## ENDESA, S.A.

## and Subsidiaries

## Quarterly Report for the period January-September 2018

- Consolidated Financial Statements for the period January-September 2018.
- Consolidated Management Report for the period January-September 2018.

ENDESA, S.A. and Subsidiaries

## Consolidated

Financial Statements
for the period January-September 2018

## ENDESA, S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

## AT 30 SEPTEMBER 2018 AND 31 DECEMBER 2017

| Millions of Euros |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 30 September 2018 | $\begin{aligned} & 31 \text { December } \\ & 2017 \end{aligned}$ | Difference | \% Var. |
| ASSETS |  |  |  |  |
| NON-CURRENT ASSETS | 25,875 | 25,507 | 368 | 1.4 |
| Property, Plant and Equipment | 21,791 | 21,727 | 64 | 0.3 |
| Investment Property | 14 | 9 | 5 | 55.6 |
| Intangible Assets | 1,313 | 1,196 | 117 | 9.8 |
| Goodwill | 480 | 459 | 21 | 4.6 |
| Investments Accounted for using the Equity Method | 215 | 205 | 10 | 4.9 |
| Non-Current Financial Assets | 859 | 769 | 90 | 11.7 |
| Deferred Tax Assets | 1,203 | 1,142 | 61 | 5.3 |
|  |  |  |  |  |
| CURRENT ASSETS | 6,193 | 5,530 | 663 | 12.0 |
| Inventories | 1,269 | 1,267 | 2 | 0.2 |
| Trade and other Receivables | 3,469 | 3,100 | 369 | 11.9 |
| Current Financial Assets | 1,256 | 764 | 492 | 64.4 |
| Cash and Cash Equivalents | 199 | 399 | (200) | (50.1) |
| Non-Current Assets Held for Sale and Discontinued Operations | - | - | - | n/a |
| TOTAL ASSETS | 32,068 | 31,037 | 1,031 | 3.3 |
|  |  |  |  |  |
| EQUITY AND LIABILITIES |  |  |  |  |
|  |  |  |  |  |
| EQUITY | 9,716 | 9,233 | 483 | 5.2 |
| Of the Parent Company | 9,572 | 9,096 | 476 | 5.2 |
| Of non-Controlling Interests | 144 | 137 | 7 | 5.1 |
|  |  |  |  |  |
| NON-CURRENT LIABILITIES | 15,482 | 14,269 | 1,213 | 8.5 |
| Deferred Income | 4,720 | 4,730 | (10) | (0.2) |
| Non-Current Provisions | 3,283 | 3,382 | (99) | (2.9) |
| Non-Current Interest-Bearing Loans and Borrowings | 5,514 | 4,414 | 1,100 | 24.9 |
| Other non-Current Liabilities | 775 | 646 | 129 | 20.0 |
| Deferred Tax Liabilities | 1,190 | 1,097 | 93 | 8.5 |
|  |  |  |  |  |
| CURRENT LIABILITIES | 6,870 | 7,535 | (665) | (8.8) |
| Current Interest-Bearing Loans and Borrowings | 1,332 | 978 | 354 | 36.2 |
| Current Provisions | 392 | 425 | (33) | (7.8) |
| Trade Payables and other Current Liabilities | 5,146 | 6,132 | (986) | (16.1) |
| Liabilities Associated with non-Current Assets classified as Held for Sale and Discontinued Operations | - | - | - | n/a |
| TOTAL EQUITY AND LIABILITIES | 32,068 | 31,037 | 1,031 | 3.3 |

(2) Audited

ENDESA S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE PERIODS JANUARY - SEPTEMBER 2018 AND 2017


ENDESA S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS JANUARY - SEPTEMBER 2018 AND 2017


ENDESA S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE PERIODS JANUARY - SEPTEMBER 2018 AND 2017

|  | January - September 2018 <br> (1) |  |  | $\begin{gathered} \text { January - September } \\ 2017{ }^{\text {(1) }} \\ \hline \end{gathered}$ |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Of the Parent Company | Of Non-Controlling Interests | Total | Of the Parent Company | Of Non-Controlling Interests | Total |
| PROFIT FOR THE PERIOD | 1,193 | 6 | 1,199 | 1,085 | 7 | 1,092 |
| OTHER COMPREHENSIVE INCOME: |  |  |  |  |  |  |
| INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY | 13 | (1) | 12 | 10 | - | 10 |
| Items that Can Be Reclassified to Profit or Loss: | 22 | (1) | 21 | 10 | - | 10 |
| From Revaluation / (Reversal of Revaluation) of Property, Plant and Equipment and Intangible Assets | - | - | - | - | - |  |
| From Measurement of Financial Instruments | - | - | - | - | - |  |
| Available-for-Sale Financial Assets | - | - | - | - | - |  |
| Other Income / (Expenses) |  | - | - | - | - |  |
| Cash Flow Hedges | 24 | (1) | 23 | 10 | - | 10 |
| Translation Differences | 1 | - | 1 | - | - |  |
| Companies Accounted for using the Equity Method | 3 | - | 3 | 2 | - | 2 |
| Other Income and Expenses Recognised directly in Equity | - | - | - | - | - |  |
| Tax Effect | (6) | - | (6) | (2) | - | (2) |
| Items not to Be Reclassified to Profit or Loss in Subsequent Periods: | (9) | - | (9) | - | - |  |
| From Actuarial Gains and Losses and other Adjustments | (11) | - | (11) | - | - |  |
| Tax Effect | 2 | - | 2 | - | . |  |
| AMOUNTS TRANSFERRED TO INCOME STATEMENT AND/OR INVESTMENTS | (39) | - | (39) | (55) | - | (55) |
| From Measurement of Financial Instruments | - | - | - | - | - |  |
| Available-for-Sale Financial Assets | - | - | - | - | - |  |
| Other Income / (Expenses) | - | - | - | - | - |  |
| Cash Flow Hedges | (52) | - | (52) | (73) | - | (73) |
| Translation Differences | - | - | - | - | - |  |
| Companies Accounted for using the Equity Method | - | - | - | - | - |  |
| Other Income and Expenses Recognised directly in Equity |  | - | - | - | - |  |
| Tax Effect | 13 | - | 13 | 18 | - | 18 |
| TOTAL COMPREHENSIVE INCOME | 1,167 | 5 | 1,172 | 1,040 | 7 | 1,047 |

ENDESA S.A. AND SUBSIDIARIES CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY - SEPTEMBER 2018


ENDESA S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD JANUARY - SEPTEMBER 2017


ENDESA S.A. AND SUBSIDIARIES
BREAKDOWN CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2018

|  |  |  |  |
| :--- | :--- | :--- | :--- |
| Millions of Euros |  |  |  |
|  |  |  |  |

ENDESA S.A. AND SUBSIDIARIES
BREAKDOWN CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

|  |  |  |  |
| :--- | :--- | :--- | :--- | :--- |
| Millions of Euros |  |  |  |
|  |  |  |  |

endesa s.A. AND SUbSIDIARIES
BREAKDOWN CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD JANUARY - SEPTEMBER 2018

|  |  |  |
| :--- | :--- | :--- | :--- |
| Millions of Euros |  |  |
|  |  |  |

endesa s.A. AND SUbSIDIARIES
BREAKDOWN CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD JANUARY - SEPTEMBER 2017

|  |  |  |  |
| :--- | :--- | :--- | :--- | :--- |
| Millions of Euros |  |  |  |
|  |  |  |  |

# ENDESA, S.A. and Subsidiaries 

# Consolidated Management Report for the period January-September 2018 

## ENDESA, S.A. AND SUBSIDIARIES CONSOLIDATED MANAGEMENT REPORT FOR

## THE PERIOD JANUARY-SEPTEMBER 2018

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ENDESA, S.A. AND SUBSIDIARIES

## CONSOLIDATED MANAGEMENT REPORT FOR

## THE PERIOD JANUARY-SEPTEMBER 2018

## 1. Business Trends and Results in the first nine months of 2018.

### 1.1. Consolidated Results.

## ENDESA reported net income of Euros 1.193 million (+10\%) in the nine-month period ended 30 September 2018

ENDESA reported net income of Euros 1,193 million in the first nine months of 2018, an increase of $10 \%$ from Euros 1,085 million reported in the first nine months of 2017.

The table below presents the distribution of net income amongst ENDESA's businesses during the first nine months of 2018 and its variation compared with the same period in the previous year (see Section 1.4. Segment Information in this Consolidated Management Report):

|  | Net Income |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | January - September 2018 | $\begin{gathered} \hline \text { January - September } \\ 2017 \\ \hline \end{gathered}$ | \% Var. | \% contribution to total |
| Generation and Supply | 394 | 310 | 27.1 | 33.0 |
| Distribution | 770 | 680 | 13.2 | 64.5 |
| Structure and Others ${ }_{(1)}$ | 29 | 95 | (69.5) | 2.5 |
| TOTAL | 1,193 | 1,085 | 10.0 | 100.0 |

(1) Structure, Services and Adjustments.

### 1.2. Changes to Accounting Principles.

Appendix III of this Consolidated Management Report includes the effect on the Consolidated Statement of Financial Position at 1 January 2018 from the changes as a result of the application of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers".

As a result of the implementation of IFRS 9 "Financial instruments", ENDESA has applied an impairment model based on the expected loss method.

As a result of the first application of IFRS 15 "Revenue from Contracts with Customers", ENDESA has capitalised under non-current assets the incremental costs of obtaining these contracts with customers that, up to 1 January 2018, had been recognised in the Consolidated Statement of Financial Position.

This asset is depreciated systematically depending on the average expected useful life of the contracts with customers associated with these costs, which, on that date, varies between 1.4 years to 9 years.

With regard to the transition alternative adopted in the first-time application of both standards, ENDESA has opted for retroactive application with the accumulated impact of the initial application at 1 January 2018.

Appendix IV of this Consolidated Management Report includes a breakdown of the impact of the application of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" in the Consolidated Financial Statements for the nine-month period ended 30 September 2018.

### 1.3. Analysis of Results.

The table below presents the detail of the most relevant figures in ENDESA's Consolidated Income Statement in the first nine months of 2018 and its variation compared with the same period in the previous year:

|  | Most significant figures |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | January - September 2018 | January - September 2017 | Difference | \% Var. |
| Income | 15,353 | 14,824 | 529 | 3.6 |
| Contribution margin | 4,271 | 4,006 | 265 | 6.6 |
| EBITDA ${ }_{(1)}$ | 2,791 | 2,548 | 243 | 9.5 |
| EBIT (2) | 1,644 | 1,476 | 168 | 11.4 |
| Net financial gain/(loss) | (106) | (94) | (12) | 12.8 |
| Profit/(loss) before tax | 1,539 | 1,394 | 145 | 10.4 |
| Net gain/(loss) | 1,193 | 1,085 | 108 | 10.0 |
| (1) EBITDA = Incom <br> (2) $\mathrm{EBIT}=\mathrm{EBITDA}$ | If-constructed assets - P impairment losses. | Sonnel Expenses - Other | ixed Operati | penses. |

EBITDA amounted to Euros 2,791 million (+9.5\%) in the first nine months of 2018. To analyse the performance during the period, the following factors must be taken into account:

- The decrease in power purchase costs (-2.1\%) and fuel consumption (-1.6\%) due mainly to lower thermal and nuclear output in the period, despite the increase in the cumulative arithmetic price in the wholesale electricity market (Euros $55.4 / \mathrm{MWh} ;+10.1 \%$ ).
- The Euros 142 million reduction in the expense recognised in January-September 2017 in relation to the Social Bonus in accordance with Order ETU/929/2017, of 28 September 2017, which implements the ruling handed down on the obligation to repay, with a charge to the electricity system, all the amounts paid by ENDESA, S.A. in relation to the Social Bonus in 2015 and 2016.
- The variation or Euros 109 million in regulated income from the distribution activity in JanuarySeptember 2018, according to the methodology defined in Royal Decree 1048/2013, of 27 December 2013.

EBIT in the first nine months of 2018 increased by $11.4 \%$ year-on-year to Euros 1,644 million, mainly as a result of the $9.5 \%$ increase in EBITDA.

### 1.3.1. Income.

Income in the nine months of 2018 totalled Euros 15,353 million, Euros 529 million (+3.6\%) higher than income posted in the first nine months of the previous year.

The table below presents the detail of income in the first nine months of 2018 and its variation compared with the same period in the previous year:

| Millions of Euros |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Income |  |  |  |
|  | $\begin{gathered} \hline \text { January - September } \\ 2018 \text { (1) } \\ \hline \end{gathered}$ | January - September 2017 (1) | Difference | \% Var. |
| Revenue from Sales | 14,650 | 14,449 | 201 | 1.4 |
| Other operating income | 703 | 375 | 328 | 87.5 |
| TOTAL | 15,353 | 14,824 | 529 | 3.6 |

[^0]Market Situation.
In the first nine months of 2018, electricity demand trends were as follows:

- Total mainland electricity demand rose by $0.9 \%$ year-on-year (+1.1\% adjusted for working days and temperature).
- The accumulated electricity demand in Non-mainland territories (TNP) closed out the first nine-months of 2018 with a $1.7 \%$ increase in the Balearic Islands and a $0.7 \%$ decrease in the Canary Islands compared with the same period the previous year ( $+1.1 \%$ and $-0.7 \%$ respectively, adjusted for the effect of working days and temperature).

January-September 2018 saw higher prices, where the cumulative arithmetic price on the wholesale electricity market was Euros $55.4 / \mathrm{MWh}(+10.1 \%)$ mainly due to the increase in carbon dioxide $\left(\mathrm{CO}_{2}\right)$ emission rights and changes in commodity prices.

The cumulative contribution of renewable energies to total mainland production in the period was $39.1 \%$ ( $35.7 \%$ in the first nine months of 2017).

In this environment:

- ENDESA's mainland electricity production during the first nine months of 2018 was 45,912 GWh, $5.1 \%$ lower than the first nine months of the previous year, as detailed: combined cycle plants ( 3,907 GWh, $-33.2 \%$ ), coal-fired power plants ( 13,972 GWh, $-12.0 \%$ ), nuclear power plants ( $18,458 \mathrm{GWh},-7.6 \%$ ), renewable and cogeneration plants ( $2,711 \mathrm{GWh},+8.0 \%$ ) and hydroelectric plants ( $6,864 \mathrm{GWh},+63.5 \%$ ).
- Non-mainland Territories (TNP) generation was 9,636 GWh (-2.1\%).
- Nuclear and renewable technologies, including hydroelectrical, accounted for $50.5 \%$ of ENDESA's generation mix, compared with 81.7\% for the rest of the sector (45.8\% and 77.0\% respectively in the first nine months of 2017).

At 30 September 2018, ENDESA held the following electricity market shares:

- $24.2 \%$ in mainland generation.
- $43.7 \%$ in electricity distribution.
- $33.6 \%$ in sale of electricity.

In the first nine months of 2018 conventional gas demand was up by $6.0 \%$ year-on-year, and at 30 September 2018 ENDESA had a market share of $16.2 \%$ in gas sales to customers in the deregulated market.

## Sales.

The table below presents the detail of ENDESA sales in the first nine months of 2018 and its variation compared with the same period in the previous year:

|  | Sales |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | January - - September 2018 (1) | January - <br> September 2017 (1) | Difference | \% Var. |
| Electricity sales | 10,684 | 10,830 | (146) | (1.3) |
| Deregulated market sales - Spain | 6,255 | 6,354 | (99) | (1.6) |
| Deregulated market sales - European other than Spain | 749 | 780 | (31) | (4.0) |
| Sales at regulated prices | 1,761 | 1,845 | (84) | (4.6) |
| Wholesale market sales | 850 | 835 | 15 | 1.8 |
| Non-mainland Territories (TNP) compensations | 989 | 933 | 56 | 6.0 |
| Other electricity sales | 80 | 83 | (3) | (3.6) |
| Gas sales | 1,825 | 1,597 | 228 | 14.3 |
| Regulated revenue from electricity distribution | 1,650 | 1,541 | 109 | 7.1 |
| Other sales and services rendered | 491 | 481 | 10 | 2.1 |
| TOTAL | 14,650 | 14,449 | 201 | 1.4 |

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2018 and 2017.

