Report on Limited Review

ENDESA, S.A. AND SUBSIDIARIES
Interim Condensed Consolidated Financial Statements
and Interim Consolidated Management Report
for the six-month period ended
June 30, 2017

Building a better
working world

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

REPORT ON LIMTED REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the interim condensed consolidated financial statements

Introduction

We have carried out a limited review of the accompanying interim condensed consolidated financial statements (hereinafter the interim financial statements) of ENDESA, S.A. (hereinafter the Parent Company) and its Subsidiaries (hereinafter the Group), which comprise the consolidated statement of financial position at June 30, 2017, the income statement, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows, and the condensed explanatory notes, all of which have been consolidated, for the six-month period then ended. The Directors of the Parent Company are responsible for the preparation of said interim financial statements in accordance with the requirements established by International Accounting Standards (IAS) 34, "Interim Financial Reporting", adopted by the European Union for the preparation of interim condensed financial reporting as per article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of review

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

Conclusion

During the course of our limited review, which under no circumstances can be considered an audit of accounts, no matter come to our attention which would lead us to conclude that the accompanying interim financial statements for the six-month period ended June 30, 2017 have not been prepared, in all significant respects, in accordance with the requirements established by International Accounting Standards (IAS) 34, "Interim Financial Reporting", as adopted by the European Union in conformity with article 12 of Royal Decree 1362/2007 for the preparation of interim condensed financial statements.

Emphasis paragraph

We draw attention to the matter describe in accompanying explanatory Note 2, which indicates that the abovementioned accompanying interim financial statements do not include all the information that would be required for completed consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. Therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2016. This does not modify our conclusion.

Report on other legal and regulatory reporting requirements

The accompanying consolidated interim management report for the six-month period ended June 30, 2017 contains such explanations as the Directors of the Parent Company consider appropriate concerning significant events which occurred during this period and their effect on these interim financial statements, of which it is not an integral part, as well as on the information required in conformity with article 15 of Royal Decree 1362/2007. We have checked that the accounting information included in the abovementioned report agrees with the interim financial statements for the six-month period ended June 30, 2017. Our work is limited to verifying the consolidated interim management report in accordance with the scope described in this paragraph, and does not include the review of information other than that obtained from the accounting records of ENDESA, S.A. and its Subsidiaries.

Paragraph on other issues

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

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

José Agustín Rico Horcajo

July 25, 2017

ENDESA, S.A.

and Subsidiaries

Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2017

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

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2017 AND 31 DECEMBER 2016

Millions of Euros

	Notes	**30 June 2017 (Unaudited)**	**31 December 2016**
ASSETS			
NON-CURRENT ASSETS		**25,458**	**25,529**
Property, Plant and Equipment	5	21,674	21,891
Investment Property		20	20
Intangible Assets	6	1,166	1,172
Goodwill	7	459	300
Investments Accounted for using the Equity Method		212	208
Non-current Financial Assets	14	706	714
Deferred Tax Assets		1,221	1,224
CURRENT ASSETS		**5,439**	**5,435**
Inventories	8	1,118	1,202
Trade and Other Receivables	9	3,240	3,452
Trade Receivables		2,813	3,055
Current Income Tax Assets		427	397
Current Financial Assets	14	630	363
Cash and Cash Equivalents	10	451	418
Non-current Assets Held for Sale and Discontinued Operations		-	-
TOTAL ASSETS		**30,897**	**30,964**
EQUITY AND LIABILITIES			
EQUITY	11	**9,035**	**9,088**
Of the Parent		8,894	8,952
Share Capital		1,271	1,271
Share Premium and Reserves		7,049	7,049
Profit for the Period of the Parent		653	1,411
Interim Dividend		-	(741)
Valuation Adjustments		(79)	(38)
Of Non-Controlling Interests		141	136
NON-CURRENT LIABILITIES		**14,697**	**14,355**
Deferred Income		4,691	4.712
Non-current Provisions	12	3,567	3,718
Provisions for Pensions and Similar Obligations		1,070	1,063
Other Non-current Provisions		2,497	2,655
Non-current Interest-Bearing Loans and Borrowings	13.1	4,748	4,223
Other Non-current Liabilities	14	617	601
Deferred Tax Liabilities		1,074	1,101
CURRENT LIABILITIES		**7,165**	**7,521**
Current Interest-Bearing Loans and Borrowings	13.1	1,326	1,144
Current Provisions	12	315	567
Provisions for Pensions and Similar Obligations		-	-
Other Current Provisions		315	567
Trade Payables and other Current Liabilities	16	5,524	5,810
Suppliers and other Payables		4,962	5,478
Current Income Tax Liabilities		562	332
Liabilities Associated with Non-current Assets Held for Sale and Discontinued Operations		-	-
TOTAL EQUITY AND LIABILITIES		**30,897**	**30,964**

The accompanying explanatory Notes 1 to 22 are an integral part of the Consolidated Statements of Financial Position at 30 June 2017 and 31 December 2016.

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

FOR THE SIX MONTHS ENDED

30 JUNE 2017 AND 2016

Millions of Euros

	Notes	January-June 2017 (Unaudited)	January-June 2016 (Unaudited)
INCOME		**10,004**	**9,203**
Revenue	17.3	9,792	8,837
Other Operating Income		212	366
PROCUREMENTS AND SERVICES		**(7,380)**	**(6,367)**
Power Purchased		(2,566)	(1,935)
Cost of Fuel Consumed		(1,056)	(621)
Transport Costs		(2,832)	(2,950)
Other Variable Procurements and Services		(926)	(861)
CONTRIBUTION MARGIN		**2,624**	**2,836**
Self-constructed Assets		79	51
Personnel Expenses		(451)	(432)
Other Fixed Operating Expenses		(647)	(589)
GROSS PROFIT FROM OPERATIONS		**1,605**	**1,866**
Depreciation and Amortisation, and Impairment Losses		(704)	(676)
PROFIT FROM OPERATIONS		**901**	**1,190**
NET FINANCIAL PROFIT/(LOSS)		**(59)**	**(101)**
Financial Income		34	32
Financial Expense		(94)	(133)
Net Exchange Differences		1	-
Net Profit/(Loss) of Companies Accounted for using the Equity Method		10	(38)
Gains/(Losses) from Other Investments		1	-
Gains/(Losses) on Disposal of Assets		(5)	(10)
PROFIT/(LOSS) BEFORE TAX		**848**	**1,041**
Income Tax Expense		(190)	(245)
PROFIT AFTER TAX FOR THE PERIOD FROM CONTINUING OPERATIONS		**658**	**796**
PROFIT AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS		**-**	**-**
PROFIT FOR THE PERIOD		**658**	**796**
Parent Company		653	796
Non-Controlling Interests		5	-
BASIC NET EARNINGS PER SHARE FOR CONTINUING OPERATIONS (Euros)		***0.62***	***0.75***
DILUTED NET EARNINGS PER SHARE FOR CONTINUING OPERATIONS (Euros)		***0.62***	***0.75***
BASIC NET EARNINGS PER SHARE FOR DISCONTINUED OPERATIONS (Euros)		***-***	***-***
DILUTED NET EARNINGS PER SHARE FOR DISCONTINUED OPERATIONS (Euros)		***-***	***-***
BASIC NET EARNINGS PER SHARE (Euros)		***0.62***	***0.75***
DILUTED NET EARNINGS PER SHARE (Euros)		***0.62***	***0.75***

The accompanying explanatory Notes 1 to 22 are an integral part of the Consolidated Income Statements for the six months ended 30 June 2017 and 2016.

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND 2016

Millions of Euros

	30 June 2017 (Unaudited)			30 June 2016 (Unaudited)		
	Of the Parent	**Of Non-Controlling Interests**	**Total**	**Of the Parent**	**Of Non-Controlling Interests**	**Total**
PROFIT FOR THE PERIOD	**653**	**5**	**658**	**796**	**-**	**796**
OTHER COMPREHENSIVE INCOME:						
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	**16**	**-**	**16**	**26**	**-**	**26**
Items that can be Reclassified to Consolidated Profit or Loss:	**16**	**-**	**16**	**26**	**-**	**26**
From Revaluation/(Reversal of Revaluation) of Property, Plant and Equipment and Intangible Assets	-	-	-	-	-	-
From Measurement of Financial Instruments	-	-	-	-	-	-
Available-for-sale Financial Assets	-	-	-	-	-	-
From Cash Flow Hedges	21	-	21	43	-	43
Translation Differences	(1)	-	(1)	-	-	-
Companies Accounted for using the Equity Method	2	-	2	(6)	-	(6)
Other Income and Expenses Recognised Directly in Equity	-	-	-	-	-	-
Tax Effect	(6)	-	(6)	(11)	-	(11)
Items not to be Reclassified to Consolidated Profit or Loss in Subsequent Periods:	**-**	**-**	**-**	**-**	**-**	**-**
From Revaluation/(Reversal of Revaluation) of Property, Plant and Equipment and Intangible Assets	-	-	-	-	-	-
From Actuarial Gains and Losses and other Adjustments	-	-	-	-	-	-
Tax Effect	-	-	-	-	-	-
AMOUNTS TRANSFERRED TO INCOME STATEMENT AND/OR INVESTMENTS	**(57)**	**-**	**(57)**	**17**	**-**	**17**
From Measurement of Financial Instruments	-	-	-	-	-	-
Available-for-sale Financial Assets	-	-	-	-	-	-
Other Income/(Expenses)	-	-	-	-	-	-
From Cash Flow Hedges	(76)	-	(76)	19	-	19
Translation Differences	-	-	-	-	-	-
Companies Accounted for using the Equity Method	(1)	-	(1)	3	-	3
Other Income and Expenses Recognised Directly in Equity	-	-	-	-	-	-
Tax Effect	20	-	20	(5)	-	(5)
TOTAL COMPREHENSIVE INCOME	**612**	**5**	**617**	**839**	**-**	**839**

The accompanying explanatory Notes 1 to 22 are an integral part of the Consolidated Statement of other Comprehensive Income for the six months ended 30 June 2017 and 2016.

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2017

Millions of Euros

		Equity attributable to owners of the Parent							
		Capital and Reserves							
(Unaudited)	**Notes**	**Share Capital** (Note 11.1)	**Share Premium, Reserves and Interim Dividend**	**Treasury Shares and Own Equity Instruments**	**Profit/(Loss) for the Period**	**Other Equity Instruments**	**Valuation Adjustments**	**Non-Controlling Interests**	**Total Equity**
Balance at 1 January 2017		**1,271**	**6,308**	**-**	**1,411**	**-**	**(38)**	**136**	**9,088**
Adjustments due to Changes in Accounting Policies		-	-	-	-	-	-	-	-
Corrections of Errors		-	-	-	-	-	-	-	-
Adjusted Balance at 1 January 2017		**1,271**	**6,308**	**-**	**1,411**	**-**	**(38)**	**136**	**9,088**
Total Comprehensive Income		**-**	**-**	**-**	**653**	**-**	**(41)**	**5**	**617**
Transactions with Shareholders or Owners		**-**	**(670)**	**-**	**-**	**-**	**-**	**-**	**(670)**
Capital Increases/(Reductions)		-	-	-	-	-	-	-	-
Conversion of Liabilities into Equity		-	-	-	-	-	-	-	-
Dividends Paid	11.2	-	(670)	-	-	-	-	-	(670)
Transactions with Treasury Shares or Own Equity Instruments (Net)		-	-	-	-	-	-	-	-
Increases/(Reductions) due to Business Combinations		-	-	-	-	-	-	-	-
Other Transactions with Shareholders or Owners		-	-	-	-	-	-	-	-
Other Changes in Equity		**-**	**1,411**	**-**	**(1,411)**	**-**	**-**	**-**	**-**
Share-based Payments		-	-	-	-	-	-	-	-
Transfers Between Equity Items		-	1,411	-	(1,411)	-	-	-	-
Other Changes		-	-	-	-	-	-	-	-
Balance at 30 June 2017		**1,271**	**7,049**	**-**	**653**	**-**	**(79)**	**141**	**9,035**

The accompanying explanatory Notes 1 to 22 are an integral part of the Consolidated Statement of Changes in Equity for the six months ended 30 June 2017.

ENDESA, S.A. AND SUBSIDIARIES

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

Millions of Euros

		Equity attributable to owners of the Parent							
		Capital and reserves							
(Unaudited)	**Notes**	**Share Capital** (Note 11.1)	**Share Premium, Reserves and Interim Dividend**	**Treasury Shares and Own Equity Instruments**	**Profit/(Loss) for the Period**	**Other Equity Instruments Net**	**Valuation Adjustments**	**Non-Controlling Interests**	**Total Equity**
Balance at 1 January 2016		**1,271**	**6,799**	**-**	**1,086**	**-**	**(120)**	**3**	**9,039**
Adjustments due to Changes in Accounting Policies		-	-	-	-	-	-	-	-
Corrections of Errors		-	-	-	-	-	-	-	-
Adjusted Balance at 1 January 2016		**1,271**	**6,799**	**-**	**1,086**	**-**	**(120)**	**3**	**9,039**
Total Comprehensive Income		**-**	**-**	**-**	**796**	**-**	**43**	**-**	**839**
Transactions with Shareholders or Owners		**-**	**(663)**	**-**	**-**	**-**	**-**	**-**	**(663)**
Capital Increases/(Reductions)		-	-	-	-	-	-	-	**-**
Conversion of Liabilities into Equity		-	-	-	-	-	-	-	-
Dividends Paid	11.2	-	(663)	-	-	-	-	-	(663)
Transactions with Treasury Shares or Own Equity Instruments (Net)		-	-	-	-	-	-	-	-
Increases/(Reductions) due to Business Combinations		-	-	-	-	-	-	-	-
Other Transactions with Shareholders or Owners		-	-	-	-	-	-	-	-
Other Changes in Equity		**-**	**1086**	**-**	**(1,086)**	**-**	**-**	**-**	**-**
Share-based Payments		-	-	-	-	-	-	-	-
Transfers Between Equity Items		-	1,086	-	(1,086)	-	-	-	-
Other Changes		-	-	-	-	-	-	-	-
Balance at 30 June 2016		**1,271**	**7,223**	**-**	**796**	**-**	**(77)**	**3**	**9,215**

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

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND 2016

Millions of Euros

	Notes	January-June 2017 (Unaudited)	January-June 2016 (Unaudited)
Profit before Tax		848	1,041
Adjustments for:		677	699
Depreciation and Amortisation, and Impairment Losses		704	676
Other Adjustments (Net)		(27)	23
Changes in Working Capital		(687)	(69)
Trade and Other Receivables		(139)	146
Inventories		(101)	(84)
Current Financial Assets		(537)	230
Trade Payables and other Current Liabilities		90	(361)
Other Cash Flows from/(used in) Operating Activities:		(163)	(201)
Interest Received		29	18
Dividends Received		4	3
Interest Paid		(74)	(63)
Income Tax Paid		7	36
Other Receipts from and Payments for Operating Activities		(129)	(195)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**675**	**1,470**
Acquisitions of Property, Plant and Equipment and Intangible Assets		(593)	(529)
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets		5	4
Purchase of Investments in Group Companies		(1)	-
Proceeds from Sale of Investments in Group Companies		16	114
Purchase of other Investments		(85)	(127)
Proceeds from Sale of other Investments		21	24
Cash flows from Changes in the Scope of Consolidation		-	-
Grants and other Deferred Income		29	39
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(608)**	**(475)**
Cash Flows from Equity Instruments		-	-
Proceeds from Borrowings, Non-Current	13.1	1,047	105
Repayment of Borrowings, Non-Current	13.1	(498)	(2)
Net Cash Flows Used in Current Borrowings		159	(346)
Dividends of the Parent Paid	11.2	(741)	(424)
Payments to Non-controlling Interests		(1)	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(34)**	**(667)**
TOTAL NET CASH FLOWS		**33**	**328**
Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents		-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**33**	**328**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**10**	**418**	**346**
Cash in Hand and at Banks		418	344
Cash Equivalents		-	2
CASH AND CASH EQUIVALENTS AT 30 JUNE	**10**	**451**	**674**
Cash in Hand and at Banks		435	674
Cash Equivalents		16	-

The accompanying explanatory Notes 1 to 22 are an integral part of the Consolidated Statements of Cash Flows for the six months ended 30 June 2017 and 2016.

