11.2 of the Condensed Interim Consolidated Financial Statements for the six months ended 30 June 2016.

## **7. Events after the Reporting Period**

Information concerning events after the reporting period is included in Note 21 of the Condensed Interim Consolidated Financial Statements for the six months ended 30 June 2016.

## Appendix I: Statistical information

### Key figures

GWh

Electricity generation output	January-June 2016	January-June 2015	% chg
<b>Mainland</b>	<b>24,512</b>	<b>29,471</b>	<b>(16.8)</b>
Nuclear	12,843	12,913	(0.5)
Coal	5,687	10,421	(45.4)
Hydroelectric	4,992	4,680	6.7
Combined cycle (CCGT)	990	1,457	(32.1)
<b>Non-Mainland Territories</b>	<b>5,938</b>	<b>5,862</b>	<b>1.3</b>
<b>TOTAL</b>	<b>30,450</b>	<b>35,333</b>	<b>(13.8)</b>

(1) At power plant busbars

MW

Gross installed capacity	30 June 2016	31 December 2015	% chg
Hydroelectric	4,765	4,765	-
Conventional thermal	8,094	8,278	(2.2)
Nuclear	3,443	3,443	-
Combined cycle (CCGT)	5,678	5,678	-
<b>TOTAL</b>	<b>21,980</b>	<b>22,164</b>	<b>(0.8)</b>

MW

Net installed capacity	30 June 2016	31 December 2015	% chg
Hydroelectric	4,721	4,721	-
Conventional thermal	7,585	7,723	(1.8)
Nuclear	3,318	3,318	-
Combined cycle (CCGT)	5,445	5,445	-
<b>TOTAL</b>	<b>21,069</b>	<b>21,207</b>	<b>(0.7)</b>

GWh

Electricity sales	January-June 2016	January-June 2015	% chg
Reference supply	6,859	7,769	(11.7)
Deregulated market	38,825	37,922	2.4
<b>TOTAL</b>	<b>45,684</b>	<b>45,691</b>	<b>-</b>

Thousands

Number of customers (electricity)	30 June 2016	31 December 2015	% chg
Reference supply customers	5,790	6,029	(4.0)
Supply on the deregulated market	5,236	5,083	3.0
<b>TOTAL</b>	<b>11,026</b>	<b>11,112</b>	<b>(0.8)</b>

Percentage (%)

Trends in demand for electricity	(1)	January-June 2016	January-June 2015
Business in Spain and Portugal	(2)	-	1.9%

(1) Source: Red Eléctrica de España, S.A. (REE).

(2) Adjusted for working days and temperature, trends in demand were +0.1% in the first half of 2016 and +0.5% in the first half of 2015.

Percentage (%)

Market share (electricity)	(1)	30 June 2016	31 December 2015
Generation under the ordinary regime	(2)	33.1	38.8
Distribution		42.9	43.5
Deregulated market		35.4	35.7

(1) Source: In-house.

(2) Mainland



GWh

Gas sales	January-June 2016	January-June 2015	% chg
Deregulated market	25,347	24,851	2.0
Regulated market	876	551	59.0
International market	10,013	7,211	38.9
Wholesale business	3,166	4,806	(34.1)
<b>TOTAL</b>	<b>39,402</b>	<b>37,419</b>	<b>5.3</b>

(1) Excluding own generation consumption

Thousands

Number of customers (gas)	30 June 2016	31 December 2015	% chg
Regulated market	274	288	(4.9)
Deregulated market	1,231	1,173	4.9
<b>TOTAL</b>	<b>1,505</b>	<b>1,461</b>	<b>3.0</b>

(1) Supply points.

Percentage (%)

Trends in demand for gas	January-June 2016	January-June 2015	% chg
Business in Spain and Portugal	(1.4)		5.3

(1) Source: Enagás, S.A.

Percentage (%)

Gas market share	30 June 2016	31 December 2015	% chg
Deregulated market	17.2	16.5	

(1) Source: In-house.

GWh

Energy distributed	January-June 2016	January-June 2015	% chg
Business in Spain and Portugal	55,959	56,023	(0.1)

(1) At power plant busbars

KM

Distribution and transmission networks	30 June 2016	31 December 2015	% chg
Business in Spain and Portugal	315,954	317,675	(0.5)

Percentage (%)

Energy losses	January-June 2016	January-June 2015	% chg
Business in Spain and Portugal	10.6	11.3	

## Personnel

Number of employees

Workforce	30 June 2016	31 December 2015	% chg
<b>Final headcount</b>	<b>9,703</b>	<b>10,000</b>	<b>(3.0)</b>
Generation and supply	5,007	5,108	(2.0)
Distribution	3,305	3,502	(5.6)
Structure and Others (1)	1,391	1,390	0.1
<b>Average headcount</b>	<b>9,860</b>	<b>10,243</b>	<b>(3.7)</b>
Generation and supply	5,058	5,183	(2.4)
Distribution	3,409	3,595	(5.2)
Structure and Others (1)	1,393	1,465	(4.9)

(1) Structure and services.