## Electricity sales to customers on the deregulated market.

At 30 September 2018, ENDESA had 5,670,236 electricity customers in the deregulated market, a $1.4 \%$ increase on numbers at 31 December 2017, as per the following breakdown:

- $4,593,538(-0.2 \%)$ in the Spanish mainland market.
- 814,051 (+3.4\%) in the Non-mainland territories (TNP) market.
- $262,647(+28.3 \%)$ in deregulated European markets outside Spain.

ENDESA sold a net total of 58,686 GWh to these customers in the first nine months of 2018, a $6.5 \%$ decrease on the same period in 2017, as per the following breakdown:

- $\quad 51,332$ GWh (-6.1\%) in the Spanish deregulated market.
- $\quad 7,354$ GWh (-9.4\%) in deregulated European markets other than Spain.

In economic terms, sales on the deregulated market in the first nine months of 2018 totalled Euros 7,004 million ( $-1.8 \%$ ), with the following breakdown:

- Sales in the Spanish deregulated market totalled Euros 6,255 million, Euros 99 million down on the figure for the previous year ( $-1.6 \%$ ) due mainly to the lower number of physical units sold.
- Revenue from sales to deregulated European markets other than Spain totalled Euros 749 million, down by Euros 31 million ( $-4.0 \%$ ) year on year, due mainly to the lower volume of electricity sold in Portugal, Germany and the Netherlands due to changes in the customer mix.


## Electricity sales at a regulated price.

In the nine-month period ended 30 September 2018:

- ENDESA sold 9,331 GWh to customers via its Supplier of Reference under the regulated price, which is down 3.7\% on January-September 2017.
- These sales entailed an income of Euros 1,761 million, which is $4.6 \%$ lower than the figure in the first nine months of 2017, mainly as a result of the drop in physical units sold.

Gas sales.
At 30 September 2018 ENDESA had 1,594,356 gas customers in the deregulated market, a 2.2\% increase on numbers at 31 December 2017:

- $235,204(-4.5 \%)$ in the regulated market.
- $1,359,152(+3.4 \%)$ in the deregulated market.

ENDESA sold 61,433 GWh to customers in the natural gas market in the first nine months of 2018, which represents an increase of $4.2 \%$ on the 2017 figure.

Revenue from gas sales totalled Euros 1.825 million in the first nine months of 2018, up Euros 228 million ( $+14.3 \%$ ) on the figure for the first nine months of 2017, as follows:

- Gas sales in the Spanish deregulated market totalled Euros 1,767 million, which is Euros 225 million more than the year-ago figure ( $+14.6 \%$ ) due mainly to the higher sales prices.
- Revenue from gas sales to customers at regulated prices totalled Euros 58 million, which is Euros 3 million more than the year-ago figure ( $+5.5 \%$ ) due mainly to the higher number of physical units sold.


## Non-mainland Territories (TNP) Generation Compensations.

Compensations in January-September 2018 for the extra-costs of non-mainland generation totalled Euros 989 million, up by Euros 56 million (+6.0) compared with the same period in the previous year, due mainly to the rise in fuel prices brought about by the evolution of commodity prices.

## Electricity Distribution.

ENDESA distributed 88,620 GWh of power in the Spanish market in the first nine months of 2018, a year-on-year decrease of $0.3 \%$.

Revenue from regulated distribution activities in the first nine months of 2018 totalled Euros 1,650 million, up Euros 109 million (+7.1\%) on the first nine months of 2017, due mainly to the application of the methodology deriving from Royal Decree 1048/2013, of 27 December 2013.

## Other Operating Income.

The table below presents the detail of other operating income in the first nine months of 2018 and its variation compared with the same period in the previous year:

| Millions of Euros |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Other operating income |  |  |  |
|  | $\begin{gathered} \hline \text { January - September } \\ 2018 \text { (1) } \\ \hline \end{gathered}$ | $\begin{gathered} \hline \text { January - September } \\ 2017 \text { (1) } \\ \hline \end{gathered}$ | Difference | \% Var. |
| Changes in fuel stock derivatives | 455 | 120 | 335 | 279.2 |
| Grants released to income | 127 | 133 | (6) | (4.5) |
| Trading rights | 30 | 35 | (5) | (14.3) |
| Other | 91 | 87 | 4 | 4.6 |
| TOTAL | 703 | 375 | 328 | 87.5 |

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2018 and 2017.

In January-September 2018, other operating income amounted to Euros 703 million, an increase of Euros 328 million ( $+87.5 \%$ ) over the same period of the previous year, mainly as a result of the increase of Euros 335 million ( $+279.2 \%$ ) in income from the valuation and settlement of energy derivatives due to the performance of the valuation and settlement of gas and electricity derivatives that is partly offset by the Euros 173 million increase (+102.4\%) in expenses for the same item, recognised under Other Variable Procurements and Services.

### 1.3.2. Operating Expenses.

Operating expenses in January-September 2018 amounted to Euros 13,854 million, which is $2.7 \%$ higher compared to the same period the previous year.

The table below presents the detail of operating expenses in the first nine months of 2018 and its variation compared with the same period in the previous year:

|  | Operating expenses |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | January September 2018 (1) | $\qquad$ | Difference | \% Var. |
| Procurements and Services | 11,082 | 10,818 | 264 | 2.4 |
| Energy purchased | 3,601 | 3,680 | (79) | (2.1) |
| Fuel consumption | 1,627 | 1,653 | (26) | (1.6) |
| Transmission expenses | 4,156 | 4,193 | (37) | (0.9) |
| Other variable procurements and services | 1,698 | 1,292 | 406 | 31.4 |
| Personnel expenses | 704 | 673 | 31 | 4.6 |
| Other fixed operating expenses | 921 | 933 | (12) | (1.3) |
| Depreciation and amortisation, and impairment losses | 1,147 | 1,072 | 75 | 7.0 |
| TOTAL | 13,854 | 13,496 | 358 | 2.7 |

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2018 and 2017.

## Procurements and Services (variable costs).

Procurements and services (variable costs) totalled Euros 11,082 million in the first nine months of $2018,2.4 \%$ more than in the same period last year.

The performance of these costs for the first nine months of 2018 was:

- Power purchase costs and fuel consumption fell by Euros 105 million (-2.0\%) due mainly to lower thermal and nuclear output in the period, despite the increase in the cumulative arithmetic price in the wholesale electricity market (Euros $55.4 / \mathrm{MWh} ;+10.1 \%$ ).
- Other variable procurements and services totalled Euros 1,698 million, up Euros 406 million (+31.4\%) year-on-year. This change can be attributed in large part to:
- The increase of Euros 173 million (+102.4\%) in expenses relating to energy derivatives, offset in part by a Euros 335 million increase in income in this connection (+279.2\%), which is recognised under Other operating income, mainly due to changes in the valuation and settlement of gas and electricity derivatives.
- The Euros 142 million reduction in the expense recognised in January-September 2017 in relation to the Social Bonus in accordance with Order ETU/929/2017, of 28 September 2017, which implements the ruling handed down on the obligation to repay, with a charge to the electricity system, all the amounts paid by ENDESA, S.A. in relation to the Social Bonus in 2015 and 2016.
- The Euros 53 million increase in the cost of $\mathrm{CO}_{2}$ emission rights, despite the drop in thermal output, as a result of the increase in market prices.
- The Euros 50 million decrease as a result of the capitalisation of incremental costs incurred in acquiring customer contracts from 1 January 2018 onwards (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).
- The Euros 20 million increase in the cost of value added services, as a result of the rise in billing corresponding to this activity (Euros 29 million).


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

Fixed costs amounted to Euros 1,625 million in the first nine months of 2018, a year-on-year increase of Euros 19 million (+1.2\%).

The table below presents the detail of fixed costs in the first nine months of 2018 and its variation compared with the same period in the previous year:

|  | Fixed costs |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | January - September $2018(1)$ | January - September $2017{ }_{(1)}$ | Difference | \% Var. |
| Personnel expenses | 704 | 673 | 31 | 4.6 |
| Other fixed operating expenses | 921 | 933 | (12) | (1.3) |
| TOTAL | 1,625 | 1,606 | 19 | 1.2 |

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2018 and 2017.

## Personnel expenses.

Personnel expenses in January-September 2018 amounted to Euros 704 million, rising by Euros 31 million ( $+4.6 \%$ ) compared to the same period the previous year.

In the first nine months of 2018 and 2017 personnel expenses were affected by the development of the update of the provisions for current workforce reduction plans and contract suspension agreements (Euros 3 million and Euros 16 million, both positive, respectively), and provisions allocated to redundancy plans, compensations and other tax and labour risks (Euros 28 million and Euros 2 million, respectively).

Stripping out these two effects, personnel expenses for the first nine months of 2018 would have decreased by Euros 8 million ( $-1.2 \%$ ), due mainly to the reduction of the average workforce by 183 employees (-1.9\%).

## Other fixed operating expenses.

Other fixed operating expenses in January-September 2018 were Euros 921 million, a decrease of Euros 12 million ( $-1.3 \%$ ) compared with the same period in the previous year, primarily as a result of the reduction in fines and taxes other than income tax for the amount of Euros 16 million.

Excluding these effects, other fixed operating expenses in the first nine months of 2018 would have increased by Euros 4 million ( $+0.5 \%$ ) compared with the same period in the previous year.

## Depreciation and amortisation, and impairment losses

The table below presents the detail of depreciation and amortisation, and impairment losses at ENDESA sales in the first nine months of 2018 and its variation compared with the same period in the previous year:

|  | Depreciation and amortisation, and impairment losses |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | January - September 2018 (1) | January - September 2017 (1) | Difference | \% Var. |
| Provision for the depreciation of property, plant and equipment | t 909 | 873 | 36 | 4.1 |
| Impairment of property, plant and equipment and investment property | t | (15) | 15 | N/A |
| Provision for the amortisation of intangible assets | 160 | 113 | 47 | 41.6 |
| Provision for impairment losses on intangible assets | (1) | - | (1) | N/A |
| Provisions for bad debts and Other | 79 | 101 | (22) | (21.8) |
| TOTAL | 1,147 | 1,072 | 75 | 7.0 |

The following factors must be taken into account when looking at depreciation and amortisation charges for the first nine months of 2018:

- The capitalisation, from 1 January 2018, in accordance with IFRS 15 "Revenue from Contracts with Customers, of the incremental costs incurred in the acquisition of customer contracts under Non-current assets on the Consolidated Statement of Financial Position, andthe impairment of financial assets in accordance with IFRS 9 "Financial instruments", recognises Euros 48 million increase in depreciation and amortisation costs related to this item (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).
- During the period January-September 2017, there was also a reversal of losses due to the impairment of tangible fixed assets endowed in previous years on certain plots, amounting to Euros 15 million.

Excluding the effects described in the paragraphs above, depreciation and amortisation and impairment losses in the first nine months of 2018 would have increased by Euros 12 million $(+1.1 \%)$ compared to the same period in the previous year.

### 1.3.3. Net financial Gain/(loss).

The net financial result in the first nine months of 2018 and 2017 was negative for the amount of Euros 106 million and Euros 94 million, respectively.

The table below presents the detail of net financial profit/(loss) in the first nine months of 2018 and its variation compared with the same period in the previous year:

|  | Net financial gain/(loss) ${ }_{(1)}$ |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \hline \text { January - September } \\ 2018 \text { (2) } \\ \hline \end{gathered}$ | $\begin{gathered} \hline \text { January - September } \\ 2017 \text { (2) } \\ \hline \end{gathered}$ | Difference | \% Var. |
| Financial income | 29 | 39 | (10) | (25.6) |
| Financial expenses | (133) | (135) | 2 | (1.5) |
| Net exchange differences | (2) | 2 | (4) | (200.0) |
| TOTAL | (106) | (94) | (12) | 12.8 |
| (1) Net financial gain/(I) <br> (2) See the Consolida | al expense + Net exchang e-month periods ended 30 | differences. September 2018 and 201 |  |  |

In the first nine months of 2018, net financial expense totalled Euros 104 million, up Euros 8 million ( $+8.3 \%$ ) year on year.

In the first nine months of 2018, net exchange differences were negative for the amount of Euros 2 million (Euros 2 million, positive, in the first nine months of 2017).

The following effects should be considered when examining net financial expense:

- In both periods there was an update in the provisions associated with the obligations derived from the current workforce reduction plans and contract suspension agreements and the dismantling of facilities, as well as the impairment of financial assets in accordance with IFRS 9 "Financial instruments" (see Section 1.2. Changes in the Accounting Principles of this Consolidated Management Report) for a net amount of Euros 10 million, negative, in the first nine months of 2018 and Euros 2 million, positive, in the first nine months of 2017.
- In January-September 2018 additional financial income of Euros 7 million was recognised for financial income associated with the adjustment of interest for financing the deficit of income in regulated activities in Spain in 2013 (see Section 3. Regulatory Framework of this Consolidated Management Report) and in January-September 2017 in relation to the Supreme Court ruling on the enforcement of the judgement filed by ENDESA and with regard to the Social Bonus for the amount of Euros 6 million.

Without considering the impacts described in the previous paragraphs, net financial expense would have decreased by Euros 3 million ( $-2.9 \%$ ) due to the combination of the following factors (see Section 4.1. Financial Management of this Consolidated Management Report):

- The lower average cost of gross financial debt, which has gone from $2.2 \%$ in JanuarySeptember 2017 to $1.9 \%$ in January-September 2018, which has offset;
- The increase in average gross debt of both periods, which went from Euros 6,088 million in January-September 2017 to Euros 6,666 million in January-September 2018.


### 1.3.4. Net Profit/(loss) of Companies Accounted for using the Equity Method.

In the first nine months of 2018, the net result of companies accounted for using the equity method was Euros 28 million compared to Euros 18 million, both positive, in the first nine months of 2017, as follows:

|  | Net profit/(loss) of companies accounted for using the equity method |  |
| :---: | :---: | :---: |
|  | January - September 2018 (1) | January - September 2017 (1) |
| Associates | 6 | 2 |
| Tecnatom, S.A. | - | (4) |
| Gorona del Viento El Hierro, S.A. | - | 3 |
| Other | 6 | 3 |
| Joint Ventures | 22 | 16 |
| Tejo Energia - Produção e Distribução de Energia Eléctrica, S.A. | 7 | 7 |
| Elecgas, S.A. | 6 | 6 |
| Pegop - Energía Eléctrica, S.A. | 2 | 2 |
| Suministradora Eléctrica de Cádiz, S.A. | 2 | 1 |
| Énergie Électrique de Tahhadart, S.A. | 1 | 5 |
| Nuclenor, S.A. | - | (8) |
| Other | 4 | 3 |
| TOTAL | 28 | 18 |
| (1) See the Consolidated Income Statements for the nine-month | ded 30 September 2018 and 2017 |  |

### 1.3.5. Profit/(loss) on Asset Sales.

In the first nine months of 2018, the sale of assets amounted to Euros 27 million compared to Euros 7 million, both negative, in the first nine months of 2017, the detail being as follows:

|  | Profit/(loss) on asset sales |  |
| :---: | :---: | :---: |
|  | January - September 2018 (1) | January - September 2017 (1) |
| Proceeds from the sale of investments in group companies and Other | - - | 10 |
| Proceeds from the sale of property, plant and equipment | (2) | 2 |
| Factoring transaction fees | (25) | (19) |
| TOTAL | (27) | (7) |

(1) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

### 1.3.6. Income Tax.

Income tax totalled Euros 340 million in the first nine months of 2018, a year-on-year increase of Euros 38 million (+12.6\%).