ENDESA, S.A. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
30 JUNE 2017

Contents

ENDESA, S.A. AND SUBSIDIARIES

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. Group Activity and Interim Condensed Consolidated Financial Statements

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

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

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

ENDESA carries out its corporate purpose in Spain and abroad directly or through its investments in other companies.

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

ENDESA's Consolidated Financial Statements for the year ended 31 December 2016 were approved by the shareholders at the General Meeting of Shareholders held on 26 April 2017 and filed with the Madrid companies register.

The Company forms part of the ENEL Group, whose parent company is ENEL, S.p.A., which is governed by Italian commercial legislation. Its registered office is at Viale Regina Margherita, 137, Rome, Italy. In Spain, the ENEL Group is headed by ENEL Iberia, S.L.U. (formerly "ENEL Iberoamérica, S.L.U.") with registered office at Calle Ribera del Loira, 60, Madrid. At 30 June 2017, the ENEL Group, through ENEL Iberia, S.L.U., holds 70.101% of ENDESA, S.A.'s share capital (see Note 11.1).

The ENEL Group's Consolidated Financial Statements for the year ended 31 December 2016 were approved by the shareholders at the General Meeting of Shareholders held on 4 May 2017 and filed with the Rome and Madrid companies registers.

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

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

2.1. Accounting principles

ENDESA's Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2017 were approved by the Directors of the Parent Company at a Board meeting held 24 July 2017 and prepared in accordance with the International Financial Reporting Standards ("IFRSs") and the interpretations of the IFRS Interpretations Committee (“IFRIC”) as adopted by the European Union at the reporting date pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council and other applicable regulations regarding financial reporting.

These Interim Condensed Consolidated Financial Statements present fairly the equity and financial position of ENDESA at 30 June 2017, as well as the consolidated comprehensive income, consolidated operating performance, changes in consolidated equity and consolidated cash flows for the six months then ended.

The accounting principles and measurement criteria used to prepare the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2017 are the same as those explained in Notes 2 and 3 to the Consolidated Financial Statements for the year ended 31 December 2016, except for the change in the accounting estimate of the useful lives of certain hydroelectric, wind and photovoltaic plants (see note 2.2). They have been prepared on a going concern basis using the cost method, with the exception of items measured at fair value in accordance with IFRSs, and non-current assets and disposal groups classified as held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.

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

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

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

New IFRSs were not applied in the six months ended 30 June 2017. Accordingly, the accounting policies used to prepare the Interim Condensed Consolidated Financial Statements are the same as those applied in the Consolidated Financial Statements for the year ended 31 December 2016.

b) Standards and interpretations endorsed by the European Union to be applied for the first time in annual periods beginning in 2018

Standards, amendments and interpretations	**Mandatory application: Annual periods beginning on or after**
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018

ENDESA's management is assessing the impact of applying these standards, and had not concluded such analysis at the date of preparation of these Interim Condensed Consolidated Financial Statements.

IFRS 15 Revenue from Contracts with Customers

According to the preliminary analysis carried out as of the date of authorisation for issue of these Interim Condensed Consolidated Financial Statements, ENDESA estimates that adoption of IFRS 15 Revenue from Contracts with Customers will not result in significant changes to revenue recognition, except for the impact arising from the capitalisation of the incremental costs of obtaining contracts with customers.

ENDESA will capitalise the incremental costs of obtaining these contracts with customers under Non-Current Assets in the Consolidated Statement of Financial Position, depreciating the asset on a systematic basis in accordance with the average expected life of the customer contracts related to these costs.

Based on the foregoing, taking into account the types of customers, products and services commissioned, and assuming retroactive application with the accumulated impact of the initial application of this standard, the expected impact at 30 June 2017 for the application of IFRS 15 Revenue from Contracts with Customers would amount to between Euros 145 million and Euros 175 million. This amount would correspond to the capitalisation of the incremental costs of obtaining contracts with customers incurred in previous years that are still effective on the transition date.

Nonetheless, ENDESA has yet to conclude the analysis on the effect that IFRS 15 Revenue from Contracts with Customers could have on the timing of recognition of revenue from the performance obligations identified in certain contracts and, consequently, no final decision has been adopted on the first-time application option of this standard. Therefore, the quantification of the final impact of first-time application is expected to conclude during the second half of 2017.

The new standard will also require a review by ENDESA of all the internal processes and controls related with revenue recognition, which is already under way, but not yet complete. The current information systems will be kept in place, though the controls established therein will be adapted.

IFRS 9 Financial Instruments

According to the preliminary analysis made at the date of approval of these Interim Condensed Consolidated Financial Statements, the expected impacts of the adoption of IFRS 9 *Financial Instruments* can be summarised as follows:

- Classification and measurement of financial assets: Generally, from the analysis of the new classification according to the business model, no relevant impacts are estimated and most of the financial assets are expected to continue being measured at amortised cost, with the exception, primarily, of equity instruments and derivative financial instruments, which will be measured at fair value.

- Impairment of financial assets: ENDESA will apply the simplified approach for trade receivables, estimating lifetime expected losses for the assets and, the general approach for calculated expected loss for the remaining financial assets. In both cases, given the high credit rating of its customers, some of which are government agencies, and the internal classification systems currently in place for entering into contracts with them, no significant impact is expected, although its quantification is still subject to a more in-depth analysis of all the elements.

- Hedge accounting: Since transition to IFRS 9 Financial Instruments entails the prospective application of hedge accounting, its adoption will have no impact on the Consolidated Financial Statements on the date of first application. Nonetheless, ENDESA is evaluating the possibility provided in IFRS 9 Financial Instruments to continue to apply the hedge accounting requirements in IAS 39 Financial Instruments the standard on “macro-hedging” is published and adopted. However, no final decision has been made regarding this alternative.

Based on the above-mentioned paragraphs, ENDESA has yet to complete the analysis on the potential impact of IFRS 9 Financial Instruments and, consequently, no final decision has been adopted on the first-time application alternative of this standard. The quantification of the final impact of first-time application is expected to conclude during the second half of 2017.

The new standard will also require a review by ENDESA of all the internal processes and controls related, which is already under way, but not yet complete. The current information systems will be kept in place, though the controls established therein will be adapted.

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

The International Accounting Standards Board (IASB) has approved the following International Financial Reporting Standards (IFRS) which could affect ENDESA but are still pending endorsement by the European Union at the approval date of these Interim Condensed Consolidated Financial Statements:

Standards, amendments and interpretations	Mandatory application: (1) Annual periods beginning on
IFRS 14 Deferral of Regulated Activities	1 January 2016 (2)
Modifications to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IAS 7 Statement of Cash Flows: - Disclosure Initiative	1 January 2017
Clarifications to the IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Indefinitely postponed
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle. The improvements are designed to address areas of inconsistency in IFRSs or where clarification in wording is requirement, with amendments to the following standards: - IFRS 1 First-Time Adoption of International Financial Reporting Standards - IFRS 12 Disclosure of Interests in Other Entities - IAS 28 Investments in Associates and Joint Ventures	1 January 2017 and 1 January 2018
IFRIC 22 Transactions in Foreign Currency and Advance Consideration	1 January 2018
Amendments to IAS 40 Transfers of Investment Property	1 January 2018
IFRIC 23 Uncertainties over Income Tax Treatments	1 January 2019

(1) If adopted without changes by the European Union.
(2) Adoption process halted by the European Union.

At the date of approval of these Interim Condensed Consolidated Financial Statements, ENDESA’s management is assessing the impact of these standards, if endorsed by the European Union, on the Consolidated Financial Statements.

Based on the analyses carried out to date, ENDESA estimates that their initial application would not have a material impact on the Consolidated Financial Statements, except IFRS 16 Leases.

IFRS 16 Leases

According to the preliminary analysis at the date of approval of these Interim Condensed Consolidated Financial Statements, the expected impacts of the adoption of IFRS 16 Leases can be summarised as follows:

- As a result of the recognition of the rights to use the underlying assets of lease contracts classified up until the effective date of the standard as operating leases, an increase is expected in Non-Current Assets in the Consolidated Statement of Financial Position.

- As a result of the recognition of future lease payments relating to these leases, an increase is also expected in Non-Current and Current Liabilities of the Consolidated Statement of Financial Position.

- Operating lease costs, currently recognised under "Other Fixed Operating Expenses" in the Consolidated Income Statement, will be recognised under "Depreciation and Amortisation, and Impairment Losses" in the Consolidated Income Statement for amortisation of rights of use, and under “Financial Expense” in the Consolidate Income Statement for accrual of the financial liability.

At the date of authorisation for issue of the Interim Condensed Consolidated Financial Statements, ENDESA is still compiling the inventory of contracts affected by IFRS 16 Leases, assessing the transition alternative to adopt in the first-time application of this standard and the possibility of excluding short-term leases or leases for which the underlying asset is of low value.

ENDESA has therefore not concluded the analysis of the possible impact of IFRS 16 Leases. Final quantification of the impact of the first-time application of this Standard will conclude in 2018.

2.2. Responsibility for information and estimates

The Company's management is responsible for the contents of the Interim Condensed Consolidated Financial Statements, which were authorised for issue at the Board of Directors' Meeting held on 24 July 2017, and expressly states that all IFRS principles and criteria have been applied.

ENDESA’s Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2017 have been prepared from the accounting records of the Company and those of the rest of the companies comprising ENDESA at 30 June 2017, and include all the significant disclosures required of IAS 34 Interim Financial Reporting, in accordance with Article 12 of Royal Decree 1362/2007, of 19 October, but not the full set of disclosures as required by IFRSs in a complete set of financial statements. Therefore, for an appropriate understanding, they should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2016.

In preparing the accompanying Interim Condensed Consolidated Financial Statements, ENDESA's Directors made estimates to measure certain assets, liabilities, income, expenses and commitments included therein. The estimates necessary to prepare ENDESA’s Interim Condensed Consolidated Financial Statements were basically the same as those described in Note 2.2 to the Consolidated Financial Statements for the year ended 31 December 2016. There were no changes with respect to those used in that Consolidated Financial Statements that had a significant impact on the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2017, with the exception of the following:

- During the first half of 2017, new technical studies were conducted on the useful lives of wind and photovoltaic facilities based on internal and external information sources. These studies are based on extended experience existing to date for plants with similar characteristics and technology developments made since commissioning, and demonstrate that, in appropriate operating conditions, applying specific predictive maintenance plans to anticipate faults in main non-structural components and making appropriate investments, these wind turbines and photovoltaic plants could achieve at least 30 years of operation in secure conditions.

  Accordingly, ENDESA has modified the useful lives of wind and photovoltaic generation facilities as of 1 January 2017, extending them from 25 and 20 years, respectively, to 30 years.

The effect of this change on the Consolidated Income Statement for the six months ended 30 June 2017 was a decrease in the depreciation expense of Euros 17 million compared to the same period of the previous year.

- Regarding hydroelectric power plants, ENDESA has conducted new internal and external technical studies on the useful lives of these plants based on extended experience existing to date for hydroelectric power plants of technically similar characteristics. The studies demonstrate that these facilities could surpass the initially established useful lives when the appropriate operating conditions, operation and maintenance programmes and investments are maintained, guaranteeing safety in functioning in accordance with the legally established requirements.

  According to these studies, from a technical point of view, the configuration of these plants together with the recurrent investments made by ENDESA since their commissioning and the maintenance plans executed over time allow ENDESA's hydroelectric power plants to continue generating power efficiently beyond the estimated useful life estimated until now, which could be extended significantly.

  On this basis, ENDESA has modified the useful life of its hydroelectric power plants from the 65 years estimated until now for civil engineering and 35 years for electrical-mechanical equipment, to 100 years and 50 years, respectively, up the limit of the term of the concession. This change was made from 1 January 2017, with prospective application.

  The effect that these changes have had on the Consolidated Income Statement for the six months ended 30 June 2017 was decrease in the depreciation expense of Euros 21 million compared to the same period of the previous year.

To measure the pension obligations at 30 June 2017, ENDESA elected to use the same actuarial assumptions as in the Consolidated Financial Statements for the year ended 31 December 2016, as the potential impact of a change in the actuarial assumptions would not be significant for the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2017.

In addition, the Income Tax Expense in the accompanying Interim Condensed Consolidated Financial Statements was calculated based on the best estimate of the tax rate expected to apply to the related annual periods. As a result, changes in estimates of the annual tax rate could require the amount recognised for the six months ended 30 June 2017 to be adjusted in future reporting periods.

2.3. Subsidiaries

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

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

Subsidiaries are fully consolidated as described in Note 2.7 to the Consolidated Financial Statements for the year ended 31 December 2016.

At 30 June 2017 and 31 December 2016, ENDESA had no Structured Entities as defined in IFRS 12 Disclosure of Interests in Other Entities, designed in such a way that voting rights and similar rights do not constitute the main factor for the purposes of defining control.

Six months ended 30 June 2017 and 2016

On 31 May 2017, ENDESA Red, S.A.U. acquired 52.54% of the shares of Eléctrica de Jafre, S.A. for Euros 1 million. ENDESA previously held 47.46% of the share capital in this company. As a result of this transaction, the final stake held by ENDESA in Eléctrica de Jafre, S.A. is 100% (see Notes 2.4 and 4.2):

	% Ownership at 30 June 2017		% Ownership at 31 December 2016	
	Control	**% Ownership**	**Control**	**% Ownership**
Eléctrica de Jafre, S.A.	100.00	100.00	47.46	47.46

In the six months ended 30 June 2017 and 2016, no companies were excluded from the scope of consolidation, and there were no changes in the control and ownership percentage stakes in the companies included in the scope of consolidation.

Additionally, in the six months ended 30 June 2016, no company entered.

2.4. Associates

Associates are entities in which the Parent Company has significant influence, directly or indirectly. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by ENDESA or other entities, are taken into account when assessing whether it has significant influence.

In general, where ENDESA holds a stake above 20%, it is presumed that it has significant influence.

Associates are accounted for using the equity method as described in Note 3h to the Consolidated Financial Statements for the year ended 31 December 2016.

Six months ended 30 June 2017 and 2016

In the six months ended 30 June 2017 and 2016, no associates were included in the scope of consolidation, and there were no changes in the control and ownership percentage stakes therein.

On 31 May 2017, ENDESA Red, S.A.U. acquired 52.54% of the share capital in Eléctrica de Jafre, S.A., in which it previously held 47.46% (see Notes 2.3 and 4.2). At the effective date of acquisition, ENDESA obtained control of this company, after having significant influence until then.

No associates were excluded from the consolidation scope in the six months ended 30 June 2016.

2.5. Joint Arrangements

A Joint Arrangement is an agreement that gives two or more parties joint control, whereby the unanimous consent of all parties sharing control is required for decisions to be taken with respect to major activities.

Joint Arrangements may be Joint Operations or Joint Ventures, depending on the rights and obligations of the parties to the agreement.