## Economic and Financial Data

Euros

Valuation parameters (Euros)		30 June 2016	30 June 2015	% chg
Net earnings per share	(1)	0.75	0.82	(8.5)
Cash flow per share	(2)	1.39	1.13	23.1
Book value per share	(3)	8.70	8.53 (4)	1.9

(1) Income attributable to the Parent / No. of shares

(2) Net cash flows from operating activities / No. of shares

(3) Equity attributable to the Parent / No. of shares

(4) At 31 December 2015

Million Euros

		Leverage ratio	
		30 June 2016	31 December 2015
<b>Net financial debt:</b>		<b>3,741</b>	<b>4,323</b>
Non-current interest-bearing loans and borrowings		4,428	4,680
Current interest-bearing loans and borrowings		-	-
Cash and cash equivalents		(674)	(346)
Derivatives recognised as financial assets		(13)	(11)
<b>Equity:</b>		<b>9,215</b>	<b>9,039</b>
Of the Parent		9,212	9,036
Of non-controlling interests		3	3
<b>Leverage ratio (%)</b>	(*)	<b>40.6</b>	<b>47.8</b>

(\*) Net financial debt / Equity.

## Ratings

	30 June 2016 (*)			31 December 2015 (*)		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Standard & Poor's	BBB	A-2	Stable	BBB	A-2	Positive
Moody's	Baa2	P-2	Stable	Baa2	P-2	Stable
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Stable

(\*) At the respective dates of issue of the Consolidated Management Report.

## Stock Market Information

Percentage (%)

Share price trend	January-June 2016	January-December 2015
<b>ENDESA, S.A.</b>	<b>(2.7)</b>	<b>11.9</b>
Ibex-35	(15.1)	(7.2)
EurostoXX 50	(12.3)	4.5
EurostoXX Utilities	(3.2)	(5.1)

Stock market data		30 June 2016	31 December 2015	% chg
Market capitalisation	(Million Euros)	19,089	19,613	(2.7)
Number of shares outstanding		1,058,752,117	1,058,752,117	-
Nominal share value	(Euros)	1.2	1.2	-
Cash	(Thousand Euros)	5,896,020	16,500,861	(64.3)
Madrid stock exchange	(Shares)			
Trading volume		338,915,525	919,800,874	(63.2)
Average daily trading volume		2,668,626	3,592,972	(25.7)
P.E.R.	(1)	12.0	18.1	-

(1) Price to Earnings Ratio (P.E.R.) = Closing price / Earnings per share

Euros

Share price	January-June 2016	January-December 2015	% chg
Maximum	18.48	20.59	(10.2)
Minimum	15.74	15.57	1.1
Average in the period	17.41	18.23	(4.5)
Closing price	18.03	18.52	(2.6)

**ENDESA, S.A.**

**Management Report for the six  
months ended 30 June 2016**

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

Madrid, 26 July 2016

## ENDESA, S.A.

### Management Report for the six months ended 30 June 2016

#### Business performance.

ENDESA, S.A. ("ENDESA" or the "Company") is a Holding company and its income essentially depends on the dividends from its subsidiaries and its expenses from the cost of its debt. Provisions for investments can also be made or reversed based on changes in the value of its subsidiaries. In addition, the Company earns income by providing services to its subsidiaries and incurs operating costs needed to develop their activities.

The net turnover in the six-month period ended 30 June 2016 amounted to Euros 517 million, Euros 421 million from dividend income and Euros 96 million from provision of services.

During the first half of 2016, ENDESA has approved the payment of interim dividends of the profit for 2016 in the subsidiaries listed below:

Million Euros	
Company	Dividend
ENDESA Energía, S.A.U.	223
ENDESA Red, S.A.U.	156
ENDESA Financiación Filiales, S.A.U.	42
<b>TOTAL</b>	<b>421</b>

In the first half of 2016, total operating income amounted to Euros 530 million, while operating expenses totalled Euros 160 million, generating EBIT of Euros 370 million.

The financial result reported for the first half of 2016 was positive, amounting to Euros 15 million. This result includes mainly net financial expenses of Euros 80 million on financial debt and the effect on provisions of long-term interest rates evolution.

Also, includes the positive result amounting to Euros 94 million generated by the sale on 24 May 2016 to ENEL Investment Holding B.V. of the entire stake in ENEL Insurance, N.V. corresponding to 50% of its share capital, for a total price of Euros 114 million.

The result before tax amounted to Euros 385 million, positive, and income tax accrued was an income of Euros 27 million.

In all, the net result obtained in the six-month period ended 30 June 2016 amounted to Euros 412 million, positive, up 40.1% on the first half of 2015, which amounted to Euros 294 million.

## **STATEMENT OF RESPONSIBILITY**

### **FINANCIAL REPORT FIRST HALF YEAR 2016**

The members of the Board of Directors of Endesa, S.A. state that, to the best of their knowledge, interim condensed consolidated financial statements for the six months ended 30 June 2016, prepared in accordance with applicable accounting standards, present a true and fair view of the equity, financial position and results of Endesa, as well as of the companies included within the scope of consolidation taken as a whole, and that the interim consolidated management report for the first half of 2016 contains a fair analysis of the required information.

<b>Borja Prado Eulate</b> <b>Chairman</b>	<b>Francesco Starace</b> <b>Vice Chairman</b>
<b>José Damián Bogas Gálvez</b> <b>Chief Executive Officer</b>	<b>Alejandro Echevarría Busquet</b> <b>Director</b>
<b>Livio Gallo</b> <b>Director</b>	<b>Ignacio Garralda Ruiz de Velasco</b> <b>Director</b>
<b>Francisco de Lacerda</b> <b>Director</b>	<b>Alberto de Paoli</b> <b>Director</b>
<b>Helena Revoredo Delvecchio</b> <b>Director</b>	<b>Miquel Roca Junyent</b> <b>Director</b>
<b>Enrico Viale</b> <b>Director</b>	

Madrid, 26 July 2016