The effective tax rate in January-September 2018 was 22.1\% (21.7\% in January-September 2017).

In the first nine months of 2018, this heading of the Consolidated Income Statement includes an amount of Euros 9 million as a result of the inspection carried out by the Tax Agency in relation to Income Tax for 2011 to 2014.

Without considering the effect described in the previous paragraph, the effective rate for the January-September 2018 period would be 21.5\%.

### 1.3.7. Net Profit/(loss).

Net profit attributable to the parent company in the first nine months of 2018 stood at Euros 1,193 million, an increase of Euros 108 million year on year (+10.0\%).

### 1.4. Segment Information.

The table below shows a breakdown of the key figures for ENDESA's businesses in the first nine months of 2018 and 2017:

|  | January - September 2018 (4) |  |  |  | January - September 2017 (4) |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Generation and Supply | Distribution | Structure and others (3) | TOTAL | Generation and Supply | Distribution | Structure and others (3) | TOTAL |
| Income | 13,442 | 2,069 | (158) | 15,353 | 13,049 | 1,923 | (148) | 14,824 |
| Contribution margin | 2,432 | 1,924 | (85) | 4,271 | 2,133 | 1,810 | 63 | 4,006 |
| EBITDA $_{(1)}$ | 1,280 | 1,520 | (9) | 2,791 | 1,050 | 1,388 | 110 | 2,548 |
| $\mathrm{EBIT}_{(2)}$ | 627 | 1,059 | (42) | 1,644 | 452 | 952 | 72 | 1,476 |
| Net financial gain/(loss) | (124) | (59) | 77 | (106) | (71) | (71) | 48 | (94) |
| Profit/(loss) before tax | 497 | 1,007 | 35 | 1,539 | 378 | 892 | 124 | 1,394 |
| Net gain/(loss) | 394 | 770 | 29 | 1,193 | 310 | 680 | 95 | 1,085 |

(1) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel Expenses - Other Fixed Operating Expenses.
(2) EBIT = EBITDA - Depreciation and amortisation, and impairment losses
(3) Structure, Services and Adjustments.
(4) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

### 1.4.1. Contribution Margin.

The table below presents the distribution of the sales and other operating income among ENDESA businesses in the nine first months of 2018 and variations compared with the same period of the previous year:

| Millions of Euros |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Sales |  |  |  | Other operating income (2) |  |  |  |
|  | $\begin{gathered} \hline \text { January - } \\ \text { September } \\ 2018 \text { (2) } \\ \hline \end{gathered}$ | $\begin{gathered} \hline \text { January - } \\ \text { September } \\ 2017 \text { (2) } \\ \hline \end{gathered}$ | $\begin{gathered} \text { \% } \\ \text { Var. } \end{gathered}$ | $\begin{gathered} \% \\ \begin{array}{c} \text { contribution } \\ \text { to total } \end{array} \\ \hline \end{gathered}$ | $\begin{gathered} \hline \text { January - } \\ \text { September } \\ 2018 \\ \hline \end{gathered}$ | $\begin{gathered} \hline \text { January - } \\ \text { September } \\ 2017{ }_{(2)} \\ \hline \end{gathered}$ | $\begin{aligned} & \text { \% } \\ & \text { Var. } \end{aligned}$ | $\begin{gathered} \% \\ \text { contribution } \\ \text { to total } \end{gathered}$ |
| Generation and Supply | 12,896 | 12,837 | 0.5 | 88.0 | 546 | 212 | 157.5 | 77.7 |
| Non-mainland Territories (TNP) generation | 1,597 | 1,463 | 9.2 | 10.9 | 5 | 6 | (16.7) | 0.7 |
| Other Generation and Supply | 12,094 | 11,687 | 3.5 | 82.6 | 541 | 206 | 162.6 | 77.0 |
| Adjustments | (795) | (313) | 154.0 | (5.5) | - | - | - | - |
| Distribution | 1,874 | 1,737 | 7.9 | 12.8 | 195 | 186 | 4.8 | 27.7 |
| Structure and Others ${ }_{(1)}$ | (120) | (125) | (4.0) | (0.8) | (38) | (23) | 65.2 | (5.4) |
| TOTAL | 14,650 | 14,449 | 1.4 | 100.0 | 703 | 375 | 87.5 | 100.0 |

(1) Structure, Services and Adjustments.
(2) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

The following table contains a breakdown of procurements and services between ENDESA's Businesses in the first nine months of 2018 and variations compared with the same period of the previous year:

|  | Procurements and services ${ }_{(2)}$ |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \hline \text { January - September } \\ 2018(3) \\ \hline \end{gathered}$ | $\begin{gathered} \hline \text { January - September } \\ 2017{ }_{(3)} \\ \hline \end{gathered}$ | \% Var. | $\begin{gathered} \% \text { contribution } \\ \text { to total } \end{gathered}$ |
| Generation and Supply | 11,010 | 10,916 | 0.9 | 99.4 |
| Non-mainland Territories (TNP) generation | 1,125 | 931 | 20.8 | 10.2 |
| Other Generation and Supply | 10,676 | 10,294 | 3.7 | 96.3 |
| Adjustments | (791) | (309) | 156.0 | (7.1) |
| Distribution | 145 | 113 | 28.3 | 1.3 |
| Structure and Others ${ }_{(1)}$ | (73) | (211) | (65.4) | (0.7) |
| TOTAL | 11,082 | 10,818 | 2.4 | 100.0 |

(1) Structure, Services and Adjustments.
(2) Procurements and Services $=$ Energy Purchases + Fuel Consumption + Transmission Expenses + Other Variable Procurements and Services.
(3) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

The following table contains the breakdown of the contribution margin between ENDESA's Businesses in the first nine months of 2018 and variations compared with the same period of the previous year:

Millions of Euros

|  | Contribution margin ${ }_{(2)}$ |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { January - September } \\ 2018(3) \\ \hline \end{gathered}$ | January - September 2017 (3) | \% Var. | \% contribution to total |
| Generation and Supply | 2,432 | 2,133 | 14.0 | 56.9 |
| Non-mainland Territories (TNP) generation | 477 | 538 | (11.3) | 11.2 |
| Other Generation and Supply | 1,959 | 1,599 | 22.5 | 45.8 |
| Adjustments | (4) | (4) | - | (0.1) |
| Distribution | 1,924 | 1,810 | 6.3 | 45.0 |
| Structure and Others ${ }_{(1)}$ | (85) | 63 | N/A | (1.9) |
| TOTAL | 4,271 | 4,006 | 6.6 | 100.0 |

Structure, Services and Adjustments
(2) Contribution margin = Revenue - Procurements and Services.
(3) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

## Generation and Supply.

The contribution margin in the Generation and Supply segment in the first nine months of 2018 totalled Euros 2,432 million, up Euros 299 million year on year (+14.0\%), due mainly to the following factors:

- The decrease in power purchase costs (-2.2\%) and fuel consumption (-1.6\%) due mainly to lower thermal and nuclear output in the period, despite the increase in the cumulative arithmetic price in the wholesale electricity market (Euros 55.4/MWh; +10.1\%).
- The Euros 162 million increase in income and expenses for the valuation of fuel stocks due to changes in the valuation and settlement of gas and electricity derivatives (see Section 1.3.1. Income and 1.3.2. Operating expenses in this Consolidated Management Report).
- The Euros 53 million increase in the cost of carbon dioxide $\left(\mathrm{CO}_{2}\right)$ emissions rights, despite the drop in thermal output, as a result of the increase in market prices.
- The Euros 50 million decrease in costs as a result of the capitalisation of incremental costs under Non-Current Assets of the Consolidated Statement of Financial Position incurred in acquiring customer contracts from 1 January 2018 onwards (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).


## Distribution.

The contribution margin in the Distribution segment in the first nine months of 2018 totalled Euros 1,924 million, up Euros 114 million ( $+6.3 \%$ ) year on year, due mainly to the remuneration of the distribution activity.

## Structure and Others.

The contribution margin in the Structure and Others segment totalled Euros 85 million, negative, in the first nine months of 2018, down Euros 148 million year on year.

This variation was due mainly to the Euros 142 million reduction in the expense recognised in January-September 2017 in relation to the Social Bonus in accordance with Order ETU/929/2017, of 28 September 2017, which implements the ruling handed down on this subject and confers on the Spanish Markets and Competition Commission ("Comisión Nacional de los Mercados y la Competencia" or CNMC) the obligation to repay all the amounts paid by ENDESA, S.A. in relation to the Social Bonus in 2015 and 2016.

### 1.4.2. EBITDA.

The table below presents the distribution of the EBITDA amongst ENDESA businesses in the first nine months of 2018 and variations compared with the same period of the previous year:

|  | EBITDA ${ }_{(2)}$ |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \hline \text { January - September } \\ 2018{ }_{(3)} \end{gathered}$ | January - September 2017 (3) | \% Var. | \% contribution to total |
| Generation and Supply | 1,280 | 1,050 | 21.9 | 45.9 |
| Non-mainland Territories (TNP) generation | 286 | 360 | (20.6) | 10.2 |
| Other Generation and Supply | 994 | 690 | 44.1 | 35.7 |
| Adjustments | - | - | - |  |
| Distribution | 1,520 | 1,388 | 9.5 | 54.4 |
| Structure and Others ${ }_{(1)}$ | (9) | 110 | N/A | (0.3) |
| TOTAL | 2,791 | 2,548 | 9.5 | 100.0 |

(1) Structure, Services and Adjustments.
(2) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel Expenses - Other Fixed Operating Expenses.
(3) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

The following table contains the breakdown of personnel expenses and other fixed operating costs for ENDESA's businesses in the first nine months of 2018 and variations compared with the same period of the previous year:

|  | Personnel expenses |  |  |  | Other fixed operating expenses |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \hline \text { January - } \\ \text { September } \\ 2018(2) \\ \hline \end{gathered}$ | $\begin{gathered} \hline \text { January - } \\ \text { September } \\ 2017(2) \\ \hline \end{gathered}$ | $\begin{gathered} \text { \% } \\ \text { Var. } \end{gathered}$ | $\begin{gathered} \hline \% \\ \begin{array}{c} \text { contribution } \\ \text { to total } \end{array} \\ \hline \end{gathered}$ | $\begin{gathered} \hline \text { January - } \\ \text { September } \\ 2018 \\ \hline \end{gathered}$ | $\begin{gathered} \hline \text { January - } \\ \text { September } \\ 2017{ }_{(2)} \\ \hline \end{gathered}$ | $\begin{gathered} \text { \% } \\ \text { Var. } \end{gathered}$ | $\begin{gathered} \% \\ \begin{array}{c} \text { contribution } \\ \text { to total } \end{array} \\ \hline \end{gathered}$ |
| Generation and Supply | 396 | 353 | 12.2 | 56.3 | 789 | 755 | 4.5 | 85.7 |
| Non-mainland Territories (TNP) generation | 60 | 64 | (6.3) | 8.5 | 132 | 114 | 15.8 | 14.3 |
| Other Generation and Supply | 336 | 289 | 16.3 | 47.8 | 661 | 645 | 2.5 | 71.8 |
| Adjustments | - | - | - | - | (4) | (4) | - | (0.4) |
| Distribution | 191 | 200 | (4.5) | 27.1 | 315 | 330 | (4.5) | 34.2 |
| Structure and Others ${ }_{(1)}$ | 117 | 120 | (2.5) | 16.6 | (183) | (152) | 20.4 | (19.9) |
| TOTAL | 704 | 673 | 4.6 | 100.0 | 921 | 933 | (1.3) | 100.0 |

(2) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

## Generation and Supply.

EBITDA for this segment amounted to Euros 1,280 million, (+21.9\%) in the first nine months of 2018. The following factors must be taken into account when looking at EBITDA for the first nine months of 2018:

- The $14.0 \%$ increase in the contribution margin.
- The $12.2 \%$ increase in personnel expenses, as a result of the increased average workforce during the period $(+0.9 \%)$ and the development of the update of the provisions for current workforce reduction plans and contract suspension agreements (Euros 5 million, negative, in the first nine months of 2018 and Euros 5 million, positive, in the first nine months of 2017), and the provisioning for redundancy plans, compensations and other tax and labour risks for Euros 34 million in the first nine months of 2018 (Euros 1 million in the first nine months of 2017).


## Distribution.

For the first nine months of 2018, EBITDA for this segment was Euros 1,520 million (+9.5\%), including:

- The positive performance of the contribution margin (+6.3\%).
- The performance of fixed costs, which were reduced by Euros 24 million as a result of lower personnel expenses ( $-4.5 \%$ ), mainly due to the decrease in the average workforce ( $-3.8 \%$ ) and the impact of the updated provisions for workforce restructuring (Euros 5 million euros
in the period January-September 2018 and Euros 1 million, both positive, in the period January-September 2017), of the application of provisions associated with indemnities and other risks of a fiscal and labour nature by amount of Euros 2 million in the period JanuarySeptember 2018 (provisioning amounting to Euros 1 million in the period JanuarySeptember 2017) and the reduction in other fixed operating expenses (-4.5\%), mainly due to the Euros 7 million decrease in fines.


## Structure and Others.

In the first nine months of 2018, EBITDA for this segment decreased by Euros 119 million and includes:

- A change in the contribution margin triggered by the lower expense recognised for the Social Bonus in January-September 2017.
- The reduction in personnel expenses due mainly to the reduction of the average workforce $(-6.6 \%)$ offset in part with the effects of the update of provisions for the ongoing workforce restructuring plans and contract suspension agreements (Euros 3 million in the first nine months of 2018 and Euros 10 million in the first nine months of 2017, both positive) and the application of provisions associated with indemnities and other risks of a fiscal and labour nature by amount of Euros 4 million in the period January-September 2018.


### 1.4.3. EBIT.

The table below presents the distribution of the EBIT amongst ENDESA businesses in the first nine months of 2018 and variations compared with the same period of the previous year:

|  | EBIT $_{(2)}$ |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | January - September 2018 (3) | January - September 2017 (3) | \% Var. | \% contribution to total |
| Generation and Supply | 627 | 452 | 38.7 | 38.1 |
| Non-mainland Territories (TNP) generation | 164 | 233 | (29.6) | 10.0 |
| Other Generation and Supply | 463 | 219 | 111.4 | 28.1 |
| Adjustments | - | - | - | - |
| Distribution | 1,059 | 952 | 11.2 | 64.4 |
| Structure and Others ${ }_{(1)}$ | (42) | 72 | N/A | (2.5) |
| TOTAL | 1,644 | 1,476 | 11.4 | 100.0 |

1) Structure, Services and Adjustments.
(2) EBIT = EBITDA - Depreciation and amortisation, and impairment losses
(3) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

The following table contains the distribution of depreciation and amortisation and impairment losses between ENDESA's businesses in the first nine months of 2018 and variations compared with the same period of the previous year:

|  | Depreciation and Amortisation, and Impairment Losses) |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \hline \text { January - September } \\ 2018{ }_{(2)} \\ \hline \end{gathered}$ | January - September $2017(2)$ | \% Var. | \% contribution to total |
| Generation and Supply | 653 | 598 | 9.2 | 56.9 |
| Non-mainland Territories (TNP) generation | 122 | 127 | (3.9) | 10.6 |
| Other Generation and Supply | 531 | 471 | 12.7 | 46.3 |
| Adjustments | - | - | - | - |
| Distribution | 461 | 436 | 5.7 | 40.2 |
| Structure and Others ${ }_{(1)}$ | 33 | 38 | (13.2) | 2.9 |
| TOTAL | 1,147 | 1,072 | 7.0 | 100.0 |
| (1) Structure, Services and Adjustments. |  |  |  |  |

[^1]Generation and Supply.
In the first nine months of 2018, EBIT for the Generation and Supply segment was Euros 627 million (+38.7\%), including:

- The 21.9\% increase in EBITDA.
- The Euros 55 million (+9.2\%) increase in the depreciation and amortisation charge in the first nine months of 2018, as a result of the Euros 45 million increase arising from the capitalisation of incremental costs incurred in the acquisition of customer contracts under Non-Current Assets on the Consolidated Statement of Financial Position, in accordance with IFRS 15 "Revenue from Contracts with Customers, and from the impairment of financial assets in accordance with IFRS 9 "Financial instruments" from 1 January 2018 (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).