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

Joint Operations

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

Joint Operations are consolidated using proportionate consolidation, combining the proportionate share of the assets and liabilities of the operation as described in Note 2.7 to the Consolidated Financial Statements for the year ended 31 December 2016.

Six months ended 30 June 2017 and 2016

In the six-month periods ended 30 June 2017 and 2016, no Joint Operation Entities were included in the scope of consolidation, and there were no changes in the control and ownership percentage stakes therein.

On 30 June 2017, ENDESA sold the shares it held in the following companies:

Exclusions from the scope of consolidation	**% Ownership at 30 June 2017**		**% Ownership at 31 December 2016**	
	Control	**Ownership**	**Control**	**Ownership**
AQUILAE SOLAR, S.L.	-	-	50.00	50.00
CEFEIDAS DESARROLLO SOLAR, S.L.	-	-	50.00	50.00
CEPHEI DESARROLLO SOLAR, S.L.	-	-	50.00	50.00
DESARROLLO PHOTOSOLAR, S.L.	-	-	50.00	50.00
FOTOVOLTAICA INSULAR, S.L.	-	-	50.00	50.00
SOL DE MEDIA NOCHE FOTOVOLTAICA, S.L.	-	-	50.00	50.00

As a result of the sale of these companies, items of property, plant and equipment assets of Euros 7 million (see Note 5) and Intangible Assets of Euros 1 million (see Note 6) were derecognised. The remaining financial indicators for these companies were not significant.

The gross gain on the sale of these stakes was Euros 4 million.

No Joint Operation Entities were excluded from the consolidation scope in the six months ended 30 June 2016.

Joint Ventures

Joint Ventures are companies governed by a Joint Arrangement whereby ENDESA and the other parties have rights to the net assets.

Joint Ventures are accounted for using the equity method as described in Note 3h to the Consolidated Financial Statements for the year ended 31 December 2016.

Six months ended 30 June 2017 and 2016

No Joint Ventures were included in the scope of consolidation in the six months ended 30 June 2017, and there were no exclusions or changes in the control and ownership percentage stakes.

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

On 30 March 2016, ENDESA acquired shares representing 4.86% of the share capital of Tejo Energia - Produção e Distribução de Energia Eléctrica, S.A.:

	% Ownership at 30 June 2016		**% Ownership at 31 December 2015**	
	Control	**Ownership**	**Control**	**Ownership**
TEJO ENERGIA – PRODUÇAO E DISTRIBUÇAO DE ENERGIA ELÉCTRICA, S.A.	43.75	43.75	38.89	38.89

On 24 May 2016, ENDESA sold the following stake to ENEL Investment Holding B.V.:

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

2.6. Other investments

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

3. Industry regulation

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

2017 electricity tariff

On 29 December 2016 the Official State Gazette ("BOE") published Order ETU/1976/2016 of 23 December, which establishes the access tariffs for 2017.

In accordance with this Order, the access tariffs remained unchanged.

Natural gas tariff for 2017

Under Order ETU/1977/2016 of 23 December access tariffs in force in 2016 were largely maintained.

Energy Efficiency

Law 18/2014, of 15 October, 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 IET/258/2017 of 24 March entailed a contribution by ENDESA to the Energy Efficiency National Fund of Euros 29.3 million, corresponding to its 2017 obligations.

Renewable energy auction

The Ministry for Energy, Tourism and the Digital Agenda has rolled out a series of requirements for auctions with regard to adherence to the specific remuneration regime for new renewable energy generation plants.

On 1 April 2017 the Official State Gazette (BOE) published Royal Decree 359/2017 of 31 March, establishing a call for assigning the specific remuneration system for new renewable energy production facilities through an auction with a maximum installed power limit of 3,000 MW.

This Royal Decree was enacted by Order ETU/315/2017, of 6 April, regulating the procedure for assigning the specific remuneration system in each auction, in addition to the remuneration parameters for reference and standard facilities, and characteristics of the auction, and the Resolutions issued by the Secretary of State for Energy on 10 April 2017, approving the call for an auction, and the terms and conditions thereof.

As a result of this auction, which took place on 17 May 2017, ENDESA, through ENEL Green Power España, S.L.U. (EGPE), was awarded 540 MW of wind power capacity (see Note 5.3).

Additionally, on 17 June 2017, Royal Decree 650/2017 of 16 June was published in the Official State Gazette ("BOE"), establishing a new installed capacity quota of 3,000 MW for new plants that generate power using renewable energy sources, enacted by Order ETU/615/2017, of 27 June, that establishes the assignment procedure and remuneration parameters for the auction, and the Resolution issued by the Secretary of State for Energy on 30 June 2017, calling for a new auction on 26 July 2017.

Fee for the use of continental waters to generate electricity

On 10 June 2017, Royal Decree Law 10/2017, of 9 June, was published in the Official State Gazette ("BOE"), establishing specific urgent measures to mitigate the effects of drought in certain river basins, amending the current Water Law.

Among other aspects, this Royal Decree Law modifies the tax on the fee for using continental waters to produce electric power from 22% to 25.5%, with a reduction for plants with capacity of up to 50 MW to offset the tax increase.

Social Bonus

Royal Decree Law 7/2016, of 23 December, was published on 24 December 2016, regulating the mechanism for financing the cost of the social bonus and other measures designed to protect vulnerable power users.

To enact this Royal Decree Law, the Ministry of Energy, Tourism and the Digital Agenda has started work on a draft Royal Decree to regulate vulnerable power users, the social bonus and loss of supply conditions for consumers using 10 kW or less.

Among other aspects, three categories of customers are identified according to income level, measured using the Public Indicator of Income with Multiple Effects (“IPREM”) to establish different discounts for each category.

4. Business Combinations

4.1. Acquisition of the systems and telecommunications activity (ICT).

On 29 December 2016, ENDESA, S.A., acting through its fully owned subsidiary ENDESA Medios y Sistemas, S.L.U. (formerly ENDESA Servicios, S.L.U.), and ENEL Iberia, S.L.U. entered into an Assignment Contract for the Branch of the Systems and Telecommunications Activity for the acquisition to the latter of the systems and telecommunications activity (ICT) within the ENDESA sphere.

The transaction entailed the transfer of materials, human resources and contracts with third parties affected in the implementation of these activities.

The effective date of the transaction was 1 January 2017 and entailed a reorganisation of systems and telecommunications support activities (ICT) at ENDESA to make them more flexible in order to adapt to ENDESA’s corporate scope, simplifying internal procedures and administrative management.

The price stipulated for purchasing this activity was Euros 246 million, which was paid on the date when the contract was formalised. The transaction was recognised through the acquisition method, with provisional allocation to the following items in the Consolidated Financial Statements:

Millions of euros

	Notes	Fair Value
Non-Current Assets		**95**
Property, Plant and Equipment	5	64
Intangible Assets	6	31
TOTAL ASSETS		**95**
Non-Current Liabilities		**8**
Non-Current Provisions	12.1	8
Current Liabilities		**2**
Trade Payables and Other Current Liabilities		2
TOTAL LIABILITIES		**10**
Fair value of net assets acquired		**85**

The difference between the cost the business combination and the fair value of the recognised assets and liabilities indicated above gave rise a goodwill of Euros 161 million (see Note 7) from the expected synergies to be obtained in the operation based on aspects such as the prospects of greater autonomy for ENDESA in the future management of the systems and telecommunications activities (ICT), simplification and improvement of operations and management, and a reduction in costs.

The fair value of the acquired assets and assumed liabilities was determined by discounting the free cash flows on the basis of the business plan and the trend of the systems and telecommunications sector.

The net cash outflow relating to this transaction corresponds to the fair value of the consideration given, which amounted to 246 million, and the costs related this transaction are less than Euros 1 million.

4.2. Eléctrica de Jafre, S.A.

On 31 May 2017, ENDESA Red, S.A.U. acquired 52.54% of the share capital of Eléctrica de Jafre, S.A., whose activity entails electricity transmission and distribution, and the lease and reading of water and electricity meters. ENDESA Red, S.A.U. previously held 47.46% in this company.

As a result of this transaction, ENDESA went from having significant influence to control of Eléctrica de Jafre, S.A., thus reinforcing its distribution activity.

The net cash outflow arising from the acquisition of Eléctrica de Jafre, S.A. amounted to Euros 1 million euros, corresponding to the price agreed in the transaction.

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 Eléctrica Jafre, S.A. under the following headings in the Consolidated Financial Statements:

Millions of Euros

	Notes	Fair Value
Non-current assets		**4**
Property, plant and equipment	5	4
TOTAL ASSETS		**4**
Non-current liabilities		**1**
Deferred income		1
Current Liabilities		**1**
Trade payables and other current liabilities		1
TOTAL LIABILITIES		**2**
Fair value of net assets acquired		**2**

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 ordinary income and profit after taxes generated since the acquisition date of 31 May 2017 were insignificant. Additionally, had the acquisition taken place on 1 January 2017, ordinary income and profit after taxes generated from this transaction during the first half of 2017 would have amounted to less than Euros 1 million.

The net gain at the date control was obtained from the measure at fair value of the previously held non-controlling interest of 47.46% in Eléctrica de Jafre, S.A. was less than Euros 1 million.

5. Property, plant and equipment

Details of property, plant and equipment at 30 June 2017 and movement during the first half of 2017 are as follows:

Millions of Euros

Property, plant and equipment in use and under construction	**Balance at 31 December 2016**	**Inclusion/(exclusion) of companies** (1)	**Investments** (Note 5.1)	**Depreciation, amortisation, and impairment losses** (2)	**Disposals**	**Transfers and other** (3)	**Balance at 30 June 2017**
Land and buildings	417	-	-	(8)	(2)	(17)	390
Electricity Generating Facilities:	9,344	-	4	(295)	(1)	(16)	9,036
Hydroelectric power plants	813	-	-	(14)	-	-	799
Coal-Fired/Fuel-Oil Power Plants	1,901	-	-	(127)	-	6	1,780
Nuclear power plants	3,039	-	-	(81)	(1)	(26)	2,931
Combined cycle plants	2,556	-	-	(47)	-	(3)	2,506
Renewable Energy Plants	1,035	-	4	(26)	-	7	1,020
Transmission and Distribution Facilities	11,325	37	1	(267)	-	31	11,127
Low- and medium-voltage, measuring and remote control equipment and other installations	11,325	37	1	(267)	-	31	11,127
Other Property, Plant and Equipment	126	1	2	(14)	-	15	130
Property, plant and equipment under construction	679	23	302	14	(2)	(25)	991
TOTAL	**21,891**	**61**	**309**	**(570)**	**(5)**	**(12)**	**21,674**

(1) Includes assets from the acquisition of the systems and telecommunications activity (ICT) (Euros 64 million) and Eléctrica de Jafre, S.A. (Euros 4 million) (see Notes 4.1 and 4.2). It also includes the derecognition for sale of 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., amounting to a total of Euros 7 million (see Note 2.5).
(2) Includes the reversal of a Euros 15 million of impairment loss (see Notes 5.2 and 17.2.1).
(3) Includes the application to property, plant and equipment of changes to the estimated costs of dismantling the facilities (see Note 12.1.2).

5.1. Main investments

Details of investments in property, plant and equipment in the six months ended 30 June 2017 and 2016 are as follows:

Millions of Euros

	January - June 2017 (1)(2)	**January - June 2016**
Generation and Supply	88	140
Distribution	221	230
TOTAL	**309**	**370**

(1) Includes investments made by ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 9 million.
(2) Does not include the acquisition of the systems and telecommunications activity (ICT) (See Note 4.1) or the takeover of Eléctrica de Jafre, S.L. (see Note 4.2).

Gross generation investments in the first half of 2017 largely related to plants that were already operating at 31 December 2016, including investments in the Litoral power plant for Euros 7 million, in order to adapt to European environmental legislation and extend its useful life.

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

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

5.2. Other information

No significant derecognition was made under this heading of the Consolidated Statement of Financial Position in the six months ended 30 June 2017 and 2016.

During the first half of 2017, a reversal of impairment losses for Euros 15 million was recognised, which chiefly corresponded to the provision set aside in prior years on certain plots of lands (provision of Euros 1 million in the first half of 2016) (see Note 17.2.1).

5.3. Commitments to purchase property, plant and equipment

ENDESA had commitments to purchase property, plant and equipment for Euros 363 million at 30 June 2017 (Euros 338 million at 31 December 2016):

Millions of Euros

	30 June 2017	31 December 2016
Generation and Supply	209	147
Distribution	154	190
Other	-	1
TOTAL	**363**	**338**

Investments in generation for the production base will be made in the second half of 2017. The investments in distribution aim to extend or update the grid and install smart meters, which is scheduled up to 2018.

ENDESA, through ENEL Green Power España, S.L.U. (EGPE), was awarded 540 MW of wind power capacity in the auction conducted by the Ministry of Energy, Tourism and Digital Agenda on 17 May 2017 (see Note 3). On the basis thereon, ENDESA intends to invest approximately Euros 600 million to build the awarded wind power capacity, of which Euros 3 million are committed as of 30 June 2017.

Of the total commitments described in the paragraphs above, Euros 63 million were committed with Group Companies at 30 June 2017 (Euros 115 million at 31 December 2016) (refer to Note 18.1.2).

At 30 June 2017 and 31 December 2016 there were no commitments to purchase property, plant and equipment from Joint Ventures.

6. Intangible assets

Details of intangible assets at 30 June 2017 and movement during the first half of 2017 are as follows:

Millions of euros

	Balance at 31 December 2016	Inclusion/(exclusion) of companies (1)	Investments (Note 6.1)	Depreciation, amortisation, and impairment losses	Disposals	Transfers and other	Balance at 30 June 2017
Software	409	30	41	(52)	-	-	428
Concessions and other	763	-	-	(25)	-	-	738
TOTAL	**1,172**	**30**	**41**	**(77)**	**-**	**-**	**1,166**

(1) Includes assets from the acquisition of the systems and telecommunications activity (ICT) (see Note 4.1) for Euros 31 million. It also includes the corresponding derecognition for sale of 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., amounting to a total of Euros 1 million (refer to Note 2.5).

6.1. Main investments

Details of investments in intangible assets in the six months ended 30 June 2017 and 2016 are as follows:

Millions of Euros

	January - June 2017 (1)	January - June 2016
Generation and Supply	15	18
Distribution	15	11
Structure and others	11	8
TOTAL	**41**	**37**

(1) Does not include acquisition of the systems and telecommunications activity (ICT) (See Note 4.1).

Gross investments in intangible assets primarily correspond to computer software and ongoing investments in systems and telecommunications activity (ICT), including the modification of the ERP accounting system to the new E4E SAP system.

6.2. Other information

No significant intangible assets were derecognised in the six months ended 30 June 2017 and 2016.

No significant impairment losses were recognised on intangible assets in the first six months of 2017 and 2016 (see Note 17.2.1).

6.3. Commitments to purchase intangible assets

At 30 June 2017, ENDESA had future commitments to purchase intangible assets amounting to Euros 20 million (Euros 2 million at 31 December 2016), corresponding primarily to computer software:

Millions of Euros

	30 June 2017	31 December 2016
Generation and Supply	19	1
Distribution	1	1
TOTAL	**20**	**2**

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

At 30 June 2017 and 31 December 2016, the Joint Ventures did not hold any purchase commitments in respect of intangible assets.