## Distribution.

EBIT for the Distribution segment in the first nine months of 2018 grew by Euros 107 million year on year (+11.2\%), mainly as a result of the $9.5 \%$ rise in EBITDA.

## Structure and Others.

EBIT in the Structure and Others segment amounted to Euros 42 million, negative, in the first nine months of 2018, due mainly to the Euros 119 million decrease in EBITDA.

## 2. Other information.

### 2.1. Risk Management Policy.

In the first nine months of 2018, ENDESA applied the same general risk management policy as that described in its consolidated financial statements for the year ended 31 December 2017. For this period, the financial instruments and types of hedges are the same as those described in those consolidated financial statements.

The risks to which ENDESA's operations are exposed are also the same as those described in the Consolidated Management Report for the year ended 31 December 2017.

### 2.2. Scope of Consolidation.

Corporate transactions related to capacity awarded in renewable power auctions.
During the period January-September 2018, the following acquisitions of companies have been formalized, all destined to the development of the wind and photovoltaic capacity awarded to ENEL Green Power Spain, S.L.U. (EGPE) in the capacity auctions held in 2017:

|  | Acquisition date | Technology | \% Ownershipat 30 September2018 |  | \% Ownership at 31 December 2017 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | Control | Ownership | Control | Ownership |
| Valdecaballero Solar, S.L.U. | 9 January 2018 | Photovoltaic | 100.00 | 100.00 | - | - |
| Navalvillar Solar, S.L.U. | 9 January 2018 | Photovoltaic | 100.00 | 100.00 | - | - |
| Castiblanco Solar, S.L.U. | 9 January 2018 | Photovoltaic | 100.00 | 100.00 | - | - |
| Parque Eólico Muniesa, S.L.U. | 12 January 2018 | Wind | 100.00 | 100.00 | - | - |
| Parque Eólico Farlán, S.L.U. | 12 January 2018 | Wind | 100.00 | 100.00 | - | - |
| Aranort Desarrollos, S.L.U. | 19 January 2018 | Wind | 100.00 | 100.00 | - | - |
| Bosa del Ebro, S.L. | 21 February 2018 | Wind | 51.00 | 51.00 | - | - |
| Tauste Energía Distribuida, S.L. | 23 March 2018 | Wind | 51.00 | 51.00 | - | - |
| Eólica del Cierzo, S.L.U. | 23 March 2018 | Wind | 100.00 | 100.00 | - | - |
| San Francisco de Borja, S.A. | 23 March 2018 | Wind | 66.67 | 66.67 | - | - |
| Energía Eólica Alto del Llano, S.L.U. | 11 May 2018 | Wind | 100.00 | 100.00 | - | - |
| Sistemas Energéticos Campoliva, S.A.U. | 17 July 2018 | Wind | 100.00 | 100.00 | - | - |

The price agreed for all the aforementioned transactions was Euros 4 million (see Section 4.2. Cash Flows of this Consolidated Management Report).

ENDESA has recognised the acquisition of these companies as a business combination, and using the acquisition method, has definitively recognised the acquired assets and assumed liabilities (net acquired assets) of each one of these companies at fair value on its acquisition date under the following consolidated financial statement headings:

| Millions of Euros | Fair value |
| :--- | ---: |
|  |  |
| Non-current assets | 5 |
| Property, plant and equipment | 5 |
| Current assets | $\mathbf{1}$ |
| Trade and other accounts receivable | 1 |
| TOTAL ASSETS | 6 |
|  |  |
| Non-current liabilities | $\mathbf{1}$ |
| Deferred tax liabilities | 1 |
| Current liabilities | 1 |
| Current financial debt | 1 |
| TOTAL LIABILITIES | $\mathbf{2}$ |
|  | $\mathbf{4}$ |
| Fair value of net assets acquired |  |

The companies acquired are currently applying for permits and licences to carry out their projects. Therefore, construction work of the renewable power facilities has not yet started on mostof them, and no revenue has been generated since the acquisition date.

Parques Eólicos Gestinver, S.L.U.
On 3 April 2018, an agreement was signed, through its subsidiary ENEL Green España, S.L.U. (EGPE), for the acquisition of $100 \%$ of the share capital of the companies Parques Eólicos Gestinver, S.L.U. and Parques Eólicos Gestinver Gestión, S.L.U., for Euros 42 million.

Parques Eólicos Gestinver, S.L.U. has an installed wind power capacity of 132 MW, distributed across 5 wind farms located in the regions of Galicia and Catalonia.

Through this acquisition, ENDESA reinforces its presence in the lberian generation market by expanding the portfolio of renewable assets in its production mix.

The net cash outflow related to the acquisition of Parques Eólicos Gestinver, S.L.U. was as follows:

| Millions of Euros | Sections |
| :--- | :---: |
| Cash and cash equivalents of the acquiree |  |
| Net amount paid in cash ${ }_{(1)(2)}$ | $\mathbf{4 . 2}$ |
| TOTAL | 57 |

(2) The purchase costs recognised under Other fixed operating expenses in the Consolidated Income Statement stood at Euros 1 million. held by the company with its former shareholders.

The purchase price was provisionally allocated on the basis of the acquisition-date fair value of the assets acquired and liabilities assumed (Net Assets Acquired) from Parques Eólicos Gestinver, S.L.U. under the following items in the Consolidated Financial Statements:

| Millions of Euros | Fair value |
| :--- | ---: |
|  | $\mathbf{1 8 1}$ |
| Non-current assets | 139 |
| Property, plant and equipment | 34 |
| Intangible assets | 8 |
| Deferred tax assets | $\mathbf{1 9}$ |
| Current assets | 5 |
| Trade and other accounts receivable | 2 |
| Current financial assets | 12 |
| Cash and cash equivalents | $\mathbf{2 0 0}$ |
| TOTAL ASSETS | $\mathbf{1 4 0}$ |
|  | 1 |
| Non-current liabilities | 130 |
| Non-current provisions | 9 |
| Non-current financial debt $(1)$ | $\mathbf{1 8}$ |
| Deferred tax liabilities | 12 |
| Current liabilities | 6 |
| Current financial debt | $\mathbf{6}$ |
| Trade payables and other current liabilities | $\mathbf{T}$ |
| TOTAL LIABILITIES |  |

Fair value of net assets acquired
(1) Includes debt with credit institutions for the amount of Euros 104 million, derivatives for the amount of Euros 11 million, and debt with Group companies and associates for the amount of Euros 15 million.

When determining the fair value of the assets acquired and the liabilities assumed, the expected discounted cash flows were taken into consideration in line with the remuneration system in force at the acquisition date.

The contribution of the acquired company from the date of acquisition until 30 September 2018 was as follows:

| Millions of Euros | 3 April 2018-7 |
| :--- | :---: |
|  | 30 September |
|  | 2018 |
| Ordinary Income | 11 |
| Profit(loss) after tax | 1 |

Likewise, if the acquisition had taken place on 1 January 2018, the contribution of the company acquired in the nine month period ended 30 September 2018 would have been as follows:

| Millions of Euros | January - September <br> 2018 |
| :--- | :---: |
| Ordinary Income | 19 |
| Profit(loss) after tax | 3 |

Eólica del Principado, S.A.U.
On 22 May 2018, ENEL Green Power España, S.L.U. (EGPE) acquired 60.0\% of the share capital of Eólica del Principado, S.A.U., a company whose activity consists of the generation of electricity through renewable wind technology, and in which it previously held a $40.0 \%$ stake.

As a result of this transaction, ENDESA went from having significant influence to full control of Eólica del Principado, S.A.U. that it maintains to date.

The net outflow of cash originated by the acquisition of Eólica del Principado, S.A.U. has amounted to less than Euros 1 million (see Section 4.2. Cash Flows of this Consolidated Management Report).

The purchase price has been finally allocated, on the basis of the fair value of the assets acquired and the liabilities assumed (Net Assets Acquired) from Eólica del Principado, S.A.U. on the acquisition date, under the following headings in the consolidated financial statements:

| Millions of Euros |  |
| :--- | :---: |
| Non-current assets | Fair value |
| Property, plant and equipment | $\mathbf{1}$ |
| TOTAL ASSETS | 1 |

Fair value of net assets acquired

Ordinary income and profit/(loss) after tax generated by the company from the takeover date until 30 September 2018 were insignificant. Additionally, had the takeover taken place on 1 January 2018, ordinary income and profit/(loss) after tax generated by this transaction during the first nine months of 2018 would have amounted to less than Euros 1 million.

The net gain at the date control obtained g from the measurement at fair value of the previously held non-controlling interest of $40.0 \%$ in Eólica del Principado, S.A.U. was less than Euros 1 million.

## Empresa de Alumbrado Eléctrico de Ceuta, S.A.

On 25 July 2018, ENDESA Red, S.A.U. acquired $94.6 \%$ of the share capital of Empresa de Alumbrado Eléctrico de Ceuta, S.A., which includes $100 \%$ of Empresa de Alumbrado Eléctrico de Ceuta Comercialización de Referencia, S.A.U. and 100\% of Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U., for Euros 83 million.

Empresa de Alumbrado Eléctrico de Ceuta, S.A. has more than 30.000 customers and is the leading electricity distribution and supply company in Ceuta, a region where ENDESA carries out electricity generation activities. Therefore, this acquisition is a fit with its strategy to grow in the areas of distribution and supply in Spain and Portugal.

The net cash outflow for the acquisition of Empresa de Alumbrado Eléctrico de Ceuta, S.A. was as follows:

| Millions of Euros | Sections |
| :--- | :---: |
| Cash and cash equivalents of the acquiree |  |
| Net amount paid in cash ${ }_{(1)}$ | $(2)$ |
| TOTAL | 83 |
| $(1)$ The purchase costs recognised under "Other fixed operating expenses" in the Consolidated Income Statement were less than Euros 1 million. |  |

The purchase price has been provisionally allocated on the basis of the acquisition-date fair value of the assets acquired and liabilities assumed (Net Assets Acquired) from Empresa de Alumbrado Eléctrico de Ceuta, S.A. under the following items of the consolidated financial statements:

| Millions of Euros |  |
| :--- | ---: |
| Non-current assets | Fair value |
| Property, plant and equipment | 84 |
| Investment property | 57 |
| Intangible assets | 5 |
| Current assets | 22 |
| Trade and other accounts receivable | 9 |
| Current financial assets | 6 |
| Cash and cash equivalents | 1 |
| TOTAL ASSETS | 2 |
|  | 93 |
| NON-CONTROLLING INTERESTS | $\mathbf{2}$ |
|  | $\mathbf{4}$ |
| Non-current liabilities | 22 |
| Deferred income | 15 |
| Non-current provisions | 15 |
| Other non-current liabilities | 1 |
| Deferred tax liabilities | 5 |
| Current liabilities | 5 |
| Trade payables and other current liabilities | 5 |


| Fair value of net assets acquired | 62 |
| :--- | :--- |

The difference between the cost of the business combination and the fair value of the assets and liabilities recognised has generated provisional goodwill of Euros 21 million relating to synergies to be obtained in the transaction, based on the optimisation of ENDESA's position in the distribution market of the self-governing city of Ceuta, which will allow cost reductions to be achieved through joint management, improved grid operations and the pooling of processes.

At the date on which this consolidated management report was drawn up, ENDESA is still working on the final assignation of the purchase price.

The contribution of the acquired company from the date of acquisition until 30 September 2018 was as follows:

| Millions of Euros | 25 July 2018 - |
| :--- | ---: |
|  | 30 September 2018 |
| Ordinary Income | 7 |
| Profit/(loss) after tax | 1 |

Likewise, if the acquisition had taken place on 1 January 2018, the contribution of the company acquired in the nine month period ended 30 September 2018 would have been as follows:

| Millions of Euros | January - September |
| :--- | :---: |
|  | 2018 |
| Ordinary Income | 29 |
| Profit/(loss) after tax | 2 |

### 2.3. Other Information.

On 1 June 2018, the share capital of Eólica Valle del Ebro, S.A. was reduced by Euros 2 million to partially repay the value of the contributions made by shareholders in accordance with their ownership interest. The transaction had no impact on the Consolidated Income Statement, but had an impact of Euros 1 million, negative, on equity (see Section 4.2. Cash Flows of this Consolidated Management Report).

Further, on 17 July 2018, through its subsidiary ENEL Green España, S.L.U. (EGPE), ENDESA signed agreements with Siemens Gamesa Renewable Invest, S.A.U. to purchase 100\% of the shares of Sistemas Energéticos Sierra del Carazo, S.A. and Sistemas Energéticos Alcohujate, S.A. in the coming months for the amount of Euros 2 million.

## 3. Regulatory Framework.

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

## 2018 Electricity Tariff.

On 27 December 2017 the Official State Gazette (BOE) published Order ETU/1282/2017 of 22 December 2017, which establishes the access tariffs for 2018.

Access tariffs remained unchanged in the Order.

## Natural Gas Tariff for 2018.

Under Order ETU/1283/2017 of 22 December 2017 access tariffs in force in 2017 were largely maintained, having updated the Last Resort Tariffs with an average increase of $5 \%$ resulting from higher raw material costs.

On 30 June 2018, the Resolution of 28 June 2018 was published in the Official State Gazette (BOE), publishing the Last Resort Rates (LRT) for natural gas to be applied from 1 July 2018, resulting in an average increase of approximately $3.4 \%$, derived from the increase in the cost of the raw material.

On 29 September 2018, the Resolution of 25 September June 2018 was published in the Official State Gazette (BOE), publishing the Last Resort Rates (LRT) for natural gas to be applied from 1 October 2018, resulting in an average increase of approximately $7.4 \%$, compared to the previous period, derived from the increase in the cost of the raw material.

## Energy Efficiency.

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

Order ETU/257/2018 of 16 March 2018 entailed a contribution by ENDESA to the Energy Efficiency National Fund of Euros 29 million, corresponding to its 2018 obligations.

## Social Bonus.

In March 2018, the Energy, Tourism and Digital Agenda (now the Ministry for the Ecological Transition) started processing a proposed Order that sets the financing distribution percentage of the 2018 Social Bonus, with the percentage proposed for ENDESA set at $37.15 \%$, compared to the current percentage provided for under Royal Decree Law 7/2016, of 23 December 2016, standing at $37.7 \%$.

Furthermore, on 7 April 2018, Order ETU/361/2018, of 6 April 2018, was published, amending the Social Bonus application forms established in Order ETU/943/2017, of 6 October 2017, which implements Royal Decree 897/2017, of 6 October 2017, regulating the figure of the vulnerable consumer, the Social Bonus and other protection measures for domestic consumers of electricity. Furthermore, this Order extends the existing transitional period until 8 October 2018 for consumers of electricity who, on the date of entry into force of Order ETU/943/2017, of 6 October 2017, were beneficiaries of the Social Bonus, to demonstrate their status as vulnerable consumer in accordance with the provisions of Royal Decree 897/2017, of 6 October 2017.