7. Goodwill

The details of goodwill as of 30 June 2017 and movement during the first half of 2017 are as follows:

Millions of Euros

	Balance at 31 December 2016	Inclusion/(exclusion) of companies (Note 4.1)	Disposals	Impairment losses	Transfers and other	Balance at 30 June 2017
ENEL Green Power España, S.L.U. (EGPE) (1)	298	-	(2)	-	-	296
Eléctrica del Ebro, S.A. (2)	2	-	-	-	-	2
Systems and Telecommunications Activity (ICT) (3)	-	161	-	-	-	161
TOTAL	**300**	**161**	**(2)**	**-**	**-**	**459**

(1) Assigned to the Generation Cash-Generating Unit (CGU) (see Note 17.2.2).

(2) Assigned to the Distribution Cash-Generating Unit (CGU) (see Note 17.2.2).

(3) Assigned to the Cash-Generating Unit (CGU) for Generation (Euros 83 million), Distribution (Euros 74 million) and ENDESA, S.A. (Euros 4 million) (refer to Notes 4.1 and 17.2.2).

The acquisition of the systems and telecommunications activity (ICT) concerning the area of ENDESA that held ENEL Iberia, S.L.U. became effective on 1 January 2017. This transaction created Euros 161 million in goodwill (refer to Note 4.1).

8. Inventories

Details of this item at 30 June 2017 and 31 December 2016 are as follows:

Millions of Euros

	30 June 2017	31 December 2016
Fuel stocks	767	738
Coal	287	243
Nuclear fuel	314	341
Fuel Oil	78	72
Gas	88	82
Other Inventories	223	182
CO_2 emission rights	131	293
Valuation Adjustments	(3)	(11)
TOTAL	**1,118**	**1,202**

8.1. CO_2 emission rights, Certified Emission Reductions (CERs) and Emission Reductions Unit (ERUs)

CO_2 emission rights for 2016 and 2015 were cancelled in the six months ended 30 June 2017 and 2016, resulting in the derecognition of inventories of Euros 188 million and Euros 239 million, respectively (29.4 million tonnes and 33.7 million tonnes, respectively).

At 30 June 2017, the provision for rights to be delivered to cover these CO_2 emissions under current liabilities in the Consolidated Statement of Financial Position amounted to Euros 95 million (Euros 190 million at 31 December 2016) (see Note 12.1).

At 30 June 2017, future commitments to purchase CO_2 emission rights, CERs and ERUs amounted to Euros 103 million (Euros 56 million at 31 December 2016) in accordance with the agreed prices if all the projects are completed successfully.

Of this amount, Euros 67 million were committed with Group Companies at 30 June 2017 (Euros 18 million at 31 December 2016) (refer to Note 18.1.2).

8.2. Commitments to acquire inventories

At 30 June 2017, fuel stock purchase commitments amounted to Euros 18,645 million (Euros 20,596 million at 31 December 2016), none of which related to Joint Ventures. Part of these commitments relate to agreements with “take or pay” clauses. The amount also includes the commitment to acquire liquefied natural gas (LNG) under contracts arranged in 2014 with Corpus Christi Liquefaction, LLC, part of which are guaranteed by ENEL, S.p.A. (see Note 18.1.2).

At 30 June 2017 and 31 December 2016, none of these amounts included commitments with Group companies.

9. Trade and other receivables

Details of this item at 30 June 2017 and 31 December 2016 are as follows:

Millions of Euros

	Notes	30 June 2017	31 December 2016
Financial instruments	14	**2,660**	**2,951**
Trade Receivables		2,636	2,684
Electricity Trade Receivables		2,246	1,974
Gas Trade Receivables		233	203
Receivables from other Transactions		126	483
Receivable from group companies and associates	18.1.3	31	24
Non-financial Derivatives	14.3.1	128	233
Non-financial Derivatives related to Third-Party Transactions		66	137
Non-financial Derivatives from Group Companies and Associates	18.1.3	62	96
Other Receivables		302	450
Other Receivables from Third Parties		241	171
Other Group Companies and Associates	18.1.3	61	279
Valuation Adjustments		(406)	(416)
Trade receivables		(377)	(385)
Other Receivables		(29)	(31)
Tax Assets		**580**	**501**
Current Income Tax		427	397
Value Added Tax (VAT) Receivable		76	35
Other Taxes		77	69
TOTAL		**3,240**	**3,452**

Balances included under this caption do not generally earn interest.

Factoring transactions were carried out in the six months ended 30 June 2017 with undue balances at that date of Euros 500 million, which were derecognised from the Consolidated Statement of Financial Position (Euros 488 million at 31 December 2016).

The cost of these transactions was Euros 14 million, recognised under "Gains/(Losses) on Disposal of Assets" in the Consolidated Income Statement for the first six months of 2017 (Euros 25 million at 31 December 2016).

10. Cash and cash equivalents

Details of this item at 30 June 2017 and 31 December 2016 are as follows:

Millions of Euros

	Notes	30 June 2017	31 December 2016
Cash in Hand and at Banks		435	418
Cash Equivalents		16	-
TOTAL	14	**451**	**418**

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

There were no investments in sovereign debt at 30 June 2017 and 31 December 2016.

At 30 June 2017, the balance of cash and cash equivalents includes Euros 11 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 13 million at 31 December 2016) (See Note 13.2.3).

11. Equity and dividends

Details of the consolidated equity at 30 June 2017 and 31 December 2016 are as follows:

Millions of Euros

	Notes	30 June 2017	31 December 2016
Total Equity of the Parent		**8,894**	**8,952**
Share Capital	11.1	1,271	1,271
Share Premium		89	89
Legal Reserve		254	254
Revaluation Reserve		404	404
Other Reserves		106	106
Valuation Adjustments		(79)	(38)
Translation Differences		1	1
Reserve for Unrealised Valuation Adjustments		(80)	(39)
Reserve for Actuarial Gains and Losses		(757)	(757)
Retained Earnings		7,606	8,364
Interim Dividend		-	(741)
Total Equity of Non-controlling Interests		**141**	**136**
TOTAL EQUITY		**9,035**	**9,088**

In the six months ended 30 June 2017, ENDESA followed the same capital management policy as that described in Note 14.1.11 to the Consolidated Financial Statements for the year ended 31 December 2016.

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

	30 June 2017 (1)			31 December 2016 (1)		
	Long-term	Short-term	Outlook	Long-term	Shore-term	Outlook
Standard & Poor's	BBB	A-2	Positive	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.

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

11.1. Share capital

At 30 June 2017, ENDESA, S.A. had share capital of Euros 1,270,502,540.40, represented by 1,058,752,117 shares with a par value of Euros 1.20 each, subscribed and fully paid up and all admitted for trading on the Spanish Stock Exchanges. There were no changes in share capital in the six months ended 30 June 2017 or in 2016.

At 30 June 2017 and 31 December 2016, the ENEL Group, through ENEL Iberia, S.L.U., held 70.101% of ENDESA, S.A.'s share capital.

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

11.2. Dividends

ENDESA, S.A.'s Board of Directors, at its meeting on 22 November 2016, resolved to pay shareholders an interim dividend charged against 2016 earnings of a gross Euros 0.70 per share, for a total amount of Euros 741 million. This was paid on 2 January 2017.

At the General Meeting of Shareholders of ENDESA, S.A. held on 26 April 2017, approval was given to pay shareholders a total dividend out of 2016 profit equivalent to a gross Euros 1.333 per share (Euros 1,411 million). The difference between the total dividend approved by shareholders and the interim dividend already paid and described above, for a total pay-out of Euros 670 million (Euros 0.633 gross per share), was paid on 3 July 2017.

12. Non-current and current provisions

12.1. Non-current and current provisions

Details of Non-current Provisions at 30 June 2017 and 31 December 2016 are as follows:

Millions of Euros

	Notes	30 June 2017 (1)	31 December 2016
Provisions For Pensions And Similar Obligations		1,070	1,063
Provisions For Workforce Restructuring Plans	12.1.1	841	948
Workforce Reduction Plans		139	160
Voluntary Contract Suspension Agreements		702	788
Other Provisions	12.1.2	1,656	1,707
TOTAL		**3,567**	**3,718**

(1) Includes Euros 7 million in long-term commitments to employees and Euros 1 million for other provisions from the acquisition of the systems and telecommunications activity (ICT) (refer to Note 4.1).

Details of Current Provisions at 30 June 2017 and 31 December 2016 are as follows:

Millions of Euros

	Notes	30 June 2017	31 December 2016
Workforce Restructuring Plans	12.1.1	191	214
Workforce Reduction Plans		87	124
Voluntary Contract Suspension Agreements		104	90
CO2 Emission Rights	8.1	95	190
Other Current Provisions	12.1.2	29	163
TOTAL		**315**	**567**

12.1.1. Workforce reduction plans and Agreement on voluntary suspension or termination of employment contracts

During the first half of 2017 the movement of the provision for Workforce Restructuring Plans was as follows:

Millions of Euros

	Workforce Reduction Plans	Voluntary Contract Suspension Agreements	TOTAL
Balance at 31 December 3016	**160**	**788**	**948**
Personnel expenses	**-**	**(13)**	(13)
Applications	-	(13)	(13)
Financial result	(6)	(9)	(15)
Transfers and other	(15)	(64)	(79)
Balance at 30 June 3017	**139**	**702**	**841**

The assumptions used in the actuarial calculation of the obligations arising under these Workforce Reduction Plans are as follows.

	30 June 2017	**31 December 2016**
Interest Rate	0.82%	0.64%
CPI	2.00%	2.00%
Mortality tables	PERM/F 2000	PERM/F 2000

The assumptions used in the actuarial calculation of the obligations under the Voluntary Contract Suspension Agreements are as follows.

	30 June 2017	**31 December 2016**
Interest Rate	0.82%	0.64%
Future Increase in Guarantee	2.00%	2.00%
Increase in Other Items	2.00%	2.00%
Mortality tables	PERM/F 2000	PERM/F 2000

12.1.2. Other provisions

During the first half of 2017 the movement of the heading Other Provisions was as follows:

Millions of Euros

	Note	**Provisions for litigations, termination benefits and other legal or contractual obligations**	**Provisions for decommissioning costs**	**Total**
Balance at 31 December 3016		**732**	**975**	**1,707**
Operating expenses		(6)	(6)	(12)
Charges		25	-	25
Applications		(31)	(6)	(37)
Financial Result		4	4	8
Net provisions charged to property, plant and equipment		-	(13)	(13)
Transfers and other		(28)	(7)	(35)
Changes in consolidated group	4.1	1	-	1
Balance at 30 June 3017		**703**	**953**	**1,656**

This item includes, *inter alia*, the costs ENDESA must incur to dismantle some of its plants and certain electricity distribution facilities.

The interest rates applied to adjust these provisions ranged from 0.2% to 1.4% at 30 June 2017, depending on the remaining useful life of the related asset (between 0.0% and 1.2% at 31 December 2016).

12.2. Litigation, arbitration and contingent assets

The main changes in litigation and arbitration proceedings involving ENDESA companies in the six months ended 30 June 2017 from those described in Note 16.3 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2016 are as follows:

- The administrative authorisations of the “Peña del Gato” and “Valdesamario” wind farms held by Energías Especiales del Alto Ulla, S.A.U., which is fully held by ENEL Green Power España, S.L.U. (EGPE), were invalidated through Supreme Court Decisions on the grounds that the Environmental Impact Statement was not processed correctly. The municipal permits issued by the Valdesamario and Riello city councils for the Valdesamario Wind Farm and the wind farm feed-in infrastructures were also invalidated on the same grounds. The proceeding concerning the SET Ponjos Feed-in Substation is pending a court ruling. Turning to the “Peña del Gato” Wind Farm, a new administrative authorisation was secured on 8 May 2017 (after re-processing the project, rectifying the defects in the environmental impact report) with commissioning of the facilities (suspended since August 2016), and confirmation is pending from the Regional Government of Castilla y León that no additional permit is required. Re-processing of the invalidated authorisations, licences and permits will also be requested for the "Valdesamario" Wind Farm. Similar steps will be taken regarding the feed-in infrastructures, though the rulings have yet to become final.

- In 2015, the tax authorities notified the agreement for the commencement of review procedures at ENEL Green Power España S.L.U. (EGPE) in relation to (i) Corporate Income Tax (Individual and Group Fiscal), for 2010 to 2013, VAT (May 2011 to December 2013), and Personal Income Tax (IRPF) withholdings from employees, professional services, dividends and interest, income obtained from non-residents (from May 2011 to December 2013), and on the third instalment payment of the Tax Group for 2015. It also notified a second agreement regarding the commencement of review proceedings with ENEL Unión Fenosa Renovables, S.A. (merged by ENEL Green Power España S.L.U. (EGPE) in 2011), in relation to 2011 Corporate Income Tax. In June 2017, the Tax Authorities sent the liquidation agreements on the signed albeit contested Corporate Tax returns, confirming these agreements insofar as the most significant regularisations addressed in the initial contested returns. On 6 July 2017, ENEL Green Power España, S.L.U. (EGPE) submitted the corresponding economic-administrative claims vis-à-vis agreements referring to Corporate Income Tax. Any resulting liabilities arising as a result of the new administrative procedures that will be initiated against the cited liquidation agreements should have no significant effect on ENDESA's Interim Condensed Consolidated Financial Statement.

The Directors of ENDESA consider that the provisions recognised in the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2017 adequately cover the risks relating to litigation, arbitration and claims, and do not expect these issues to give rise to any liability not already provided for.

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

The amounts paid in connection with litigation in the six months ended 30 June 2017 totalled Euros 8 million (Euros 44 million paid in the six months ended 30 June 2016).

13. Financial debt

13.1. Current and non-current interest-bearing loans and borrowings

Details of Current and Non-current Interest-bearing Loans and Borrowings at 30 June 2017 and 31 December 2016 are as follows:

Millions of Euros

	30 June 2017				
	Nominal Value	Carrying Amount		Total	Fair Value
		Non-current	Current		
Bonds and other Marketable Securities	1,248	55	1,201	1,256	1,254
Bank Borrowings	1,212	1,187	25	1,212	1,244
Other Borrowings (1)	3,591	3,492	100	3,592	4,155
Total interest-bearing Loans and Borrowings excluding Derivatives	**6,051**	**4,734**	**1,326**	**6,060**	**6,653**
Derivatives	122	14	-	14	14
TOTAL	**6,173**	**4,748**	**1,326**	**6,074**	**6,667**

(1) Includes finance leases amounting to Euros 463 million (non-current) and Euros 23 million (current).

Millions of Euros

	31 December 2016				
	Nominal Value	Carrying Amount		Total	Fair Value
		Non-current	Current		
Bonds and other Marketable Securities	1,015	57	968	1,025	1,023
Bank Borrowings	717	650	68	718	747
Other Borrowings (1)	3,607	3,499	108	3,607	4,252
Total Interest-bearing Loans and Borrowings excluding Derivatives	**5,339**	**4,206**	**1,144**	**5,350**	**6,022**
Derivatives	127	17	-	17	17
TOTAL	**5,466**	**4,223**	**1,144**	**5,367**	**6,039**

(1) Includes finance leases amounting to Euros 474 million (non-current) and Euros 23 million (current).

The movement in the notional amount of non-current interest-bearing loans and borrowings excluding derivatives in the six months ended 30 June 2017 is as follows:

Millions of Euros

	Notional amount at 31 December 2016	Repayments and Redemptions	Business Combinations (Note 4)	New Borrowings	Transfers	Notional Amount at 30 June 2017
Bonds and other marketable Securities	47	-	-	-	-	47
Bank Borrowings	649	(493)	-	1,047	(16)	1,187
Other Borrowings	3,499	(5)	-	-	(3)	3,491
Total Interest-bearing Loans and Borrowings excluding Derivatives	**4,195**	**(498)**	**-**	**1,047**	**(19)**	**4,725**
TOTAL	**4,195**	**(498)**	**-**	**1,047**	**(19)**	**4,725**

The average interest on interest-bearing loans and borrowings in the six months ended 30 June 2017 and 2016 was 2.3% and 2.7%, respectively.

13.2. Other matters

13.2.1. Liquidity

As of 30 June 2017, ENDESA had liquidity of Euros 3,260 million (Euros 3,620 million at 31 December 2016) as detailed below:

Millions of Euros

	Liquidity	
	30 June 2017	**31 December 2016**
Cash and cash equivalents (Note 10)	451	418
Unconditionally undrawn credit facilities (1)	2,809	3,202
TOTAL	**3,260**	**3,620**
Coverage of debt maturities (months) (2)	32	17

(1) As of 30 June 2017 and 31 December 2016, Euros 1,000 million correspond to undrawn credit facilities with ENEL Finance International, N.V. (see Note 18.1.2).

(2) Coverage of maturities = maturity period (months) for vegetative debt that could be covered with the liquidity available

The undrawn credit facilities safeguard the refinancing of current financial debt presented under Non-current Interest-bearing loans and Borrowings" in the accompanying Consolidated Statement of Financial Position (see Note 13.1), which amounted to Euros 10 million and Euros 17 million at 30 June 2017 and 31 December 2016, respectively.

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

13.2.2. Main transactions

Within the framework of the financial transaction (ENDESA Network Modernisation) concluded with the European Investment Bank (EIB) in 2014, Tranches B and C (each one of Euros 150 million) were available on 18 January 2017 and 20 February 2017, thus completing the provision of the transaction for a total amount of Euros 600 million. Both provisions are at floating rate, with a 12-year maturity which may be repaid from 2021.

In the six months ended 30 June 2017, ENDESA concluded agreements with different financial institutions for the extension to three years with a possibility of extending to five years of most of its credit lines for Euros 1,985 million.

On 30 June 2017, ENDESA, S.A. extended the intercompany credit line with ENEL Finance International, N.V. to 30 June 2020, and adjusted its financial terms. The applicable margin and non-disposition fee are 55 basis points and 18 basis points, respectively (refer to Note 18.1.2).

In the first half of 2017, ENDESA maintained the Euro Commercial Paper (EPC) issuance programme through International ENDESA B.V., with an outstanding balance at 30 June 2017 of Euros 1,200 million. Renewal is backed by the liquidity facilities arranged (see Note 13.2.1).

13.2.3. Financial stipulations and other considerations

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

Unless otherwise described in the paragraphs below, at 30 June 2017, neither ENDESA, S.A. nor any of its subsidiaries were in breach of their financial obligations or any obligations that could require early repayment of their liabilities.

ENDESA's Directors do not consider that these clauses will change the current/non-current classification in the consolidated statement of financial position at 30 June 2017.

Financial stipulations

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

On the other hand, the commitments of bond issues made by International ENDESA B.V. under its Global Medium Term Notes programs and bank financing formalized by ENDESA, S.A. are as follows:

- Cross-default clauses, whereby debt must be prepaid in the event of default (over and above a certain amount) on the settlement of certain obligations of ENDESA, S.A. as guarantor or of the issuers.

- Negative pledge clauses, whereby neither the issuer nor ENDESA, S.A. may issue mortgages, liens or other encumbrances on their assets to secure certain types of bonds, unless similar guarantees are issued on the bonds in question.

- *Pari passu* clauses, whereby the debts and guarantees have at least the same status as any other existing or future unsecured or non-subordinated debts issued by ENDESA, S.A. as guarantor, or by the issuers.

Credit rating clauses

At 30 June 2017 and 31 December 2016, ENDESA, S.A. maintain contracted financial transactions with the European Investment Bank (EIB) amounting to Euros 600 million and Euros 300 million, respectively, that could require additional guarantees or renegotiation if its credit rating were downgraded to below certain levels.

Clauses related to change of control

At 30 June 2017, ENDESA, S.A. maintain loans or other financial agreements with banks and ENEL Finance International, N.V. amounting to Euros 5,250 million with an outstanding debt of Euros 3,744 million (Euros 5,250 million at 31 December 2016 with an outstanding debt of Euros 3,450 million) that could have to be repaid early in the event of a change in control over ENDESA, S.A.

Clauses related to the assignment of assets

Part of the debt of ENDESA S.A. includes restrictions if a certain percentage of ENDESA's consolidated assets is surpassed, which varies for the related transactions from 7% to 10%.

Above these thresholds, the restrictions would only apply, in general, if no equivalent consideration is received or if there was a material negative impact on ENDESA, S.A.'s solvency.

The amount of financial debt affected by these clauses at 30 June 2017 is Euros 744 million (Euros 495 million at 31 December 2016).

Project finance

At 30 June 2017, certain ENDESA subsidiaries operating in the renewable energy business and financed through project finance have a financial debt of Euros 167 million (Euros 178 million at 31 December 2016), which includes the following clauses:

- These debts and their associated derivatives with a negative net market value of Euros 14 million might have to be settled early as a result of a change of control (Euros 17 million at 31 December 2016).

- Pledges of shares provided in guarantee of compliance with obligations under contract to financial institutions for the amount of the outstanding financial debt.

- Restrictions of sales of assets consisting of obtaining the authorisation of most lenders, and in certain cases, of allocating the amount of their sale to repay debt.

- Restrictions in the distribution of profits to shareholders, subject to the fulfilment of certain conditions.

Clauses related to the fulfilment of ratios

At 30 June 2017, certain ENDESA subsidiaries that operate in the renewable energy business are obliged to comply with certain Annual Debt Service Coverage Ratios (ADSCR).

In reference thereto, with the exception of one of those companies in which the Directors are taking the steps necessary to refinance the short-term debt of Euros 7 million, the outstanding debt at 30 June 2017 fulfils these ratios (Euros 3 million at 31 December 2016).

14. Financial instruments

The classification of financial instruments in the Consolidated Statement of Financial Position at 30 June 2017 and 31 December 2016 is as follows:

Millions of Euros

	Notes	30 June 2017		31 December 2016	
		Non-current	Current	Non-current	Current
Financial Asset Instruments					
Non-current Financial Assets		706	-	714	-
Current Financial Assets		-	630	-	363
Trade and other Receivables	9	-	2,660	-	2,951
Cash and Cash Equivalents	10	-	451	-	418
TOTAL	**14.1**	**706**	**3,741**	**714**	**3,732**
Financial Liability Instruments					
Non-current Interest-bearing Loans and Borrowings	13.1	4,748	-	4,223	-
Other Non-current Liabilities		617	-	601	-
Current Interest-bearing Loans and Borrowings	13.1	-	1,326	-	1,144
Trade Payables and other Current Liabilities	16	-	4,372	-	4,960
TOTAL	**14.2**	**5,365**	**5,698**	**4,824**	**6,104**

14.1. Classification of financial assets

The classification of financial assets by class and category in the Consolidated Statement of Financial Position at 30 June 2017 and 31 December 2016 is as follows:

Millions of Euros

	30 June 2017		31 December 2016	
	Non-current	Current	Non-current	Current
Loans and Receivables	691	3,740	697	3,730
Available-for-sale Financial Assets	7	-	8	-
Hedging derivatives	8	1	9	2
TOTAL	**706**	**3,741**	**714**	**3,732**

14.2. Classification of financial liabilities

The classification of financial liabilities by class and category in the Consolidated Statement of Financial Position at 30 June 2017 and 31 December 2016 is as follows:

Millions of euros

	30 June 2017		31 December 2016	
	Non-current	Current	Non-current	Current
Debts and Payables	5,296	5,698	4,729	6,104
Financial Liabilities Held for Trading	14	-	17	-
Other Financial Liabilities at Fair Value through Profit of Loss (1)	55	-	78	-
Hedging derivatives	-	-	-	-
TOTAL	**5,365**	**5,698**	**4,824**	**6,104**

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

14.3. Fair value measurement

14.3.1. Fair value measurement of categories of financial assets

The classifications of financial assets measured at fair value in the Consolidated Statements of Financial Position by fair value hierarchy at 30 June 2017 and 31 December 2016 are as follows:

Millions of Euros

	Notes	30 June 2017			
		Fair Value	Level 1	Level 2	Level 3
Debt Derivatives	14.1	8	-	8	-
Interest Rate Hedges		8	-	8	-
Fair Value hedges		8	-	8	-
Physical Derivatives		15	3	12	-
Price Hedges		3	-	3	-
Cash Flow Hedges		3	-	3	-
Derivatives not designated as Hedging Instruments		12	3	9	-
Total Non-current Assets		**23**	**3**	**20**	**-**
Debt Derivatives	14.1	1	-	1	-
Interest Rate Hedges		1	-	1	-
Fair value hedges		1	-	1	-
Physical Derivatives	9	128	15	113	-
Foreign Currency Hedges		-	-	-	-
Cash Flow Hedges		-	-	-	-
Price Hedges		50	1	49	-
Cash Flow Hedges		50	1	49	-
Derivatives not designated as Hedging Instruments		78	14	64	-
Other Hedges		-	-	-	-
Total Current Assets		**129**	**15**	**114**	**-**

Millions of Euros

	Notes	31 December 2016			
		Fair Value	Level 1	Level 2	Level 3
Debt Derivatives	14.1	9	-	9	-
Interest Rate Hedges		9	-	9	-
Fair Value Hedges		9	-	9	-
Physical Derivatives		31	2	29	-
Price Hedges		-	-	-	-
Cash Flow Hedges		-	-	-	-
Derivatives not designated as Hedging Instruments		31	2	29	-
Total Non-current Assets		**40**	**2**	**38**	**-**
Debt Derivatives	14.1	2	-	2	-
Interest Rate Hedges		2	-	2	-
Fair Value Hedges		2	-	2	-
Physical Derivatives	9	232	18	214	-
Foreign Currency Hedges		7	-	7	-
Cash Flow Hedges		7	-	7	-
Price Hedges		69	-	69	-
Cash Flow Hedges		69	-	69	-
Derivatives not designated as Hedging Instruments		156	18	138	-
Other hedges	9	1	-	1	-
Total Current Assets		**235**	**18**	**217**	**-**

14.3.2. Fair value measurement of categories of financial liabilities

The classifications of financial liabilities measured at fair value in the Consolidated Statements of Financial Position by fair value hierarchy at 30 June 2017 and 31 December 2016 are as follows:

Millions of Euros

	Notes	30 June 2017			
		Fair Value	Level 1	Level 2	Level 3
Bank Borrowings	14.2	-	-	-	-
Bonds and other Marketable Securities	14.2	55	-	55	-
Debt Derivatives	14.2	14	-	14	-
Derivatives not designated as Hedging Instruments		14	-	14	-
Physical Derivatives		17	3	14	-
Foreign Currency Hedges		4	-	4	-
Cash Flow Hedges		4	-	4	-
Price Hedges		4	1	3	-
Cash Flow Hedges		4	1	3	-
Derivatives not designated as Hedging Instruments		9	2	7	-
Total Non-current Liabilities		**86**	**3**	**83**	**-**
Physical Derivatives	16	122	27	95	-
Foreign Currency Hedges		16	-	16	-
Cash Flow Hedges		16	-	16	-
Price Hedges		8	2	6	-
Cash Flow Hedges		8	2	6	-
Derivatives not designated as Hedging Instruments		98	25	73	-
Total Current Liabilities		**122**	**27**	**95**	**-**

Millions of Euros

	Notes	31 December 2016			
		Fair Value	Level 1	Level 2	Level 3
Bank Borrowings	14.2	21	-	21	-
Bonds and other Marketable Securities	14.2	57	-	57	-
Debt Derivatives	14.2	17	-	17	-
Derivatives not designated as Hedging Instruments		17	-	17	-
Physical Derivatives		12	-	12	-
Foreign Currency Hedges		-	-	-	-
Cash Flow Hedges		-	-	-	-
Price Hedges		-	-	-	-
Cash Flow Hedges		-	-	-	-
Derivatives not designated as Hedging Instruments		12	-	12	-
Total Non-current Liabilities		**107**	**-**	**107**	**-**
Physical Derivatives	16	112	36	76	-
Foreign Currency Hedges		-	-	-	-
Cash Flow Hedges		-	-	-	-
Price Hedges		-	-	-	-
Cash Flow Hedges		-	-	-	-
Derivatives not designated as Hedging Instruments		112	36	76	-
Total Current Liabilities		**112**	**36**	**76**	**-**

14.3.3. Other matters

In the six months ended 30 June 2017, ENDESA used the same hierarchy levels to measure the fair value of non-current and current assets and liabilities as those detailed in Note 3s to the Consolidated Financial Statements for the year ended 31 December 2016, with no transfers between levels.

The methods used to calculate fair value of assets using Level 2 inputs are the same as those detailed in Note 3s to the Consolidated Financial Statements for the year ending 31 December 2016.

15. Risk Management Policy

In the six months ended 30 June 2017, ENDESA followed the same general risk management policy as described in Note 19 to the Consolidated Financial Statements for the year ended 31 December 2016.

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

16. Trade payables and other current liabilities

Details of this item at 30 June 2017 and 31 December 2016 are as follows:

Millions of Euros

	Notes	30 June 2017	31 December 2016
Financial Liabilities	14	**4,372**	**4,960**
Suppliers and other payables		3,241	3,429
Non-financial Derivatives	14.3.2	122	112
Dividend Payable		672	744
Other Payables		337	379
Extra-costs in non-mainland territories generation		-	296
Tax Liabilities		**1,152**	**850**
Current Income Tax		562	332
Value Added Tax (VAT) payable		33	37
Other Taxes		557	481
TOTAL		**5,524**	**5,810**

At 30 June 2017, Dividend Payable included the 2016 final dividend authorised by the ENDESA, S.A. General Meeting of Shareholders held on 26 April 2017, for a total amount of Euros 670 million (gross Euros 0.633 per share) (see Note 11.2), which was paid on 3 July 2017.

At 31 December 2016, Dividend Payable included the 2016 interim dividend authorised by the Board of Directors of ENDESA, S.A. on 22 November 2016, in the total amount of Euros 741 million (gross Euros 0.70 per share) (see Note 11.2), which was paid on 2 January 2017.

At 30 June 2017, the amount of commercial debt sent to financing entities for managing payments to suppliers (confirming) recognised under "Trade payables and other current liabilities" totalled Euros 156 million (Euros 263 million at 31 December 2016). Finance income accrued by confirming contracts during the six-month periods ending 30 June 2017 and 2016 were less than Euros 1 million.

17. Segment information

17.1. Basis of segmentation

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

- Generation, along with Supply;
- Distribution;
- Structure, including the balances and transactions of holding companies and financing companies; and
- Consolidation Adjustments and Eliminations, including the inter-segment consolidation eliminations and adjustments.

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

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

External customers did not represent 10% or more of the revenues of any ENDESA segment in the six months ended 30 June 2017 or in 2016.