Public Consultation made by the Spanish Markets and Competition Commission (CNMC) on remuneration for regulated activities.

On the 27 July 2018, the CNMC opened a public consultation on the calculation methodology used for the remuneration rate in the second regulatory period, 2020-2025, for the Distribution, Transmission, Non-mainland Systems and Renewables activities.

## Law 6/2018, of 3 July 2018, concerning General State Budget for 2018.

On 4 July 2018, Law 6/2018, of 3 July 2018, on the General State Budget for 2018 was published in the Official State Gazette. Among other issues, it establishes that surplus income from the system may be used exceptionally in 2018 for the payment of compensation to settle litigation proceedings referring to electricity sector regulations that must be made with a charge to the General State Budget or the Electricity System. These surpluses may equally be used, unrestrictedly, to pay off debt in the electricity system, or as income accrued over several years in electricity system settlements. Further, the law includes a provision that eliminates the need for a compatibility ruling for plants in the non-mainland electricity system that have to make investments to comply with EU or Spanish regulatory requirements in order to continue operating, provided that these plants are necessary to guarantee an efficient supply.

## Royal Decree 1048/2018, of 24 August 2018, on the electricity system shortfall of 2013.

On 1 September 2018, Royal Decree 1048/2018, of 24 August 2018, was published in the Official State Gazette (BOE), amending the procedure for calculating the interest to be recognised for financing the electricity system deficit for 2013, so that this interest will be established from the moment the corresponding contributions are made by agents and not just from 1 January of the following year. The total amount payable to the agents that financed the 2013 deficit is Euros 15 million, of which Euros 7 million correspond to ENDESA. The Royal Decree establishes that this methodology will also be applied in the event of any future shortfalls (see Section 1.3.3. Net financial gain/(loss) of this Consolidated Management Report).

## Royal Decree Law 15/2018, of 5 October 2018, on urgent measures for the energy transition and consumer protection.

On 5 October 2018 the Council of Ministers approved Royal Decree Law 15/2018, on urgent measures for the energy transition and consumer protection, published in the Official State Gazette (BOE) on 6 October 2018. This Royal Decree contains a series of urgent measures to provide greater cover for vulnerable groups and increase consumer protection through policies that allow tariffs to be more effectively adjusted to consumption. The law also implements measures to speed up the transition to a decarbonised economy based on renewable energies, driving energy efficiency and electric mobility.

The first block of measures is designed to protect vulnerable consumer groups. The number of beneficiaries eligible for the Social Bonus has been extended to include single-parent families, and families with grade 2 or 3 dependents that fall below certain income thresholds. Further, cases where supply may not be cut off due to lack of payment for vulnerable consumers have been extended to include families approved by the social services with children under the age of 16 , dependents or disabled members, where these amounts will be covered by the groups obliged to fund the Social Bonus. The maximum consumption level with a right to a discount has also been increased. With regard to beneficiaries of the previous Social Bonus, the renewal period for which ended on 8 October 2018, the Royal Decree Law establishes that those who meet the requirements for the new Social Bonus and apply between 8 October 2018 and 31 December 2018 will be eligible to receive the Bonus from 8 October 2018. Lastly, a thermal Social Bonus has been created for heating, to be funded by the General State Budget.

A second group of measures is aimed at protecting consumers and includes more flexibility in contracting power, in addition to obliging suppliers to include the amount that customers would have to pay if tariffs with time constraints were applied on their bills.

A third group of measures is designed to promote self-consumption, simplifying the types available and enabling shared self-consumption, while eliminating charges and tolls for selfconsumption based on renewables, co-generation or waste. The Royal Decree Law also features measures to simplify administrative and technical processes, especially for small facilities.

The fourth block of measures seeks to increase the penetration of renewable energies and electric mobility. Therefore, to facilitate the commissioning of the renewable power awarded in the last auctions, the access and connection licences granted prior to Law 24/2013, governing the electricity system, which would have expired on 31 December 2018 have been extended until 31 March 2020. With regard to electric mobility, the load manager role has been abolished to make the roll out of these services easier.

The last block contains measures associated with fiscal aspects and the sustainability of the system. For the last quarter of 2018 and the first quarter of 2019, the tax on the value of electricity production has been suspended and the special tax on hydrocarbons for electricity generation has been abolished. To ensure the sustainability of the electricity system, income that derives from $\mathrm{CO}_{2}$ emissions rights auctions used to cover costs in the electricity system has been increased, and the system surplus will be used to reduce imbalances in 2018 and 2019.

Royal Decree Law 15/2018, of 5 October 2018, has been validated by the Congress of Deputies on 18 October 2018, having approved on the other hand its processing as a project of law.

## 4. Liquidity and Capital Resources.

### 4.1. Financial Management.

## Financial debt.

At 30 September 2018, ENDESA had net financial debt of Euros 6,640 million, an increase of Euros 1,655 million (+33.2\%) compared to 31 December 2017.

The conciliation of ENDESA's gross and net financial debt at 30 September 2018 and 31 December 2017 is as follows:

|  | Conciliation of financial debt |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} 30 \text { September } \\ 2018 \\ \hline \end{gathered}$ | $\begin{aligned} & 31 \text { December } \\ & 2017 \end{aligned}$ | Difference | \% Var. |
| Non-current financial debt | 5,514 | 4,414 | 1,100 | 24.9 |
| Current financial debt | 1,332 | 978 | 354 | 36.2 |
| Gross financial debt ${ }_{(1)}$ | 6,846 | 5,392 | 1,454 | 27.0 |
| Cash and cash equivalents | (199) | (399) | 200 | (50.1) |
| Derivatives recognised as financial assets | (7) | (8) | 1 | (12.5) |
| Net financial debt | 6,640 | 4,985 | 1,655 | 33.2 |
| (1) At 30 September 2018 this includes million at 31 December 2017). | million corresponding | ncial derivatives recog | under financial liab | (Euros 12 |

When assessing net debt for the first nine months of 2018, it should be noted that, during this period, ENDESA, S.A: paid shareholders dividends of gross Euros 1.382 per share, with a payout of Euros 1,463 million (see Section 4.2. Cash flows and 4.4. Dividends of this Consolidated Management Report).

The structure of ENDESA's gross financial debt at 30 September 2018 and 31 December 2017 was as follows:


As of 30 September 2018, $52 \%$ of gross financial debt was at fixed interest rates, while $48 \%$ was at floating rates. At this date, $100 \%$ of the Company's gross financial debt is denominated in euros.

At 30 September 2018, the breakdown of gross financial debt without derivatives by maturity was as follows:

|  | Carrying amount at 30September2018 | Current | Noncurrent | Maturity |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | 2018 | 2019 | 2020 | 2021 | Subsequent |
| Bonds and other marketable securities | 1,234 | 1,200 | 34 | 1,195 | 21 | - | - | 18 |
| Bank borrowings | 2,062 | 49 | 2,013 | 7 | 53 | 210 | 671 | 1,121 |
| Other borrowings | 3,544 | 83 | 3,461 | 38 | 50 | 34 | 30 | 3,392 |
| TOTAL | 6,840 | 1,332 | 5,508 | 1,240 | 124 | 244 | 701 | 4,531 |

(1) Excludes Euros 6 million corresponding to financial derivatives.

## Main Financial Transactions.

In the first nine months of 2018, ENDESA extended the credit facilities arranged with various financial institutions maturing in March 2020 (Euros 160 million) and March 2021 (Euros 1,825 million).

In the same period, ENDESA maintained the Euro Commercial Paper (ECP) emissions programme through International ENDESA, B.V., and the outstanding balance thereof as of 30 September 2018 is Euros 1,200 million, and its renewal is backed by irrevocable bank credit facilities.

During the first nine months of 2018, ENDESA has also settled the Project Finance bank financing held by some subsidiaries of ENEL Green Power España, S.L.U. (EGPE) for a total of Euros 160 million (see Section 4.2. Cash Flows of this Consolidated Management Report).

As part of the financial transaction signed with the European Investment Bank (EIB) in 2017, Euros 500 million was drawn down during the first nine months of 2018. This draw down bears a floating interest rate, with a 12-year maturity payable from 2022 (see Section 4.2. Cash Flows of this Consolidated Management Report).

Liquidity.
As of 30 September 2018, ENDESA's liquidity stood at Euros 2,484 million (Euros 3,495 million at 31 December 2017) as detailed below:


Treasury investments considered as "Cash and cash equivalents" are high liquidity and entail no risk of changes in value, mature within 3 months from their acquisition date and accrue interest at the market rates for such instruments.

There were no placements in sovereign debt at 30 September 2018 and 31 December 2017.
At 30 September 2018, the balance of cash and cash equivalents includes Euros 9 million corresponding to the debt service reserve account set up by certain ENDESA renewable energy subsidiaries by virtue of the project finance loans arranged (Euros 12 million at 31 December 2017).

## Leverage Ratio.

Details of the consolidated leverage ratio at 30 September 2018 and 31 December 2017 are as follows:

|  | Leverage ratio (1) |  |
| :---: | :---: | :---: |
|  | 30 September 2018 | $\begin{gathered} \hline 31 \text { December } \\ 2017 \end{gathered}$ |
| Net financial debt: | 6,640 | 4,985 |
| Non-current financial debt | 5,514 | 4,414 |
| Current financial debt | 1,332 | 978 |
| Cash and cash equivalents | (199) | (399) |
| Derivatives recognised as financial assets | (7) | (8) |
| Equity: | 9,716 | 9,233 |
| Of the Parent | 9,572 | 9,096 |
| Of non-controlling interests | 144 | 137 |
| Leverage (\%) | 68.34 | 53.99 |

(1) Leverage $=$ Net financial debt $/$ equity.

## Credit Rating.

ENDESA's credit ratings are as follows:

|  | Credit rating |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 30 September 2018 (1) |  |  | $\begin{gathered} \hline 31 \text { December } \\ 2017_{(1)} \\ \hline \end{gathered}$ |  |  |
|  | Long term | Short term | Outlook | Long Term | Short Term | Outlook |
| Standard \& Poor's | BBB+ | A-2 | Stable | BBB+ | A-2 | Stable |
| Moody's | Baa2 | P-2 | Stable | Baa2 | P-2 | Stable |
| Fitch Ratings | BBB+ | F2 | Stable | BBB+ | F2 | Stable |

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

ENDESA's credit rating is restricted to the rating of its parent company ENEL according to the methods employed by rating agencies and, as of 30 September 2018, has been classified as "investment grade" by all the rating agencies.

ENDESA works to maintain its investment grade credit rating to be able to efficiently access money markets and bank funding, and to obtain preferential terms from its main suppliers.

### 4.2. Cash flows.

At 30 September 2018, cash and cash equivalents stood at Euros 199 million (Euros 427 million at 30 September 2017).

ENDESA's net cash flows in the first nine months of 2018 and 2017, classified by activities (operation, investment and financing) were:

|  | Statements of cash flows |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { January - September } \\ 2018 \text { (1) } \end{gathered}$ | January - September 2017 (1) | Difference | \% Var. |
| Net cash flows from operating activities | 1,141 | 1,375 | (234) | (17.0) |
| Net cash flows used in investing activities | $(1,219)$ | (792) | (427) | 53.9 |
| Net cash flows used in financing activities | (122) | (574) | 452 | (78.7) |

(1) See the Consolidated Statements of Cash Flow for the nine-month period ended 30 September 2018 and 2017.

Net Cash Flows from Operating Activities.
In the first nine months of 2018, net cash flows from operating activities amounted to Euros 1,141 million (Euros 1,375 million in the first nine months of 2017), as follows:

| Millions of Euros | January - September <br> 2018 | January - September <br> $\mathbf{2 0 1 7}$ |
| :--- | ---: | ---: |
| Profit before tax and non-controlling interests | 1,539 | 1,394 |
| Adjustments for: |  |  |
| Depreciation and amortisation, and impairment losses | 1,257 | 1,049 |
| Other adjustments (net) | 1,147 | 1,072 |
| Changes in working capital: | 110 | $(23)$ |
| Trade and other accounts receivable | $(1,361)$ | $(64)$ |
| Inventories | $(195)$ | $(707)$ |
| Current financial assets | $(547)$ | $(545)$ |
| Trade payables and other current liabilities | $(555)$ | $(621)$ |
| Other cash flows from/(used in) operating activities: | 28 | 538 |
| Interest received | 24 | $(361)$ |
| Dividends received | $(85)$ | 31 |
| Interest paid | $(67)$ | 26 |
| Income tax paid | $(194)$ | $(78)$ |
| Other receipts from and payments for operating activities | $\mathbf{1 , 1 4 1}$ | $(133)$ |
| NET CASH FLOWS FROM OPERATING ACTIVITIES |  | $(207)$ |

The variations in the different items determining the net cash flows from operating activities include:

- The higher profit before tax and non-controlling interests net of depreciation and amortisation and other adjustments for the period (Euros 353 million).
- Changes in working capital between the two periods amounting to Euros 654 million, mainly as a result of the increase in payments to commercial creditors for Euros 1,093 million, of the positive performance of commercial debtors and other accounts receivable for an amount of Euros 381 million and the highest collections for compensations for the extra-costs of Nonmainland Territories (TNP) generation for Euros 204 million.
- The variation in the payment of the Income Tax in both periods amounting to Euros 66 million.

As of 30 September 2018, 31 December 2017 and 30 September 2017, working capital comprised the following items:

| Millions of Euros |  |  |  |
| :---: | :---: | :---: | :---: |
|  | Working capital |  |  |
|  | $\begin{aligned} & 30 \text { September } \\ & 2018 \end{aligned}$ | $\begin{aligned} & 31 \text { December } \\ & 2017 \end{aligned}$ | 30 September 2017 |
| Current assets ${ }_{(1)}$ | 5,994 | 5,131 | 5,246 |
| Inventories | 1,269 | 1,267 | 1,203 |
| Trade and other accounts receivable | 3,469 | 3,100 | 3,204 |
| Current financial assets | 1,256 (2) | $764{ }_{(3)}$ | 839 (4) |
|  |  |  |  |
| Current liabilities ${ }_{(5)}$ | 5,538 | 6,557 | 5,503 |
| Current provisions | 392 | 425 | 362 |
| Trade payables and other current liabilities | 5,146 | 6,132 (6) | 5,141 |

(1) Excluding Cash and cash equivalents and financial derivative assets corresponding to financial debt.
(2) Includes Euros 313 million corresponding to collection rights for financing of the deficit from regulated activities, Euros 107 million concerning remuneration for the electricity distribution activity and Euros 778 million corresponding to generation extra-costs in Non-mainland territories (TNP)
(3) Includes Euros 222 million corresponding to collection rights for financing of the deficit from regulated activities, Euros 70 million concerning remuneration for the electricity distribution activity and Euros 304 million corresponding to generation extra-costs in Non-mainland territories (TNP)
(4) Includes Euros 254 million corresponding to collection rights for financing of the deficit from regulated activities, Euros 58 million concerning remuneration for the electricity distribution activity and Euros 334 million corresponding to generation extra-costs in Non-mainland territories (TNP)
(5) Excluding Current financial debt and financial derivative liabilities corresponding to financial debt
(6) Includes the interim dividend with a charge against 2017 profits of Euros 741 million, paid on 2 January 2018 (see Section 4.4. Dividends of this Consolidated Management Report).

## Net Cash Flows used in Investing Activities

In the first nine months of 2018, net cash flows applied to investment activities amounted to Euros 1,219 million (Euros 792 million in the first nine months of 2017) and include, among other aspects:

- Net cash payments applied to the acquisitions of property, plant and equipment and intangible assets:

| Millions of Euros |  |  |
| :--- | ---: | ---: |
|  | January - <br> September <br> 2018 | January - September <br> 2017 |
| Acquisitions of property, plant and equipment and intangible assets | $(\mathbf{1 , 0 1 8 )}$ | $(\mathbf{7 9 7 )}$ |
| Acquisitions of property, plant and equipment | $(711)$ | $(500)$ |
| Acquisitions of intangible assets | $(125)$ | $(87)$ |
| Facilities transferred from customers | 45 | 55 |
| Suppliers of property, plant and equipment | $(227)$ | $\mathbf{5}$ |
| Proceeds from sales of property, plant and equipment and intangible assets | $\mathbf{5 6}$ | $(265)$ |
| Grants and other deferred income | $\mathbf{7}$ |  |
| TOTAL | $\mathbf{9 5 7 )}$ | $\mathbf{6 0}$ |

- Net cash payments for investments and/or receipts from disposals of holdings in Group companies:

Millions of Euros

|  | Sections | $\begin{gathered} \hline \text { January - } \\ \text { September } \\ 2018 \\ \hline \end{gathered}$ | January - September 2017 |
| :---: | :---: | :---: | :---: |
| Acquisitions of investments in group companies |  | (132) | (1) |
| Corporate transactions related to capacity awarded in renewable power auctions. | 2.2 | (4) | - |
| Parques Eólicos Gestinver, S.L.U. | 2.2 | (45) | - |
| Eólica del Principado, S.A.U. | 2.2 | (1) | - |
| Empresa de Alumbrado Eléctrico de Ceuta, S.A. | 2.2 | (81) | - |
| Eléctrica del Ebro, S.A.U. |  | (1) | - |
| Eléctrica de Jafre, S.A. |  | - | (1) |
| Proceeds from the sale of investments in group companies |  | 20 | 16 |
| Nueva Marina Real Estate, S.L. (1) |  | 20 | - |
| Aquilae Solar, S.L., Cefeidas Desarrollo Solar, S.L., Cephei Desarrollo Solar, S.L., Desarrollo Photosolar, S.L., Fotovoltaica Insular, S.L. and Sol de Media Noche Fotovoltaica, S.L. |  | - | 16 |
| TOTAL |  | (112) | 15 |

(1) Sale transaction formalized on 28 December 2017.

## Net Cash Flows used in Financing Activities

In the first nine months of 2018, net cash flows used in financing activities amounted to Euros 122 million (Euros 574 million in the first nine months of 2017), including mainly:

- Cash flows from equity instruments:

|  | Sections | January - September 2018 | January - September 2017 |
| :---: | :---: | :---: | :---: |
| Capital reduction at Élica Valle del Ebro, S.A. | 2.3 | (1) | - |
| Capital contribution by Tauste Energía Distribuida, S.L. |  | 3 | - |
| Capital contribution by Bosa del Ebro, S.L. |  | 3 | - |
| Acquisition of non-controlling interests in Productor Regional de Energía Renovable, S.A.U. and Productor Regional de Energías Renovables III, S.A.U. |  | - | (3) |
| TOTAL |  | 5 | (3) |

- Drawdowns of non-current financial debt:

| Millions of Euros |  |  |  |  |
| :--- | :---: | ---: | ---: | ---: |
|  | Sections | January - September <br> $\mathbf{2 0 1 8}$ | January - September <br> 2017 |  |
| Drawdowns from the European Investment Bank (EIB) | 4.1 | 500 | 300 |  |
| Drawdowns from credit facilities |  | 713 | 25 |  |
| Other |  | 8 | $\mathbf{1 , 2 2 1}$ | $\mathbf{1 7}$ |
| TOTAL |  |  | $\mathbf{3 4 2}$ |  |

- Reimbursements from non-current financial debt:

| Millions of Euros |  |  |  |
| :--- | :---: | ---: | ---: |
|  | Sections | January - September <br> $\mathbf{2 0 1 8}$ | January - September <br> $\mathbf{2 0 1 7}$ |
| Amortisation of Productor Regional de Energía Renovable, S.A.U.'s bank <br> loans | 4.1 | $(44)$ | - |
| Repayment of credit facilities |  | - | $(11)$ |
| Amortisation of Natixis loans |  | - | $(21)$ |
| Other |  | $(7)$ | $(\mathbf{5 1 )}$ |
| TOTAL |  | $(49)$ |  |

- Amortisations and drawdowns of current financial debt:

| Millions of Euros |  |  |  |
| :---: | :---: | :---: | :---: |
|  | Sections | January - September 2018 | January - September 2017 |
| Amortisations |  |  |  |
| Amortisation of ECP bonds issued by International ENDESA B.V. |  | $(5,443)$ | $(3,990)$ |
| Repayment of ENEL Finance B.V. credit facilities |  | $(4,800)$ | $(1,350)$ |
| Amortisation of Parque Eólico Gestinver, S.L.U. bank loan | 4.1 | (116) |  |
| Amortisation of bonds issued by ENDESA Capital, S.A.U. |  | - | (36) |
| Other |  | (76) | (146) |
| Drawdowns |  |  |  |
| Drawdowns of ECP bonds issued by International ENDESA B.V. |  | 5,754 | 4,258 |
| Drawdowns of ENEL Finance B.V. credit facilities |  | 4,800 | 1,750 |
| Other |  | 54 | 65 |
| TOTAL |  | 173 | 551 |

- Dividends paid:

Millions of Euros

|  | Sections | January - <br> September <br> $\mathbf{2 0 1 8}$ | January - <br> September <br> 2017 |
| :--- | ---: | ---: | ---: |
| Parent dividends paid | 4.4 | $(1,463)$ | $(1,411)$ |
| Dividends paid to non-controlling interests $(1)$ |  | $(7)$ | $(4)$ |
| TOTAL |  | $\mathbf{( 1 , 4 7 0 )}$ | $\mathbf{( 1 , 4 1 5 )}$ |

(1) Corresponding to companies of ENEL Green Power España, S.L.U. (EGPE).

### 4.3. Investments.

In the first nine months of 2018 ENDESA made gross investments of Euros 866 million. Of this amount, Euros 836 million related to property, plant and equipment and investments in intangible assets, and the remaining Euros 30 million to financial investments, as follows:

Millions of Euros

|  | Investments |  |  |
| :---: | :---: | :---: | :---: |
|  | January - September $2018(1)$ | $\begin{gathered} \text { January - September } \\ 2017 \text { (1) } \\ \hline \end{gathered}$ | \% Var. |
| Generation and Supply | 284 | 146 | 94.5 |
| Distribution | 423 | 350 | 20.9 |
| Other | 4 | 4 | - |
| TOTAL IN PROPERTY, PLANT AND EQUIPMENT | 711 | 500 | 42.2 |
| Generation and Supply | 77 | 28 | 175.0 |
| Distribution | 29 | 39 | (25.6) |
| Other | 19 | 20 | (5.0) |
| TOTAL IN INTANGIBLE ASSETS | 125 | 87 | 43.7 |
| FINANCIAL INVESTMENTS | 30 | 45 | (33.3) |
| TOTAL GROSS INVESTMENTS | 866 | 632 | 37.0 |
| TOTAL NET INVESTMENTS ${ }_{(2)}$ | 765 | 517 | 48.0 |
| (1) Does not include business combinations mad Report). (2) Net investments = Gross investments - Capita | see Section 2.1. Consolidati ed facilities. | Scope of this Consolid | Management |

## Investments in Property Plant and Equipment.

Gross investments in generation in the first nine months of 2018 relate largely to investments for the construction of the wind and photovoltaic power capacity awarded in the auctions held in 2017 for the amount of Euros 91 million.

Investments have also been made in plants that were already operational on 31 December 2017, including the investment of Euros 1 million made in the Litoral plant and the Euros 22 million investment in the As Pontes coal-fired plant, to bring it into line with the Industrial Emissions Directive (IED).

Gross distribution investments relate to grid extensions and expenditure aimed at optimising the grid to improve the efficiency and quality of service. They also include investment for the widespread installation of remote management smart meters and associated operating systems.

## Investment in Intangible Assets.

Gross investments in intangible assets in the first nine months of 2018 correspond to IT applications and ongoing investments in ICT activities for the sum of Euros 70 million and the capitalisation of incremental costs incurred corresponding to the acquisition of customer contracts for the sum of Euros 50 million (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

## Financial Investments.

The gross investments in the first nine months of 2018 include, primarily, guarantees and deposits for Euros 19 million.

### 4.4. Dividends.

Approval was given at ENDESA, S.A.'s General Shareholders' Meeting of 23 April 2018 to pay shareholders a total dividend charged against 2017 profit for a gross amount of Euros 1.382 per share (Euros 1,463 million in total). The breakdown of these dividends is as follows:

| Millions of Euros | Approval date | Euros per share, <br> gross | Amount | Payment date |
| :--- | :---: | :---: | :---: | :---: |
| Interim dividend | 21 November 2017 | 0.70 | 741 | 2 January 2018 |
| Final dividend | 23 April 2018 | 0.682 | 722 | 2 July 2018 |
| Total dividend paid against 2017 profit |  | $\mathbf{1 . 3 8 2}$ | $\mathbf{1 , 4 6 3 ( 1 )}$ |  |
| $(1) \quad$ (1) |  |  |  |  |

(1) See Section. 4.2. Cash Flows of this Consolidated Management Report).

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## APPENDIX I

## Statistical Appendix

## Industrial Data.

| Electricity Generation (1) | $\begin{gathered} \hline \text { January - September } \\ 2018 \\ \hline \end{gathered}$ | $\begin{gathered} \hline \text { January - September } \\ 2017 \\ \hline \end{gathered}$ | \% Var. |
| :---: | :---: | :---: | :---: |
| Mainland | 45,912 | 48,398 | (5.1) |
| Nuclear | 18,458 | 19,967 | (7.6) |
| Coal | 13,972 | 15,870 | (12.0) |
| Hydroelectric | 6,864 | 4,198 | 63.5 |
| Combined cycles (CCGT) | 3,907 | 5,852 | (33.2) |
| Renewables and cogeneration | 2,711 | 2,511 | 8.0 |
| Non-mainland territories (TNP) | 9,636 | 9,843 | (2.1) |
| Coal | 1,928 | 2,048 | (5.9) |
| Fuel-gas | 5,081 | 5,299 | (4.1) |
| Combined cycles (CCGT) | 2,606 | 2,474 | 5.3 |
| Renewables and cogeneration | 21 | 22 | (4.5) |
| TOTAL | 55,548 | 58,241 | (4.6) |

(1) At power plant busbars.

| MW |  |  |  |
| :---: | :---: | :---: | :---: |
| Gross installed capacity | 30 September 2018 | $\begin{gathered} \hline \text { 31 December } \\ 2017 \\ \hline \end{gathered}$ | \% Var. |
| Hydroelectric | 4,764 | 4,752 | 0.3 |
| Conventional thermal | 8,077 | 8,130 | (0.7) |
| Nuclear | 3,443 | 3,443 | - |
| Combined cycles | 5,678 | 5,678 |  |
| Renewables and cogeneration | 1,815 | 1,675 | 8.4 |
| TOTAL | 23,777 | 23,678 | 0.4 |


| MW |  |  |  |
| :---: | :---: | :---: | :---: |
| Net installed capacity | 30 September 2018 | $\begin{gathered} \hline \text { 31 December } \\ 2017 \\ \hline \end{gathered}$ | \% Var. |
| Hydroelectric | 4,712 | 4,709 | 0.1 |
| Conventional thermal | 7,544 | 7,585 | (0.5) |
| Nuclear | 3,318 | 3,318 | - |
| Combined cycles | 5,445 | 5,445 | - |
| Renewables and cogeneration | 1,815 | 1,675 | 8.4 |
| TOTAL | 22,834 | 22,732 | 0.4 |


| Gross electricity sales ${ }_{(1)}$ | January - September 2018 | January - September 2017 | \% Var. |
| :---: | :---: | :---: | :---: |
| Regulated Price | 10,880 | 11,489 | (5.3) |
| Deregulated Spanish market | 56,154 | 60,186 | (6.7) |
| Deregulated European markets other than Spain | 7,738 | 8,515 | (9.1) |
| TOTAL | 74,772 | 80,190 | (6.8) |

(1) At power plant busbars.

| GWh |  |  |  |
| :--- | ---: | ---: | ---: | ---: |
| Net electricity sales ${ }_{(1)}$ | January - September <br> 2018 | January - September <br> $\mathbf{2 0 1 7}$ | \% Var. |
| Regulated Price | 9,331 | 9,686 | $(3.7)$ |
| Deregulated Spanish market | 51,332 | 54,657 | $(6.1)$ |
| Deregulated European markets other than Spain | 7,354 | 8,17 | $(9.4)$ |
| TOTAL | $\mathbf{6 8 , 0 1 7}$ | $\mathbf{7 2 , 4 6 0}$ | $\mathbf{( 6 . 1 )}$ |

(1) Sales to end customers.

| Thousands | $\mathbf{3 0}$ September <br> $\mathbf{2 0 1 8}$ | $\mathbf{3 1}$ December <br> $\mathbf{2 0 1 7}$ | \% Var. |
| :--- | ---: | ---: | ---: | ---: |
| Number of customers (electricity) ${ }_{(1)(\text { (2) }}$ | 5,084 | 5,255 | $(3.3)$ |
| Regulated market | 4,286 | 4,416 | $(\mathbf{2 . 9 )}$ |
| Mainland Spain | 798 | 839 | $(\mathbf{4 . 9 )}$ |
| Non-mainland territories (TNP) | 5,670 | 5,593 | 1.4 |
| Deregulated market | 4,593 | 4,601 | $(0.2)$ |
| Mainland Spain | 814 | 787 | 3.4 |
| Non-mainland territories (TNP) | 263 | 205 | 28.3 |
| Outside Spain | $\mathbf{1 0 , 7 5 4}$ | $\mathbf{1 0 , 8 4 8}$ | $\mathbf{( 0 . 9 )}$ |
| TOTAL |  |  |  |

(1) Supply points.
(2) Customers of the supply companies

(1) Source: Endesa data.

| GWh |  |  |  |
| :--- | ---: | ---: | ---: | ---: |
| Gas sales | January - September <br> 2018 | January - September <br> 2017 | \% Var. |
| Deregulated market | 34,446 | 33,816 | 1.9 |
| Regulated market | 994 | 878 | 13.2 |
| International market | 18,293 | 17,803 | 2.8 |
| Wholesale business $^{\text {TOTAL }}$ (1) | 7,700 | 6,460 | 19.2 |

(1) Excluding own generation consumption.

| Number of customers (gas) (1) | 30 September 2018 | $\begin{gathered} \hline \text { 31 December } \\ 2017 \\ \hline \end{gathered}$ | \% Var. |
| :---: | :---: | :---: | :---: |
| Regulated market | 235 | 246 | (4.5) |
| Mainland Spain | 209 | 219 | (4.6) |
| Non-mainland territories (TNP) | 26 | 27 | (3.7) |
| Deregulated market | 1,359 | 1,314 | 3.4 |
| Mainland Spain | 1,221 | 1,205 | 1.3 |
| Non-mainland territories (TNP) | 67 | 63 | 6.3 |
| Outside Spain | 71 | 46 | 54.3 |
| TOTAL | 1,594 | 1,560 | 2.2 |

(1) Supply points.