17.2. Segment information

17.2.1. Segment Information: Income Statement for the six months ended 30 June 2017 and 2016.

Millions of Euros

	January - June 2017					January - June 2016				
	Generation and Supply (1)	Distribution (2)	Structure	Consolidated Adjustments and Eliminations	Total	Generation and Supply (1)	Distribution (2)	Structure	Consolidated Adjustments and Eliminations	Total
INCOME	**8,818**	**1,290**	**261**	**(365)**	**10,004**	**8,004**	**1,289**	**143**	**(233)**	**9,203**
Revenue	8,718	1,157	251	(334)	9,792	7,775	1,132	107	(177)	8,837
Other Operating Income	100	133	10	(31)	212	229	157	36	(56)	366
PROCUREMENTS AND SERVICES	**(7,363)**	**(66)**	**(38)**	**87**	**(7,380)**	**(6,352)**	**(62)**	**(63)**	**110**	**(6,367)**
Power Purchased	(2,566)	-	-	-	(2,566)	(1,935)	-	-	-	(1,935)
Cost of Fuel Consumed	(1,056)	-	-	-	(1,056)	(621)	-	-	-	(621)
Transport Costs	(2,833)	-	-	1	(2,832)	(2,952)	-	-	2	(2,950)
Other Variable Procurements and Services	(908)	(66)	(38)	86	(926)	(844)	(62)	(63)	108	(861)
CONTRIBUTION MARGIN	**1,455**	**1,224**	**223**	**(278)**	**2,624**	**1,652**	**1,227**	**80**	**(123)**	**2,836**
Self-Constructed Assets	11	60	8	-	79	1	49	1	-	51
Personnel Expenses	(236)	(133)	(90)	8	(451)	(228)	(131)	(82)	9	(432)
Other fixed operating expenses	(532)	(215)	(168)	268	(647)	(451)	(193)	(39)	94	(589)
GROSS PROFIT FROM OPERATIONS	**698**	**936**	**(27)**	**(2)**	**1,605**	**974**	**952**	**(40)**	**(20)**	**1,866**
Depreciation and Amortisation, and Impairment Losses	(407)	(269)	(28)	-	(704)	(338)	(328)	(11)	1	(676)
PROFIT FROM OPERATIONS	**291**	**667**	**(55)**	**(2)**	**901**	**636**	**624**	**(51)**	**(19)**	**1,190**
NET FINANCIAL PROFIT/(LOSS)	**(50)**	**(46)**	**34**	**3**	**(59)**	**(80)**	**(67)**	**46**	**-**	**(101)**
Financial Income	28	7	214	(215)	34	22	2	158	(150)	32
Financial Expense	(97)	(53)	(162)	218	(94)	(102)	(69)	(112)	150	(133)
Net Exchange Differences	19	-	(18)	-	1	-	-	-	-	-
Net Profit/(Loss) of Companies Accounted for Using The Equity Method	7	3	-	-	10	(46) (3)	2	6	-	(38)
Gains/(Losses) from Other Investments	1	-	349	(349)	1	-	-	421	(421)	-
Gains/(losses) on Disposal of Assets	(14)	5	4	-	(5)	(11)	1	94	(94)	(10)
PROFIT/(LOSS) BEFORE TAX	**235**	**629**	**332**	**(348)**	**848**	**499**	**560**	**516**	**(534)**	**1,041**
Income Tax Expense	(43)	(153)	4	2	(190)	(108)	(133)	(2)	(2)	(245)
PROFIT AFTER TAX FOR THE PERIOD FROM CONTINUING OPERATIONS	**192**	**476**	**336**	**(346)**	**658**	**391**	**427**	**514**	**(536)**	**796**
PROFIT AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
PROFIT FOR THE PERIOD	**192**	**476**	**336**	**(346)**	**658**	**391**	**427**	**514**	**(536)**	**796**
Parent Company	187	476	336	(346)	653	391	427	514	(536)	796
Non-controlling Interests	5	-	-	-	5	-	-	-	-	-

(1) The period of January-June 2017 includes a charge of Euros 54 million for impairment of commercial insolvencies (Euros 25 million in January-June 2016).

(2) The period of January-June 2017 includes net reversals of impairment amounting to Euros 15 million corresponding to property, plant and equipment (See Note 5.2) and net charges for impairment of commercial insolvencies amounting to Euros 4 million (one million euros corresponding to property, plant and equipment, and Euros 29 million corresponding to commercial insolvencies for January-June 2016).

(3) Included impairment losses amounting to Euros 72 million for the recoverable value of the 40% of the stake in ENEL Green Power España, S.L.U. (EGPE) prior to the takeover.

17.2.2. Segment Information: Statements of Financial Position at 30 June 2017 and 31 December 2016

Millions of Euros

	30 June 2017					31 December 2016				
	Generation and Supply	Distribution	Structure	Consolidated Adjustments and Eliminations	Total	Generation and Supply	Distribution	Structure	Consolidated Adjustments and Eliminations	Total
ASSETS										
Non-current Assets	**13,150**	**13,010**	**25,831**	**(26,533)**	**25,458**	**13,566**	**12,922**	**25,421**	**(26,380)**	**25,529**
Property, Plant and Equipment	9,802	11,804	69	(1)	21,674	10,073	11,809	11	(2)	21,891
Investment Property	-	3	17	-	20	-	3	17	-	20
Intangible Assets	872	153	142	(1)	1,166	901	150	121	-	1,172
Goodwill	379	76	4	-	459	298	2	-		300
Investments in Companies Accounted for Using the Equity Method	190	22	-	-	212	186	22	-	-	208
Non-current Financial Assets	1,265	554	25,439	(26,552)	706	1,480	528	25,105	(26.399)	714
Deferred Tax Assets	642	398	160	21	1,221	628	408	167	21	1,224
Current Assets	**4,332**	**1,426**	**2,524**	**(2,843)**	**5,439**	**4.080**	**1,219**	**2,726**	**(2,590)**	**5,435**
Inventories	1,039	79	-	-	1,118	1,154	48	-	-	1,202
Trade and Other Receivables	2,755	1,058	697	(1,270)	3,240	2,680	888	1,135	(1,251)	3,452
Current Financial Assets	347	265	1,591	(1,573)	630	68	276	1,358	(1,339)	363
Cash and Cash Equivalents	191	24	236	-	451	178	7	233	-	418
Non-Current Assets Held for Sale and Discontinued Operations	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	**17,482**	**14,436**	**28,355**	**(29,376)**	**30,897**	**17,646**	**14,141**	**28,147**	**(28,970)**	**30,964**
EQUITY AND LIABILITIES										-
Equity	**5,082**	**1,951**	**16,809**	**(14,807)**	**9,035**	**4,858**	**1,619**	**17,423**	**(14,812)**	**9,088**
Parent	4,944	1,946	16,811	(14,807)	8,894	4,725	1,615	17,425	(14,813)	8,952
Non-controlling Interests	138	5	(2)	-	141	133	4	(2)	1	136
Non-current Liabilities	**8,459**	**10,081**	**7,898**	**(11,741)**	**14,697**	**8,015**	**10,467**	**7,454**	**(11,581)**	**14,355**
Deferred Income	48	4,669	-	(26)	4,691	50	4,689	-	(27)	4,712
Non-current Provisions	1,961	1,107	393	106	3,567	2,071	1,135	406	106	3,718
Non-current Interest-bearing Loans and Borrowings	5,602	3,521	7,442	(11,817)	4,748	5,028	3,862	6,986	(11,653)	4,223
Other Non-current Liabilities	172	441	10	(6)	617	166	434	10	(9)	601
Deferred Tax Liabilities	676	343	53	2	1,074	700	347	52	2	1,101
Current liabilities	**3,941**	**2,404**	**3,648**	**(2,828)**	**7,165**	**4,773**	**2,055**	**3,270**	**(2,577)**	**7,521**
Current Interest-bearing Loans and Borrowings	407	5	2,477	(1,563)	1,326	429	5	2,048	(1,338)	1,144
Current Provisions	200	61	55	(1)	315	440	69	58	-	567
Trade Payables and other Current Liabilities	3,334	2,338	1,116	(1,264)	5,524	3,904	1,981	1,164	(1,239)	5,810
Liabilities Associated with Non-current Assets Held for Sale and Discontinued Operations	-									
TOTAL EQUITY AND LIABILITIES	**17,482**	**14,436**	**28,355**	**(29,376)**	**30,897**	**17,646**	**14,141**	**28,147**	**(28,970)**	**30,964**

17.2.3. Segment Information: Statements of Cash Flows for the six months ended 30 June 2017 and 2016.

Millions of Euros

Statement of Cash Flows	January - June 2017				January - June 2016			
	Generation and Supply(1)	**Distribution**	**Structure, Services and Adjustments**	**TOTAL**	**Generation and Supply**	**Distribution**	**Structure, Services and Adjustments**	**TOTAL**
Net Cash Flows from/(used in) Operating Activities	(40)	761	(46)	675	955	837	(322)	1,470
Net Cash Flows from/(used in) Investing Activities	(119)	(405)	(84)	(608)	(639)	(282)	446	(475)
Net Cash Flows from/(used in) Financing Activities	173	(339)	132	(34)	(394)	(555)	282	(667)

(1) Includes net cash flows from the operating, investing and financing activities of ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 92 million, Euros 59 million (negative) and Euros 25 million (negative), respectively.

17.3. Other information

Details of sales in the six months ended 30 June 2017 and 2016 are as follows:

Millions of Euros

	January - June 2017 (1)	January - June 2016
Electricity sales	7,240	6,437
Deregulated Market Sales	4,208	4,033
Supply to Customers in Deregulated Markets outside Spain	503	469
Sales at the Regulated Price	1,267	1,154
Wholesale market sales	544	322
Non-mainland territories compensations	664	451
Other Electricity Sales	54	8
Gas sales	1,200	1,072
Regulated revenue from electricity distribution	1,026	1,024
Other sales and services rendered	326	304
TOTAL	**9,792**	**8,837**

(1) Includes the sales of ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 142 million.

The detail of sales from external customers by the main geographical areas where ENDESA operates corresponding to discontinued operations in the six months ended 30 June 2017 and 2016 are as follows:

Millions of Euros

	January - June 2017 (1)	January - June 2016
Spain	8,847	8,024
Portugal	558	425
France	200	187
Germany	97	85
Netherlands	33	32
United Kingdom	7	3
Other	50	81
TOTAL	**9,792**	**8,837**

(1) Includes the sales of ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 142 million.

18. Related-party balances and transactions

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

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

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

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

The amount of transactions carried out in the six months ended 30 June 2017 with other related parties of certain members of the Board of Directors combined does not exceed Euros 4 million (less than Euros 3 million in the six months ended 30 June 2016). All of them correspond to the Company's normal business activities and were in all cases carried out under normal market conditions.

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

18.1. Expenses and income and other transactions

Noteworthy balances and transactions carried out with related parties, all of which were on an arm's length basis, are as follows:

18.1.1. Expenses and income

Millions of Euros

	January-June 2017				
	Significant Shareholders	**Directors and Executives**	**ENDESA Employees, Companies or Entities**	**Other Related Parties**	**Total**
Finance Expenses	46	-	-	-	46
Management or Cooperation Agreements	9	-	-	-	9
R&D Transfers and Licensing Agreements	-	-	-	-	-
Leases	-	-	-	-	-
Services Received	19	-	-	4	23
Purchase of Finished Goods and Work in Progress	156	-	-	-	156
Valuation Adjustments for Uncollectible or Doubtful Debts	-	-	-	-	-
Losses on Derecognition or Disposal of Assets	-	-	-	-	-
Other Expenses (1)	127	-	-	-	127
EXPENSES	**357**	**-**	**-**	**4**	**361**
Finance Income	-	-	-	-	-
Management or Cooperation Agreements	1	-	-	-	1
R&D Transfers and Licensing Agreements	-	-	-	-	-
Dividends Received	-	-	-	-	-
Leases	1	-	-	-	1
Rendering of Services	6	-	-	-	6
Sale of Finished Goods and Work in Progress	26	-	-	-	26
Gains on Derecognition or Disposal of Assets	-	-	-	-	-
Other Income	3	-	-	-	3
INCOME	**37**	**-**	**-**	**-**	**37**

(1) Includes Euros 35 million recognised in Other Comprehensive Income.

Millions of Euros

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

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

The main transactions with related parties included in “Other Expenses” in the six months ended 30 June 2017 and 2016 correspond to:

- Decreases in the fair value of derivative financial instruments for electricity and other energy products of Euros 92 million (Euros 74 million in the six months ended 30 June 2016);
- Energy purchases amounting to Euros 35 million (Euros 32 million in the six months ended 30 June 2016); and
- In the six months ended 30 June 2016, losses of Euros 66 million contributed as a result of the holding of 40% in ENEL Green Power España, S.L.U. (EGPE), which were recognised by the equity method.

The main transactions with related parties included in “Other Expenses” in the six months ended 30 June 2017 and 2016 correspond to:

- Energy purchases amounting to Euros 3 million (Euros 1 million in the six months ended 30 June 2016);
- Gains in the fair value of derivative financial instruments for electricity and other energy products amounting to Euros 43 million in the six months ended 30 June 2016; and
- Profit in the six months ended 30 June 2016 of Euros 6 million contributed by ENEL Insurance, N.V. until the sale date, which were recognised in ENDESA's Consolidated Financial Statements using by the equity method.

18.1.2. Other transactions

Millions of Euros

	Notes	January-June 2017				
		Significant Shareholders	Directors and Executives	ENDESA Employees, Companies or Entities	Other related parties	Total
Purchase of Property, Plant and Equipment, Intangible Assets or other Assets		1	-	-	-	1
Financing Agreements (Lender)		-	1	-	-	1
Finance Leases (Lessor)		-	-	-	-	-
Repayment or Cancellation of Loans and Leases (Lessor)		-	-	-	-	-
Sale of Property, Plant and Equipment, Intangible Assets or other Assets		-	-	-	-	-
Financing Agreements (Borrower)		3,000	-	-	-	3,000
Finance leases (Lessee)		-	-	-	-	-
Repayment or Cancellation of Loans and Leases (Lessee)		-	-	-	-	-
Guarantees Provided		-	7	-	-	7
Guarantees received	8.2	120	-	-	-	120
Commitments Acquired	5.3 and 8.1	130	-	-	-	130
Commitments/Guarantees Cancelled		-	-	-	-	-
Dividends and other Distributed Benefits	11.2	520	-	-	-	520
Other Transactions		-	-	-	-	-

Millions of Euros

	Notes	January-June 2016				
		Significant Shareholders	Directors and Executives	ENDESA Employees, Companies or Entities	Other related parties	Total
Purchase of Property, Plant and Equipment, Intangible Assets or other Assets		59	-	-	-	59
Financing Agreements (Lender)		-	1	-	-	1
Finance Leases (Lessor)		-	-	-	-	-
Repayment or Cancellation of Loans and Leases (Lessor)		-	-	-	-	-
Sale of Property, Plant and Equipment, Intangible Assets or other Assets		-	-	-	-	-
Financing Agreements (Borrower)		3,000	-	-	-	3,000
Finance Leases (Lessee)		-	-	-	-	-
Repayment or Cancellation of Loans and Leases (Lessee)		-	-	-	-	-
Guarantees Provided		-	7	-	-	7
Guarantees Received	8.2	123	-	-	-	123
Commitments Acquired	5.3 and 8.1	245	-	-	-	245
Commitments/Guarantees Cancelled		-	-	-	-	-
Dividends and other Distributed Benefits	11.2	297	-	-	-	297
Other Transactions		-	-	-	-	-

At 30 June 2017 and 2016, Financing Agreements (Borrower) included the outstanding balance on the intercompany loan signed with ENEL Finance International, N.V. in 2014 of Euros 3,000 million.

At 30 June 2017 and 2016, ENDESA has an uncommitted credit for Euros 1,500 million formalised with ENEL Finance International N.V., of which there was no amount arranged on those dates.

At 30 June 2017 and 2016, ENDESA, S.A. has an intercompany credit line for Euros 1,000 million formalised with ENEL Finance International, N.V., which was renewed on that date and of which there was no amount arranged on those dates (see Notes 13.2.1 and 13.2.2).