Percentage (\%)

| Trend in demand for gas ${ }_{(1)}$ | January - September <br> 2018 | January - September <br> 2017 |
| :--- | ---: | ---: | ---: |
| Domestic market | 1.7 | 9.3 |
| Domestic - conventional | 6.0 | 4.5 |
| Electricity sector | $(15.4)$ | 33.2 |

(1) Source: Enagás, S.A.

| Percentage (\%) |  |  |  |
| :--- | :---: | :---: | :---: |
| Market share (gas) (1) | 30 September <br> 2018 | 31 December <br> 2017 |  |
| Deregulated market |  | 16.2 |  |
| $(1) \quad$ Source: Endesa |  |  |  |

## Workforce.

| Final headcount | 30 September 2018 |  |  | 31 December 2017 |  |  | \% Var. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Male | Female | Total | Male | Female | Total |  |
| Generation and Supply | 4,087 | 1,072 | 5,159 | 4,083 | 1,024 | 5,107 | 1.0 |
| Distribution | 2,537 | 440 | 2,977 | 2,491 | 429 | 2,920 | 2.0 |
| Structure and Others ${ }_{(1)}$ | 865 | 756 | 1,621 | 884 | 795 | 1,679 | (3.5) |
| TOTAL | 7,489 | 2,268 | 9,757 | 7,458 | 2,248 | 9,706 | 0.5 |

(1) Structure and services.

Number of Employees

| Average headcount | January - September 2018 |  |  | January - September 2017 |  |  | \% Var. |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Male | Female | Total | Male | Female | Total |  |
| Generation and Supply | 4,072 | 1,049 | 5,121 | 4,092 | 984 | 5,076 | 0.9 |
| Distribution | 2,491 | 430 | 2,921 | 2,593 | 442 | 3,035 | (3.8) |
| Structure and Others ${ }_{(1)}$ | 862 | 763 | 1,625 | 921 | 818 | 1,739 | (6.6) |
| TOTAL | 7,425 | 2,242 | 9,667 | 7,606 | 2,244 | 9,850 | (1.9) |

(1) Structure and services

## Financial Data.

|  | Consolidated income statement |  |  |
| :---: | :---: | :---: | :---: |
|  | January - September 2018 | January - September 2017 | \% Var. |
| Sales | 14,650 | 14,449 | 1.4 |
| Contribution margin ${ }_{(1)}$ | 4,271 | 4,006 | 6.6 |
| EBITDA ${ }_{(2)}$ | 2,791 | 2,548 | 9.5 |
| EBIT ${ }_{(3)}$ | 1,644 | 1,476 | 11.4 |
| Net Income ${ }_{(4)}$ | 1,193 | 1,085 | 10.0 |

(1) Contribution margin = Revenue - Procurements and Services.
(2) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel expenses - Other fixed operating expenses.
(3) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.
(4) Net Income: Profit/(loss) of the Parent.

| Euros |  |  |
| :--- | :--- | ---: | ---: |
| Valuation Key figures | January - September <br> $\mathbf{2 0 1 8}$ | January - September <br> $\mathbf{2 0 1 7}$ |
| Net earnings per share ${ }_{(1)}$ | 1.13 | 1.02 |
| Cash flow per share $_{(2)}$ | 1.08 | 1.30 |
| Book value of equity per share $_{(3)}$ | $9.04{ }_{(4)}$ | $(17.0)$ |

(1) Net earnings per share = Profit/(loss) of the Parent / Number of shares at the end of the period.
(2) Cash flow per share = Net cash flow from operating activities / Number of shares at end of the period.
(3) Parent company equity / Number of shares at the end of the period
(4) At 30 September 2018.
(5) At 31 December 2017.

| Millions of Euros |  |  |  |
| :--- | ---: | ---: | ---: |
|  | Consolidated Statement of Financial Position |  |  |
|  | 30 September | $\mathbf{3 1}$ December <br> $\mathbf{2 0 1 8}$ | $\mathbf{2 0 1 7}$ |

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

|  | Leverage ratio (1) |  |
| :---: | :---: | :---: |
|  | $\begin{gathered} \hline 30 \text { September } \\ 2018 \\ \hline \end{gathered}$ | $\begin{gathered} 31 \text { December } \\ 2017 \\ \hline \end{gathered}$ |
| Net financial debt: | 6,640 | 4,985 |
| Non-current financial debt | 5,514 | 4,414 |
| Current financial debt | 1,332 | 978 |
| Cash and cash equivalents | (199) | (399) |
| Derivatives recognised as financial assets | (7) | (8) |
| Equity: | 9,716 | 9,233 |
| Of the Parent | 9,572 | 9,096 |
| Of non-controlling interests | 144 | 137 |
| Leverage (\%) | 68.34 | 53.99 |

(1) Leverage $=$ Net financial debt / equity.

| Financial indicators | $\begin{gathered} 30 \text { September } \\ 2018 \\ \hline \end{gathered}$ | $\begin{gathered} \hline 31 \text { December } \\ 2017 \\ \hline \end{gathered}$ |
| :---: | :---: | :---: |
| Liquidity ratio (1) | 0.90 | 0.73 |
| Solvency ratio (2) | 0.97 | 0.92 |
| Debt ratio (3) | 40.60 | 35.06 |
| Debt coverage ratio (4) | 1.78 | 1.41 |

(1) Liquidity $=$ Current assets / Current liabilities.
(2) Solvency $=$ (Equity + Non-current liabilities) / Non-current assets.
(3) Debt $(\%)=$ Net financial debt $/$ (Equity + Net financial debt).
(4) Debt coverage $=$ Net financial debt $/$ EBITDA.

Rating.

|  | Credit rating |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 30 September 2018 (1) |  |  | 31 December 2017 (1) |  |  |
|  | Long term | Short term | Outlook | Long term | Short term | Outlook |
| Standard \& Poor's | BBB+ | A-2 | Stable | BBB+ | A-2 | Stable |
| Moody's | Baa2 | P-2 | Stable | Baa2 | P-2 | Stable |
| Fitch Ratings | BBB+ | F2 | Stable | BBB+ | F2 | Stable |

Stock Market Information.

| Percentage (\%) |  |  |
| :--- | ---: | ---: |
| Share price performance ${ }_{(1)}$ | January - September | January - September |
| 2018 |  |  |

(1) Source: Madrid Stock Exchange and Infobolsa.

| Euros |  |  |  |
| :--- | ---: | ---: | ---: |
| ENDESA share price ${ }_{(1)}$ | January - September <br> $\mathbf{2 0 1 8}$ | January-December <br> $\mathbf{2 0 1 7}$ | \% Var. |
| High | 20.100 | $(11.7)$ |  |
| Low | 16.600 | $(7.0)$ |  |
| Period average | 18.758 | 17.855 |  |
| Closing Price | 18.610 | 20.234 | $(7.3)$ |

(1) Source: Madrid Stock Exchange.

| Stock market information | 30 September |
| :--- | ---: | ---: | ---: | ---: |
| 2018 |  |

(1) Market Cap $=$ № of shares at the end of the period * Share price at the end of the period.
(2) Cash = Sum of all the operations made over the value in the reference period (Source: Madrid Stock Exchange).
(3) Trading volume = Total volume of stock in ENDESA, S.A. traded in the period (Source: Madrid Stock Exchange).
(4) Average daily trading volume $=$ Arithmetic mean of stock in ENDESA, S.A. traded per session during the period (Source: Madrid Stock Exchange).
(5) Price to Earnings Ratio (P.E.R.) = Share price at the end of the period / Net earnings per share.
(6) Price / Carrying amount = Market capitalisation / Equity of the Parent.

## Dividends.

|  |  | 2017 | 2016 | \% Var. |
| :---: | :---: | :---: | :---: | :---: |
| Share capital | Millions of Euros | 1,271 | 1,271 | - |
| Number of shares |  | 1,058,752,117 | 1,058,752,117 | - |
| Consolidated net profit | Millions of Euros | 1,463 | 1,411 | 3.7 |
| Individual net profit | Millions of Euros | 1,491 | 1,419 | 5.1 |
| Earnings per share | Euros (1) | 1.382 | 1.333 | 3.7 |
| Gross dividend per share | Euros | $1.382_{\text {(2) }}$ | $1.333_{(3)}$ | 3.7 |
| Consolidated pay-out | \% (4) | 100.0 | 100.0 | - |
| Individual pay-out | \% (5) | 98.1 | 99.4 | - |

(1) Earnings per share = Profit/(loss) of the Parent / Number of shares at the end of the period.
(2) Gross interim dividend of Euros 0.7 per share, paid out on 2 January 2018 plus the gross supplementary dividend of Euros 0.682 per share paid out on 2 July 2018.
(3) Gross interim dividend of Euros 0.7 per share, paid out on 2 January 2017 plus the gross supplementary dividend of Euros 0.633 per share paid out on 3 July 2017.
(4) Consolidated Pay-out = (Gross dividend per share * Number of shares at the end of the period) / Profit/loss) of the Parent.
(5) Individual Pay-out = (Gross dividend per share * № of shares at the end of the period) / Period Result of ENDESA, S.A.