At 30 June 2017 and 2016, "Guarantees Provided and Received" included the guarantee received from ENEL, S.p.A. by ENDESA of US Dollar 137 million (approximately Euros 120 million and Euros 123 million, respectively) for compliance with agreements with Corpus Christi Liquefaction, LLC for the acquisition of liquefied natural gas (LNG) (see Note 8.2).

“Commitments Acquired” with Significant Shareholders at 30 June 2017 included mainly the commitment to acquire smart meters for Euros 63 million (refer to Note 5.3) and the commitment to acquire inventories of CO_2 emission rights for Euros 67 million (refer to Note 8.1) (Euros 168 million and Euros 77 million, respectively, at 30 June 2016).

“Dividends and Other Distributed Benefits” included dividends paid to ENEL Iberia, S.L.U. in both periods (see Note 11.2).

During the first halves of 2017 and 2016, the Directors, or persons acting on their behalf, did not carry out transactions with the Company (or its subsidiaries) that do not correspond to the normal course of business or were not carried out in keeping with prevailing market conditions.

18.1.3. Other information

At 30 June 2017 and 31 December 2016, the balance with significant shareholders are as follows:

Millions of Euros

	Notes	30 June 2017	% of Consolidated Statement of Financial Position	31 December 2016	% of Consolidated Statement of Financial Position
Non-current Financial Assets		24	3%	30	5
Trade Receivables	9	144	5%	396	13
Current Income Tax Assets		413	97%	366	92
Cash and Cash Equivalents		-	-	-	-
ASSETS		**581**	**2%**	**792**	**3**
Non-current Interest-Bearing Loans and Borrowings		3,001	63%	3,006	71
Other Non-current Liabilities		9	1%	8	1
Current Interest-Bearing Loans and Borrowings		-	-	-	-
Suppliers and other Payables		878	18%	971	18
Current Income Tax Liabilities		558	99%	317	95
LIABILITIES		**4,446**	**14%**	**4,302**	**14**

18.2. Associates and Joint Ventures

At 30 June 2017 and 31 December 2016, the information on trade receivables, and credits and guarantees issued to Associates and Joint Ventures is:

Millions of Euros

	Notes	Associates		Joint Ventures	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
Trade Receivables	9	3	3	7	-
Credits		68	68	4	4
Guarantees Issued	20.1	-	-	-	-

In the six months ended 30 June 2017 and 2016, transactions carried out with Associates, Joint Ventures and Joint Operation Entities, not eliminated in the consolidation process, were as follows:

Millions of Euros

	Associates		Joint Ventures		Joint Operation	
	January-June 2017	January-June 2016	January-June 2017	January-June 2016	January-June 2017	January-June 2016
Income	1	-	1	1	-	-
Expenses	3	-	12	11	21	22

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

The following remuneration and other benefits were received by Directors in the six months ended 30 June 2017 and 2016:

Thousands of Euros

Item	Directors	
	Amount	
	January - June 2017	January - June 2016
Fixed Remuneration	1,555	1,504
Variable Remuneration	1,067	925
Per Diems for Attendance	132	143
Bylaw-stipulated Emoluments	-	-
Options on Shares and Other Financial Instruments	-	-
Other	45	178
TOTAL	**2,799**	**2,750**

Thousands of Euros

Other Benefits	Directors	
	Amount	
	January - June 2017	January - June 2016
Advances	-	-
Loans	-	-
Pension Funds and Schemes: Contributions	583	491
Pension Funds and Schemes: Obligations Assumed	-	-
Life Insurance Premiums	249	255
Guarantees Provided to Directors (1)	6,939	7,036

(1) Corresponds to the balance at 30 June 2017 and 2016, respectively.

At 30 June 2017 and 2016, Senior Management comprised 17 and 15 people, respectively.

In the six-month periods ended 30 June 2017 and 2016, remuneration received by senior executives amounted to Euros 5,257 thousand and Euros 5,881 thousand, respectively.

At 30 June 2017 and 2016, the Company had not issued any guarantees to Senior Management.

At 30 June 2017 and 2016, the Company had all its early retirement and pension obligations with Directors and senior executives covered.

18.4. Conflicts of interest

In accordance with Article 229 of the Corporate Enterprises Act, the direct or indirect situations of conflict of interest involving members of the Board of Directors with the interest of the Company, along with how they were handled in the first half of 2017, were as follows:

- The Executive Directors, in their capacity as Directors of ENEL Iberia S.L.U., appointed by Enel, S.p.A., had conflicts of interest when authorising transactions with Enel, S.p.A. or Enel Group companies. In all the situations arising in the first half of 2017, the Executive Directors did not participate in the related items on the agenda of the Board of Directors meeting.

- The Proprietary Directors, appointed by ENEL, S.p.A., had a conflict of interest when authorising transactions with ENEL, S.p.A. or ENEL Group companies. In all the situations arising in the first half of 2017, the Proprietary Directors did not participate in the related items on the agenda of the Board of Directors meeting.

In the six months ended 30 June 2017 and 2016, there were no damages caused by acts or omissions of the Directors that would have required use to be made of the third-party liability insurance premium held through ENDESA, S.A.

19. Personnel

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

Number of Employees

	Period-end Headcount					
	30 June 2017			31 December 2016		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Executives	257	49	306	244	48	292
Graduates	2,098	963	3,061	1,944	864	2,808
Middle Management and Manual Workers	5,206	1,224	6,430	5,338	1,256	6,594
TOTAL	**7,561**	**2,236**	**9,797**	**7,526**	**2,168**	**9,694**

Number of Employees

	Period-end Headcount					
	30 June 2017			31 December 2016		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Generation and Supply	4,082	982	5,064	4,140	989	5,129
Distribution	2,555	434	2,989	2,707	467	3,174
Structure and Others (1)	924	820	1,744	679	712	1,391
TOTAL	**7,561**	**2,236**	**9,797**	**7,526**	**2,168**	**9,694**

(1) Structure and Services.

Number of Employees

	Average Headcount					
	January - June 2017			January - June 2016		
	Male	**Female**	**Total (1)**	**Male**	**Female**	**Total**
Executives	254	47	301	253	46	299
Graduates	2,118	957	3,075	1,861	806	2,667
Middle Management and Manual Workers	5,260	1,242	6,502	5,606	1,288	6,894
TOTAL	**7,632**	**2,246**	**9,878**	**7,720**	**2,140**	**9,860**

(1) Includes the average workforce of ENEL Green Power España, S.L.U. (170 employees), Eléctrica del Ebro, S.A. (20 employees) and the systems and telecommunications activity (ICT) of ENDESA Medios y Sistemas, S.L.U. (327 employees).

Number of Employees

	Average Headcount					
	January - June 2017			January - June 2016		
	Male	**Female**	**Total (1)**	**Male**	**Female**	**Total**
Generation and Supply	4,099	982	5,081	4,096	962	5,058
Distribution	2,612	445	3,057	2,928	481	3,409
Structure and Others (2)	921	819	1,740	696	697	1,393
TOTAL	**7,632**	**2,246**	**9,878**	**7,720**	**2,140**	**9,860**

(1) Includes the average workforce of ENEL Green Power España, S.L.U. (170 employees), Eléctrica del Ebro, S.A. (20 employees) and the systems and telecommunications activity (ICT) of ENDESA Medios y Sistemas, S.L.U. (327 employees).

(2) Structure and Services.

In the six months ended 30 June 2017 and 2016, the average number of employees in Joint Operation Entities was 873 and 885, respectively.

20. Other information

During the six months ended on 30 June 2017, there were no one-off events of significant amounts other than those referred to in other Notes to these Interim Condensed Consolidated Financial Statements.

20.1. Other commitments and guarantees

At 30 June 2017 and 31 December 2016, the detail of the guarantees issued to ENDESA's Associates and Joint Ventures is detailed in Note 18.2.

At 30 June 2017, ENDESA maintains electricity acquisition commitments of Euros 8 million. At 31 December 2016 there were no significant electricity purchase commitments.

ENDESA considers that any additional liabilities arising from guarantees given at 30 June 2017 would not be material.

21. Events after the reporting period

On 18 July 2017, ENEL Green Power España, S.L.U. (EGPE) has formalized the purchase of minority interests in Productor Regional de Energía Renovable, S.A. (15%) and in Productor Regional de Energías Renovables III, S.A. (17,11%) in the amount of Euros 2 million and Euros 3 million, respectively.

Except as described in the previous paragraph, no significant events took place between 30 June 2017 and the date of approval of the accompanying Interim Condensed Consolidated Financial Statements.

22. Explanation added for translation to English

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

ENDESA, S.A.

and Subsidiaries

Consolidated Management Report for the six-month period ended 30 June 2017

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

Madrid, 24 July 2017

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

Contents.

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED At 30 JUNE 2017

1. Business trends and results in the first half of 2017.

1.1. Consolidated results.

ENDESA reported net income of Euros 653 million (-18.0%) in the first half of 2017.

ENDESA reported net income of Euros 653 million in the first half of 2017, an 18.0% decrease compared to the Euros 796 million posted in the first half of 2016.

The table below shows the breakdown of net income among ENDESA's businesses during the first half of 2017 and changes with respect to the same period in the previous year:

Millions of Euros

		Net income (3)			
		January - June 2017	January - June 2016	% Var.	% contrib. to total
Generation and Supply	(1)	187	391	(52.2)	28.6
Distribution		476	427	11.5	72.9
Structure and Other	(2)	(10)	(22)	(54.5)	(1.5)
TOTAL		**653**	**796**	**(18.0)**	**100.0**

(1) Includes the net income generated by ENEL Green Power España, S.L.U. (EGPE) in the first half of 2017 and 2016 amounting respectively to Euros 26 million, positive, and Euros 66 million, negative, (see Section 2.1, Scope of Consolidation, of this Consolidated Management Report).
(2) Structure, services and adjustments.
(3) See Note 17.2 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

1.2. Analysis of results.

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

Millions of Euros

		EBITDA (3) (5)				EBIT (4) (5)			
		January - June 2017	January - June 2016	% Var.	% contrib. to total	January - June 2017	January - June 2016	% Var.	% contrib. to total
Generation and supply	(1)	698	974	(28.3)	43.5	291	636	(54.2)	32.3
Distribution		936	952	(1.7)	58.3	667	624	6.9	74.0
Structure and other	(2)	(29)	(60)	(51.7)	(1.8)	(57)	(70)	(18.6)	(6.3)
TOTAL		**1,605**	**1,866**	**(14.0)**	**100.0**	**901**	**1,190**	**(24.3)**	**100.0**

(1) The first half of 2017 includes EBITDA and EBIT generated by ENEL Green Power España, S.L.U. (EGPE) amounting respectively to Euros 96 million and Euros 42 million (see Section 2.1, Scope of Consolidation, of this Consolidated Management Report).
(2) Structure, Services and Adjustments.
(3) EBITDA = Income - Procurements and services + Work carried out by the Group for its assets – Personnel expenses - Other fixed operating expenses.
(4) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.
(5) See Note 17.2 to the explanatory notes of Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

EBITDA was Euros 1,605 million in the first half of 2017, a decrease of 14% (Euros 261 million) compared to the same period in the previous year.

The first half of 2017 EBITDA includes the contribution of ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 96 million after control was acquired on 27 July 2016 (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).

Additionally, the following factors must be taken into account when looking at EBITDA for the first half of 2017:

- Higher cost of energy purchases (+32.6%) mainly resulting from increased electricity prices on the wholesale market, where cumulative arithmetic price was Euros 51.3/MWh (+70.4%).

- Increased fuel consumption (+70.0%) arising from greater thermal production in the period and higher fuel prices, together with the consequentially increased tax on the value of electricity production.

EBIT for the January-June period was Euros 901 million, a decrease of 24.3% (Euros 289 million) compared with the same period in the previous year primarily as a result of the 14.0% contraction in EBITDA.

During the first half of 2017, the item "Depreciation and amortisation, and impairment losses" posted an increase of Euros 28 million (+4.1%), amounting to Euros 704 million, and includes, among other things, the contribution of the full consolidation of ENEL Green Power España, S.L.U. (EGPE) for the amount of Euros 54 million.

During the period, ENDESA has also re-evaluated the useful service life of assets in operation, resulting in the modification of the depreciation policy for its hydro, wind and solar power facilities, which in turn reduced the depreciation expense for the first half of 2017 by Euros 38 million.

1.2.1. Revenues.

Revenues in the first half of 2017 totalled Euros 10,004 million, 801 million (+8.7%) higher than revenues posted in the first half last year. Of this amount, revenue from sales accounted for Euros 9,792 million (+10.8%), while other operating income accounted for Euros 212 million (-42.1%).

The table below shows the breakdown of sales and other operating income of ENDESA's businesses in the first half of 2017 and changes compared with the same period in the previous year:

Millions of Euros

	Sales (3)				Other operating income (3)			
	January - June 2017	January - June 2016	% Var.	% contrib. to total	January - June 2017	January - June 2016	% Var.	% contrib. to total
Generation and supply (1)	8,718	7,775	12.1	89.0	100	229	(56.3)	47.2
Distribution	1,157	1,132	2.2	11.8	133	157	(15.3)	62.7
Structure and other (2)	(83)	(70)	18.6	(0.8)	(21)	(20)	5.0	(9.9)
TOTAL	**9,792**	**8,837**	**10.8**	**100.0**	**212**	**366**	**(42.1)**	**100.0**

(1) The first half of 2017 includes the sales of ENEL Green Power España, S.L.U. (EGPE) amounting respectively to Euros 142 million and other operating income of Euros 2 million (see Section 2.1, Scope of Consolidation, of this Consolidated Management Report).

(2) Structure, services and adjustments.

(3) See Note 17.2 to the explanatory notes of Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

The estimated mainland energy demand during the first half of 2017 is 1.1% greater than the demand for the same period in 2016. Correcting for the effect of working days and temperature, the electricity energy demand in January-June 2017 increased by 1.5% compared with the posted demand from the first half of the year before. Electricity demand in Non-mainland Territories closed out the first half of 2017 with a 3.0% increase in the Balearic Islands and a 2.2% increase in the Canary Islands compared with January-June 2016 (+1.5% and +1.9% respectively, corrected for the effect of working days and temperature).

The first half of 2017 featured higher prices, putting the cumulative arithmetic price on the wholesale market at €51.3/MWh (+70.4%) due mainly to reduced wind and hydroelectric production. Accumulated renewable generation during the period covered less than 40% of mainland electricity demand (36.7%).

In this environment, ENDESA's mainland electricity production under the ordinary arrangement during the first half 2017 was 29,601 GWh, 20.8% higher than the first half 2016 as detailed below: combined cycle plants (3,052 GWh, +208.3%), coal-fired plants (10,362 GWh, +82.2%), nuclear power plants (+13,096 GWh, +2.0%) and hydroelectric power plants (3,091 GWh, -38.1%). Nuclear and hydroelectric technologies accounted for 54.7% of Endesa's mainland generation mix under the ordinary arrangement, compared with 57.6% for the rest of the sector (72.8% and 74.8% respectively in the first half of 2016).

ENDESA's production in the first half of 2017 through renewable technologies other than hydroelectric was 1,814 GWh and production in Non-mainland Territories was 6,263 GWh (+5.5%).

As of 30 June 2017, ENDESA's market share reached 38.0% for ordinary mainland generation, 43.6% for ordinary regime generation and 35.3% for sales to customers in the deregulated market.

During the first half of 2017, gas demand was 6.5% higher than the same period in the previous year and, as of 30 June 2017, ENDESA's market share reached 17.2% for sales to customers in the deregulated market.

Sales.