## APPENDIX II

## Alternative Performance Measures (APMs)

| Alternative Performance Measures (APMs) | Unit | Definition | Conciliation of Alternative Performance Measures (APMs) |  | Relevance of use |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $\begin{gathered} \hline 30 \text { September } \\ 2018 \end{gathered}$ | $\begin{gathered} \hline 30 \text { September } \\ 2017 \end{gathered}$ |  |
| $E B E I T D A ~_{(1)}$ | Millions of Euros | Income - Procurements and Services + <br> Self-constructed assets <br> expenses - <br> expenses. | $2,791 \mathrm{M} €=15,353 \mathrm{M} €-11,082$ $\mathrm{M} €+145 \mathrm{M} €-704 \mathrm{M} €-921 \mathrm{M} €$ | $\begin{aligned} & 2,548 \mathrm{M} €=14,824 \mathrm{M} €- \\ & 10,818 \mathrm{M} €+148 \mathrm{M} €-673 \\ & \mathrm{M} \epsilon-933 \mathrm{M} € \end{aligned}$ | Measure of operating return excluding interest, taxes, provisions and amortisation. |
| EBIT $_{(1)}$ | Millions of Euros | EBITDA - Depreciation and amortisation, and impairment losses. | $\begin{aligned} & 1,644 \mathrm{M} €=2,791 \mathrm{M} €-1,147 \\ & \mathrm{M} € \end{aligned}$ | $\begin{aligned} & 1,476 M €=2,548 \mathrm{M} €-1,072 \\ & M € \end{aligned}$ | Measure of operating return excluding interest and taxes. |
| Contribution margin ${ }_{(1)}$ | Millions of Euros | Income - Procurements and services | $\begin{aligned} & \text { 4,271 M€ }=15,353 \mathrm{M} €-11,082 \\ & \mathrm{M} € \end{aligned}$ | $\begin{aligned} & \text { 4,006 M€ }=14,824 \mathrm{M} €- \\ & 10,818 \mathrm{M} € \end{aligned}$ | Measure of operating return including direct variable production costs. |
| Procurements and Services ${ }_{(1)}$ | Millions of Euros | Energy purchases + Fuel consumption + Transmission expenses + Other variable Procurements and Services | $\begin{aligned} & 11,082 \mathrm{M}=3,601 \mathrm{M} €+1,627 \\ & M €+4,156 \mathrm{M} €+1,698 \mathrm{M} € \end{aligned}$ | $\begin{aligned} & 10,818 \mathrm{M} €=3,680 \mathrm{M} €+ \\ & 1,653 \mathrm{M} €+4,193 \mathrm{M} €+1,292 \\ & \mathrm{M} € \end{aligned}$ | Goods and services for production. |
| Net financial gain/(loss) <br> (1) | $\begin{aligned} & \text { Millions } \\ & \text { of Euros } \end{aligned}$ | Financial income - Financial expense + Net exchange differences. | $\begin{aligned} & \text { (106) M€ = } 29 M €-133 M €-2 \\ & M € \end{aligned}$ | $\begin{aligned} & \text { (94) } M €=39 M €-135 M €+ \\ & 2 M € \end{aligned}$ | Measure of financial cost |
| Net investment | Millions of Euros | Gross investments - Capital grants and transferred facilities | 765 M ¢ $=866 \mathrm{M} €-101 \mathrm{M}$ ¢ | $517 \mathrm{M} \in=632 \mathrm{M} €-115 \mathrm{M}$ ¢ | Measure of investment activity |
| Net financial debt (2) | Millions of Euros | Non-current financial liabilities + Current financial liabilities - Cash and cash equivalents - Financial derivatives recognised under assets | $\begin{aligned} & 6,640 \mathrm{M} €=5,514 \mathrm{M} €+1,332 \\ & \mathrm{M} €-199 \mathrm{M} €-7 \mathrm{M} € \end{aligned}$ | $\begin{aligned} & 5,753 \mathrm{M} €=4,481 \mathrm{M} €+1,707 \\ & \mathrm{M} €-427 \mathrm{M} €-8 \mathrm{M} € \end{aligned}$ | Short and long-term financial debt, less cash and financial investment cash equivalents. |
| Leverage ratio (2) | \% | Net financial debt / Equity | $68.34 \%=6,640 \mathrm{ME} / 9,716 \mathrm{M} €$ | $\begin{aligned} & 60.82 \%=5,753 \mathrm{M} € / 9,459 \\ & M € \end{aligned}$ | Measure of the weighting of external funds in the financing of business activities. |
| Debt (2) | \% | Net financial debt / (Equity + Net financial debt) | $\begin{aligned} & 40.60 \%=6,640 \mathrm{M} € /(9,716 \mathrm{M} € \\ & +6,640 \mathrm{M} €) \end{aligned}$ | $\begin{aligned} & 37.82 \%=5,753 \mathrm{M} € /(9,459 \\ & M €+5,753 \mathrm{M} €) \end{aligned}$ | Measure of the weighting of external funds in the financing of business activities. |
| Average life of gross financial debt | Number of years | (Principal * Number of valid days) / (Valid principal at the end of the period Number of days in the period) | $\begin{aligned} & 5.2 \text { years }=35,437 \mathrm{M} € \text { a year } / \\ & 6,840 \mathrm{M} \end{aligned}$ | $\begin{aligned} & 5.7 \text { years }=35,351 \mathrm{M} € \text { a year } \\ & / 6,169 \mathrm{M} € \end{aligned}$ | Measure of the duration of financial debt to maturity |
| Average cost of gross financial debt | \% | (Cost of gross financial debt) / Gross average financial debt | $\begin{aligned} & 1.9 \%=((92 \mathrm{M} \epsilon * 12 \text { months } / 9 \\ & \text { months })+3 \mathrm{M} €) / 6,666 \mathrm{M} €) \end{aligned}$ | $\begin{aligned} & 2.2 \%=(99 \mathrm{M} € * 12 \text { months } / \\ & 9 \text { months) } / 6,088 \mathrm{M} € \\ & \hline \end{aligned}$ | Measure of the effective rate of financial debt. |
| Debt coverage ratio | $\begin{gathered} \text { Number } \\ \text { of } \\ \text { months } \end{gathered}$ | Maturity period (months) for vegetative debt that could be covered with the liquidity available | 20 months | 29 months | Measure of the capacity to meet debt maturities |
| Return on equity | \% | Profit/(loss) of the Parent / Equity of the Parent $(\mathrm{n})+$ Equity of the Parent $(\mathrm{n}-1) / 2)$ | $\begin{aligned} & 17.04 \%=\left(1,193 \mathrm{M} €{ }^{*}{ }^{12}\right. \\ & \text { months } / 9 \text { months } /((9,572+ \\ & 9,096) / 2) \mathrm{M} € \\ & \hline \end{aligned}$ | $\begin{aligned} & 15.83 \%=\left(1,085 \mathrm{ME} \mathrm{E}^{12}\right. \\ & \text { months } / 9 \text { months } /((9,327 \\ & +8,952) / 2) \mathrm{M€} \end{aligned}$ | Measure of the capacity to generate profits on shareholder investments |
| Return on assets | \% | Profit/(loss) of the Parent / Total assets <br> ( n ) + Total assets ( $\mathrm{n}-1$ )/2) | $5.04 \%=\left(1,193 \mathrm{M} €^{*} 12\right.$ months / 9 months) / ( $(32,068+31,037)$ 12) $M €$ | $\begin{aligned} & 4.67 \%=(1,085 \mathrm{M} € * 12 \\ & \text { months } / 9 \text { months }) /((31,040 \\ & +30,960) / 2) \mathrm{M} \epsilon \end{aligned}$ | Measure of business profitability |
| Economic profitability | \% | EBIT / (PP\&E ( $n$ ) + PP\&E ( $\mathrm{n}-1$ / / 2) | $\begin{aligned} & 10.07 \%=\left(1,644 \mathrm{ME}{ }^{*}{ }^{12}\right. \\ & \text { months } / 9 \text { months } /((21,791+ \\ & 21,727) / 2) \mathrm{M} € \end{aligned}$ | $\begin{aligned} & 9.06 \%=(1,476 \mathrm{M} \epsilon * 12 \\ & \text { months } / 9 \text { months }) /((21,569 \\ & +21,891) / 2) \mathrm{M} \epsilon \end{aligned}$ | Measure of the capacity to generate income from invested assets and capital |
| Return on capital employed (ROCE) | \% | Operating profit after tax / ((Non-current assets ( n ) + Non-current assets ( $\mathrm{n}-1$ ) / 2) + (Current assets ( n ) + Current assets ( n 1) / 2)) | $5.41 \%=(1,281 \mathrm{M} € * 12$ months $/ 9$ months $) /((25,875+25,507)$ $/ 2+(6,193+5,530) / 2) \mathrm{M} €$ | $\begin{aligned} & 4.97 \%=(1,156 M € * 12 \\ & \text { months } / 9 \text { months }) /((25,367 \\ & +25,525) / 2+(5,673+ \\ & 5,435) / 2) \text { M } \epsilon \end{aligned}$ | Measure of the return on invested capital |
| Liquidity ${ }_{(2)}$ | N/A | Current assets / Current liabilities. | $0.90=6,193 \mathrm{M}$ / / 6,870 M $€$ | $0.79=5,673 \mathrm{M} € / 7,210 \mathrm{M} €$ | Measure of the capacity to meet short term commitments. |
| Solvency (2) | N/A | (Equity + Non-current liabilities) / Noncurrent assets | $\begin{aligned} & 0.97=(9,716 \mathrm{M} €+15,482 \mathrm{M} €) \\ & 1.25,875 \mathrm{M} € \end{aligned}$ | $\begin{aligned} & 0.94=(9,459 \mathrm{M} €+14,371 \\ & M €) / 25,367 \mathrm{M} € \end{aligned}$ | Measure of the capacity to meet obligations. |
| Debt coverage ${ }_{(1)(2)}$ | N/A | Net financial debt / EBITDA | $\begin{aligned} & 1.78=6,640 \mathrm{ME} /\left(2,791 \mathrm{M} \epsilon^{*}\right. \\ & 12 \text { months } / 9 \text { months }) \end{aligned}$ | $1.69=5,753 \mathrm{M} € /(2,548 \mathrm{M} €$ <br> * 12 months / 9 months) | Measure of the amount of available cash flow to meet payments of principal on financial debt. |
| Net earnings per share (1) | Euros | Profit/(loss) of the Parent / Number of shares | $\begin{aligned} & 1.13 \in €=1,193 \quad M € \quad / \\ & 1,058,752,117 \text { shares } \end{aligned}$ | $\begin{aligned} & 1.02 \in=1,085 \mathrm{M} € \quad / \\ & 1,058,752,117 \text { shares } \end{aligned}$ | Measure of the portion of net profit corresponding to each share outstanding. |
| Cash flow per share ${ }_{(3)}$ | Euros | Net cash flow from operating activities / Number of shares | $\begin{aligned} & 1.08 \quad €=\underset{1,141}{1,058,752,117 \text { shares }} \end{aligned}$ | $\begin{aligned} & 1.30 €=1,375 \text { M€ / } \\ & 1,058,752,117 \text { shares } \end{aligned}$ | Measure of the portion of funds corresponding to each share outstanding. |
| BVPS ${ }_{(2)}$ | Euros | Equity of the Parent / Number of shares | $\begin{aligned} & 9.04 \underset{1,058,752,117}{\epsilon}=\underset{\text { shares }}{9,572} \end{aligned}$ | $\begin{aligned} & 8.59 €=9,096 \quad \text { M€ } \quad / \\ & 1,058,752,117 \text { shares (4) } \end{aligned}$ | Measure of the portion of equity corresponding to each share outstanding. |
| Market capitalisation | Millions of Euros | Number of shares at the end of the period *Share price at the end of the period | $\begin{aligned} & \text { 19,703 M€ }=1,058,752,117 \\ & \text { shares * } 18.610 € \end{aligned}$ | $\begin{aligned} & 18,904 \mathrm{M} €=1,058,752,117 \\ & \text { shares * } 17.855 €(4) \end{aligned}$ | Measure of the total enterprise value according to the share price. |
| Price to Earnings Ratio (P.E.R.) | N/A | Share price at the end of the period / Net earnings per share | $\begin{aligned} & 12,39=18,610 € /(1,13 € * 12 \\ & \text { months } / 9 \text { months }) \end{aligned}$ | $12,92=17,855 € / 1,38 €(4)$ | Measure indicating the number of times earnings per share can be divided into the market price of the shares. |
| Price / Carrying amount | N/A | Market capitalisation / Equity of the Parent | $2.06=19,703 \mathrm{M} € / 9,572 \mathrm{M} €$ | $2.08=18,904 \mathrm{M} € / 9,096 \mathrm{M} €$ <br> (4) | Measure comparing the total enterprise value according to the share price with the carrying amount. |
| Consolidated pay-out | \% | (Gross dividend per share * Number of shares at the end of the period) / Profit/(loss) of the Parent |  | $100.0 \%$ $1,058,752,117$ $1,411 \mathrm{M} €$ | Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (consolidated Group). |
| Individual pay-out | \% | (Gross dividend per share * Number of shares at the end of the period / Profit for the year of the ENDESA, S.A. |  | $\begin{aligned} & 99.4 \% \\ & 1,058,752,117 \\ & 1,419 \mathrm{M} € \end{aligned}\left(\begin{array}{c} 1.333 \quad € \\ \text { shares }) \end{array} \quad\right. \text { । }$ | Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (individual company). |

$\bar{M}=$ Millions of Euros; $\epsilon=$ Euros.
$n=30$ September of the year being calculated.
$n-1=31$ December of the year before the year being calculated.
$n-1=31$ December of the year before the year being calculated.
(1) $\quad$ See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.
(2) See the Consolidated Statements of Financial Position at 30 September 2018 and 2017.
(3) See the Consolidated Statements of Cash Flow for the nine-month period ended 30 September 2018 and 2017
(4) At 31 December 2017

APPENDIX III

Effect on the Consolidated Statement of Financial Position at 1 January 2018 from the Changes to the Accounting Principles

## ENDESA, S.A. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 1 JANUARY 2018

| Millions of Euros |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} 1 \\ \text { January } \\ 2018 \end{gathered}$ | IFRS 15 "Revenue from Contracts with Customers" | IFRS 9 <br> "Financial Instruments" | 1 January 2018 (Adjusted) <br> (1) |
| ASSETS |  |  |  |  |
| NON-CURRENT ASSETS | 25,507 | 95 | 12 | 25,614 |
| Property, plant and equipment | 21,727 | - | - | 21,727 |
| Investment property | 9 | - |  | 9 |
| Intangible assets | 1,196 | 95 | - | 1,291 |
| Goodwill | 459 | - |  | 459 |
| Investments accounted for using the equity method | 205 | - | - | 205 |
| Non-current financial assets | 769 | - | (10) | 759 |
| Deferred tax assets | 1,142 | - | 22 | 1,164 |
|  |  |  |  |  |
| CURRENT ASSETS | 5,530 | - | (43) | 5,487 |
| Inventories | 1,267 | - | - | 1,267 |
| Trade and other accounts receivable | 3,100 | - | (33) | 3,067 |
| Trade receivables | 2,877 | - | (33) | 2,844 |
| Current income tax assets | 223 | - | - | 223 |
| Current financial assets | 764 | - | (10) | 754 |
| Cash and cash equivalents | 399 | - | - | 399 |
| Non-current assets held for sale and discontinued operations | - | - | - | - |
| TOTAL ASSETS | 31,037 | 95 | (31) | 31,101 |
| EQUITY AND LIABILITIES |  |  |  |  |
|  |  |  |  |  |
| EQUITY | 9,233 | 71 | (40) | 9,264 |
| Of the Parent | 9,096 | 71 | (40) | 9,127 |
| Share capital | 1,271 | - | - | 1,271 |
| Share premium and reserves | 7,155 | 71 | (40) | 7,186 |
| Profit/(loss) for the period attributable to the Parent | 1,463 | - | - | 1,463 |
| Interim dividend | (741) | - | - | (741) |
| Valuation adjustments | (52) | - | - | (52) |
| Of non-controlling interests | 137 | - | - | 137 |
|  |  |  |  |  |
| NON-CURRENT LIABILITIES | 14,269 | 24 | 9 | 14,302 |
| Deferred income | 4,730 | - | - | 4,730 |
| Non-current provisions | 3,382 | - | - | 3,382 |
| Provisions for pensions and similar obligations | 951 | - | - | 951 |
| Other non-current provisions | 2,431 | - | - | 2,431 |
| Non-current financial debt | 4,414 | - | - | 4,414 |
| Other non-current liabilities | 646 | - | - | 646 |
| Deferred tax liabilities | 1,097 | 24 | 9 | 1,130 |
|  |  |  |  |  |
| CURRENT LIABILITIES | 7,535 | - | - | 7,535 |
| Current financial debt | 978 | - | - | 978 |
| Current provisions | 425 | - | - | 425 |
| Provisions for pensions and similar obligations | - | - | - | - |
| Other current provisions | 425 | - | - | 425 |
| Trade payables and other current liabilities | 6,132 | - | - | 6,132 |
| Suppliers and other payables | 5,962 | - | - | 5,962 |
| Current income tax liabilities | 170 | - | - | 170 |
| Liabilities associated with non-current assets classified as held for sale and discontinued operations | - | - | - | - |
| TOTAL EQUITY AND LIABILITIES | 31,037 | 95 | (31) | 31,101 |

(1) Adjusted at 1 January 2018 as explained in Section 1.2. Changes in Accounting Principles of this Consolidated Management Report.

## APPENDIX IV

Impact on the Consolidated Financial Statements for the nine-month period ended on 30 September 2018 from the Changes in the Accounting Principles

| Consolidated Statement of Financial Position | $\begin{gathered} 30 \\ \text { September } \\ 2018 \end{gathered}$ | IFRS 15 "Revenue from Contracts with Customers" | IFRS 9 "Financial Instruments" | 30 September 2018 Unaffected by the application of IFRS 9 and IFRS 15 |
| :---: | :---: | :---: | :---: | :---: |
| Non-current assets | 25,875 | (106) | (22) | 25,747 |
| Current assets | 6,193 | - | 50 | 6,243 |
| TOTAL ASSETS | 32,068 | (106) | 28 | 31,990 |
| Equity | 9,716 | (79) | 44 | 9,681 |
| Of the Parent | 9,572 | (79) | 44 | 9,537 |
| Of non-controlling interests | 144 | - | - | 144 |
| Non-current liabilities | 15,482 | (2) |  | 15,439 |
| Current liabilities | 6,870 | - | - | 6,870 |
| TOTAL EQUITY AND LIABILITIES | 32,068 | (106) | 28 | 31,990 |


| Consolidated Income Statement | January September 2018 | IFRS 15 "Revenue from Contracts with Customers" | IFRS 9 "Financial Instruments" | January - <br> September 2018 Unaffected by the application of IFRS 9 and IFRS 15 |
| :---: | :---: | :---: | :---: | :---: |
| INCOME | 15,353 | - | - | 15,353 |
|  |  |  |  |  |
| PROCUREMENTS AND SERVICES | $(11,082)$ | (50) | - | $(11,132)$ |
| Other variable procurements and services | $(1,698)$ | (50) | - | $(1,748)$ |
|  |  |  |  |  |
| CONTRIBUTION MARGIN | 4,271 | (50) | - | 4,221 |
|  |  |  |  |  |
| EBITDA | 2,791 | (50) | - | 2,741 |
| Depreciation and amortisation, and impairment losses | $(1,147)$ | 39 | 9 | $(1,099)$ |
| EBIT | 1,644 | (11) | 9 | 1,642 |
|  |  |  |  |  |
| NET FINANCIAL PROFIT/(LOSS) | (106) | - | (3) | (109) |
|  |  |  |  |  |
| PROFIT/(LOSS) BEFORE TAX | 1,539 | (11) | 6 | 1,534 |
|  |  |  |  |  |
| Income tax | (340) | 3 | (2) | (339) |
|  |  |  |  |  |
| PROFIT FOR THE PERIOD | 1,199 | (8) | 4 | 1,195 |
| Parent company | 1,193 | (8) | 4 | 1,189 |
| Non-controlling interests | 6 | - | - |  |

Disclaimer.
This document contains certain "forward-looking" statements regarding anticipated financial and operating results and statistics and other future events. These statements constitute no guarantee on any future performance and are subject to material risks, uncertainties, changes and other factors that may be beyond ENDESA's control or difficult to predict.

Forward-looking statements include yet are not limited to information regarding: estimated future earnings; electricity production variations of the different technologies; market share; expected variations in the gas demand and supply; management strategy and objectives; estimated cost reductions; tariffs and pricing structure; expected investments; estimated asset disposals; expected variations in generation capacity and changes in capacity mix; repowering of capacity and macroeconomic conditions. The outlooks and objectives included in this document are based on assumptions drawn from an examination of the regulatory environment, exchange rates, commodities, divestments, increases in production and installed capacity in markets where ENDESA operates, increased demand in these markets, assignment of production across different technologies, increased costs associated with higher activity yet not exceeding certain limits, electricity prices no less than certain levels, costs of combined cycle plants, availability and cost of raw materials and emission rights necessary to run our business at the desired levels.

In these statements, ENDESA is availed of the protection provided by the Private Securities Litigation Reform Act of 1995 of the United States of America with respect to forward-looking statements.

The following factors, in addition to those discussed elsewhere herein, could cause actual financial and operating results and statistics to differ materially from those expressed in our forward-looking statements: economic and industry conditions; liquidity and finance-related factors; operational factors; strategic, regulatory, legal, taxation, environmental, governmental and political factors; reputational factors; commercial or transactional factors.

Further details on the factors that may cause actual results and other developments to differ significantly from the expectations implied or explicitly contained herein are given in the Risk Factors chapter of ENDESA's regulated information filed with the Spanish Securities Exchange Commission (CNMV).

ENDESA cannot guarantee that the forward-looking statements herein will be fulfilled. Except as may be required by applicable law, neither ENDESA nor any of its subsidiaries intends to update these forward-looking statements.


[^0]:    (1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2018 and 2017

[^1]:    (2) See the Consolidated Income Statements for the nine-month period ended 30 September 2018 and 2017.