The table below presents the detail of ENDESA sales in the first half of 2017 and its variation compared with the same period in the previous year:

Millions of Euros

	January - June 2017 (1) (2)	**January - June 2016 (2)**	**Difference**	**% Var.**
Electricity sales	7,240	6,437	803	12.5
Deregulated market sales	4,208	4,033	175	4.3
Supply to customers in deregulated markets outside Spain	503	469	34	7.2
Sales at regulated prices	1,267	1,154	113	9.8
Wholesale market sales	544	322	222	68.9
Non-mainland territories compensation	664	451	213	47.2
Other electricity sales	54	8	46	575.0
Gas sales	1,200	1,072	128	11.9
Regulated revenue from electricity distribution	1,026	1,024	2	0.2
Other sales and services rendered	326	304	22	7.2
TOTAL	**9,792**	**8,837**	**955**	**10.8**

(1) Includes sales of ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 142 million (see Section 2.1. Scope of Consolidation of this Consolidated Management Report).

(2) See Note 17.3 to the explanatory notes of Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Electricity sales to deregulated market customers.

ENDESA had 5,551,461 customers in the deregulated market as of 30 June 2017, which is a 2.4% increase compared with the amount of customers at 31 December 2016.

ENDESA sales to these customers amounted to 40,641 GWh in the first half of 2017, an increase of 4.7% compared with the first half of 2016.

In economic terms, sales in the Spanish regulated market during the first half of 2017 amounted to Euros 4,208 million, an increase of Euros 175 million compared with the first half of 2016 (+4.3%) due to the increase in physical units sold.

In turn, the revenues from sales to customers in deregulated markets outside Spain amounted to Euros 503 million, a Euros 34 million (+7.2%) increase over the first half of 2016.

Electricity sales at regulated prices.

ENDESA sold 6,515 GWh through its reference supplier company in the first half of 2017, 5.0% less than the January-June period in 2016.

These sales generated revenue of Euros 1,267 million in the first half of 2017, which is 9.8% higher than the figure in the first half of 2016 as a result of the increased average sales price, which offset the reduction in physical units sold.

Gas sales.

ENDESA had1,334,736 customers in the deregulated market as of 30 June 2017, which is a 4.6% increase compared with the amount of customers at 31 December 2016.

ENDESA sold 42,352 GWh to customers in the natural gas market in the first half of 2017, which represents a 7.5% increase on the first half 2016 figure.

In economic terms, revenue from gas sales during the first half of 2017 amounted to Euros 1,200 million, an increase of Euros 128 million (+11.9%) compared with the first half of 2016, primarily because of the increase in physical units sold.

Compensation for Non-mainland Territories systems.

During the first half of 2017, compensation for extra-costs of non-mainland territories generation amounted to Euros 664 million, representing an increase of Euros 213 million (+47.2%) compared to the first half of 2016, primarily because of the increase in production and sales, and fuel costs due to commodity prices.

Electricity distribution.

During the first half of 2017, ENDESA distributed 57,654 GWh in the Spanish market, which is a 3.0% increase compared with the first half of 2016.

Regulated revenue from distribution during the first half of 2017 totalled Euros 1,026, in line with the amount posted for the first half of 2016 (+0.2%).

Other operating income.

In January-June 2017, the amount for other operating income was Euros 212 million, which is Euros 154 million (-42.1%) lower than the amount posted for the first half of 2016.

In the first half of 2017, there was a reduction of Euros 148 (-83.6%) in income from the valuation and settlement of energy derivatives, offset partially by the Euros 82 million (-41.4%) reduction in valuation expenses and losses on the settlement of energy derivatives recognised under “Other variable procurements and services”.

1.2.2. Operating expenses.

Operating expenses for January-June 2017 amounted to Euros 9,182 million, which is 13.9% higher compared to the same period the previous year.

The table below shows the detail of ENDESA’s operating expenses in the first half of 2017 and variations compared with the same period in the previous year:

Millions of Euros

	January - June 2017 (1)(2)	January - June 2016 (2)	Difference	% Var.
Procurements and services	7,380	6,367	1,013	15.9
Energy purchases	2,566	1,935	631	32.6
Fuel consumption	1,056	621	435	70.0
Transmission expenses	2,832	2,950	(118)	(4.0)
Other variable procurements and services	926	861	65	7.5
Personnel expenses	451	432	19	4.4
Other fixed operating expenses	647	589	58	9.8
Depreciation and amortisation, and impairment losses	704	676	28	4.1
TOTAL	**9,182**	**8,064**	**1,118**	**13.9**

(1) Includes operating costs pertaining to ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 102 million (see Section 2.1. Scope of Consolidation of this Consolidated Management Report).

(2) See the Consolidated Income Statements for the six-month periods ended 30 June 2017 and 2016.

Procurements and services.

Procurements and services (variable costs) totalled Euros 7,380 million in the first half of 2017, 15.9% more than in the same period last year.

The following table shows the breakdown of the contribution margin by ENDESA’s businesses in the first half of 2017 and their variation compared with the same period the previous year:

Millions of Euros

		Procurements and services (3) (4)			
		January - June 2017	January - June 2016	% Var.	% contrib. to total
Generation and supply	(1)	7,363	6,352	15.9	99.8
Distribution		66	62	6.5	0.9
Structure and other	(2)	(49)	(47)	4.3	(0.7)
TOTAL		**7,380**	**6,367**	**15.9**	**100.0**

(1) The first half of 2017 includes the procurements and services expenses of ENEL Green Power, S.L.U. (EGPE) amounting respectively to Euros 12 million (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).

(2) Structure, services and adjustments.

(3) Procurements and services = Energy purchases + Fuel consumption + Transmission expenses + Other variable procurements and services.

(4) See Note 17.2 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

The performance of these costs for the first half of 2017 was as follows:

- Energy purchases increased by Euros 631 million (+32.6%) to Euros 2,566 million, primarily because of the increase in the cumulative arithmetic price of electricity acquired in the wholesale market (Euros 51.3/MWh, +70.4%) and gas acquired for sale to end customers.

- Fuel consumption amounted to Euros 1,056 million, with an increase of 70.0% (Euros 435 million) due higher thermal output in the period and an increase in the average purchase price.

- "Other variable procurements and services" amounted to Euros 926 million, an increase of Euros 65 million (+7.5%) compared with the same period in 2016. This variation primarily entails:

    - The Euros 82 million decrease (-41.4%) in expenses for fuel stock derivatives, offset partially by a Euros 148 million reduction in income in this connection (-83.6%), which is recognised under "Other operating income", due mainly to trends in the measurement and settlement of gas derivatives.

    - The Euros 30 million increase in the costs of carbon dioxide (CO_2) emission rights, mostly due to increased thermal production.

    - A Euros 70 million increase in the electricity production tax due to increased production during the period, of which Euros 10 million correspond to ENEL Green Power España, S.L.U. (EGPE).

    - An increase of Euros 57 million in the Catalonian nuclear taxes, bearing in mind that, in the first half of 2016, the tax then prevailing was regularised for the amount of Euros 63 million, following the ruling handed down by the Constitutional Court on 20 April 2016 declaring it to be unconstitutional.

The following table shows the breakdown of the contribution margin for ENDESA's businesses in the first half of 2017 and variations compared with the same period the previous year:

Millions of Euros

		Contribution margin (3) (4)			
		January - June 2017	**January - June 2016**	**% Var.**	**% contrib. to total**
Generation and supply	(1)	1,455	1,652	(11.9)	55.4
Distribution		1,224	1,227	(0.2)	46.6
Structure and other	(2)	(55)	(43)	27.9	(2.0)
TOTAL		**2,624**	**2,836**	**(7.5)**	**100.0**

(1) The first half of 2017 includes the contribution margin of ENEL Green Power España, S.L.U. (EGPE) amounting respectively to Euros 132 million (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).

(2) Structure, services and adjustments.

(3) Contribution margin = Revenues - Procurements and services.

(4) See Note 17.2 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Personnel and other fixed operating expenses (fixed costs).

Fixed costs in the first half of 2017 totalled Euros 1,098 million, Euros 77 million (+7.5%) higher compared to the first half of 2016.

Personnel expenses during January-June 2017 amounted to Euros 451 million, which is Euros 19 million (+4.4%) higher than in the same period in 2016.

The following table shows the breakdown of the contribution margin for ENDESA's businesses in the first half of 2017 and variations compared with the same period the previous year:

Millions of Euros

		Personnel expenses (3)			
		January - June 2017	**January - June 2016**	**% Var.**	**% contrib. to total**
Generation and supply	(1)	236	228	3.5	52.3
Distribution		133	131	1.5	29.5
Structure and other	(2)	82	73	12.3	18.2
TOTAL		**451**	**432**	**4.4**	**100.0**

(1) The first half of 2017 includes the personnel expenses of ENEL Green Power, S.L.U. (EGPE) for the amount of Euros 7 million (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).

(2) Structure, services and adjustments.

(3) See Note 17.2 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

The following effects should be considered when examining personnel expenses during the first half of 2017:

- Personnel expenses during the first half of 2017 and 2016 were affected by the positive updates of the provisions under workforce restructuring and contract suspensions, which respectively amounted to Euros 13 million and Euros 8 million.

- The period comprising January-June 2017 includes the personnel expenses arising upon the incorporation of ENEL Green Power España, S.L.U. (EGPE) for to Euros 7 million.

- The increase of Euros 13 million in provisions for indemnities and occupational risks (net charge of Euros 5 million in the first half of 2017 and a net reversal of Euros 8 million in the first half of 2016).

Stripping out these effects, personnel expenses in the first half of 2017 would have increased by Euros 4 million (+0.9%) in line with the average workforce during the period (+0.2%).

Other fixed operating expenses in January-June 2017 stood at Euros 647 million, up by Euros 58 million (+9.8%) compared to the first half of 2016.

The following table shows the breakdown of the contribution margin for ENDESA's businesses in the first half of 2017 and variations compared with the same period the previous year:

Millions of Euros

		Other fixed operating expenses (3)			
		January - June 2017	**January - June 2016**	**% Var.**	**% contrib. to total**
Generation and supply	(1)	532	451	18.0	82.2
Distribution		215	193	11.4	33.2
Structure and other	(2)	(100)	(55)	81.8	(15.4)
TOTAL		**647**	**589**	**9.8**	**100.0**

(1) The first half of 2017 includes Other fixed operating expenses of ENEL Green Power, S.L.U. (EGPE) amounting to Euros 29 million (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).
(2) Structure, services and adjustments.
(3) See Note 17.2 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Stripping out the effect of the incorporation of ENEL Green Power España, S.L.U. (EGPE), in the first half of 2017, other fixed operating expenses would have increased by Euros 29 million (+4.9%) compared with the first half of 2016.

Depreciation and amortisation, and impairment losses.

The following table contains the breakdown of the "Depreciation and amortisation, and impairment losses" for ENDESA's businesses in the first half of 2017 and their variation compared with the same period last year:

Millions of Euros

		Depreciation and amortisation, and impairment losses (3)			
		January - June 2017	**January - June 2016**	**% Var.**	**% contrib. to total**
Generation and supply	(1)	407	338	20.4	57.8
Distribution		269	328	(18.0)	38.2
Structure and other	(2)	28	10	180.0	4.0
TOTAL		**704**	**676**	**4.1**	**100.0**

(1) The first half of 2017 includes the depreciation and amortisation, and impairment losses of ENEL Green Power, S.L.U. (EGPE) for the amount of Euros 54 million (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).
(2) Structure, services and adjustments.
(3) See Note 17.2 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Depreciation and amortisation, and impairment losses totalled Euros 704 million in the first half of 2017, Euros 28 million (+4.1%) higher than the first half of 2016.

In the first half of 2017, ENDESA concluded its analysis on the useful service life of its assets in operation. As a result thereof and in light of the current circumstances, the depreciation policy has been amended as follows:

- The best current useful service life estimate of wind and solar power facilities was extended to 30 years from the previously considered 25 years and 20 years, respectively.

- Regarding hydroelectric power plants, depreciation of the civil engineering cost will now be over a term of 100 years (initially 65 years), and the electromechanical equipment thereof will be over 50 years (initially 35 years), both with the limit on the concession term.

Effective as of 1 January 2017, both measures have had a favourable impact on the first half depreciation expense in 2017 of Euros 17 million and Euros 21 million, respectively.

January-June 2017 also saw the reversal of impairment losses for property, plant and equipment recognised on certain lands in previous years for the amount of Euros 15 million.

Excluding the effects described above, depreciation and amortisation, and impairment losses in the first half of 2017 would have increased by 12.0% (Euros 81 million) primarily as a result of the integration of ENEL Green Power España, S.L.U. (EGPE) (Euros 54 million).

1.2.3. Net financial profit/(loss).

Net financial income in the first half of 2017 was a negative Euros 59 million, thus a Euros 42 million (-41.6%) reduction compared with the same period in the previous year.

The following table shows the breakdown of the net financial profit/(loss) of ENDESA's businesses in the first half of 2017 and their variation compared with the same period the previous year:

Millions of Euros

	Net financial profit/(loss) (2)			
	January - June 2017 (1)	**January - June 2016**	**% Var.**	**% contrib. to total**
Finance income	34	32	6.3	(57.6)
Finance expenses	(94)	(133)	(29.3)	159.3
Net exchange differences	1	-	N/A	(1.7)
TOTAL	**(59)**	**(101)**	**(41.6)**	**100.0**

(1) Includes the net financial results generated by ENEL Green Power España, S.L.U. (EGPE) amounting to Euros -2 million (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).
(2) See the consolidated income statements for the six-month periods ended 30 June 2017 and 2016.

Net financial expenses stood at Euros 60 million in the first half of 2017, or Euros 41 million less (-40.6%) than those recorded in the first half of 2016.

The following effects should be considered when examining net financial expenses during the first half of 2017:

- The performance in the long-term interest rates during the first half of 2017 and 2016 entailed an adjustment in the provisions to account for obligations arising from the ongoing workforce restructuring and contract suspension provisions, which had a positive impact of Euros 15 million and negative impact of Euros 48 million respectively.

- In the first half of 2017, net financial expenses also include the effect of incorporating ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 2 million.

- In the first half of 2016, Euros 12 million was recognised for revenues associated with the adjustment of interests for financing the deficit of income in regulated activities in Spain.

Excluding the effects indicated in the paragraphs above, net financial expenses would have increased by Euros 8 million (+12.3%) as the lower average cost of gross financial debt, which fell from 2.7% in January-June 2016 to 2.3% in January-June 2017, has not offset the increase in the average gross financial debt in the two periods, which rose from Euros 4,799 million in January-June 2016 to Euros 5,910 million in January-June 2017.

1.2.4. Net profit (loss) of companies accounted for using the equity method.

In the first half of 2017, companies accounted for using the equity method contributed a net positive result of Euros 10 million, compared to the net loss of Euros 38 million in the first half of 2016.

In January-June 2017 this item includes the negative impact of Euros 7 million corresponding to the 50% stake in Nuclenor, S.A.

In January-June 2016, this heading included the net profit contributed by the 40% holding in ENEL Green Power España, S.L.U. (EGPE) for the amount of Euros 66 million, negative, due to the impairment of the previous stake held in this company for Euros 72 million. Later, on 27 July 2016 ENDESA acquired 60% of ENEL Green Power España, S.L.U. (EGPE), and the company was then fully consolidated (see Section 2.1, Scope of Consolidation of this Consolidated Management Report).

1.2.5. Gains (loss) on the sale of assets.

On 30 June 2017 ENDESA had sold its stakes in 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. The total price agreed for the transaction was Euros 16 million, with a gross gain of Euros 4 million (see section 2.1. Scope of Consolidation of this Consolidated Management Report).

In the first half of 2017 and 2016, this heading also included the expense for factoring transaction commissions, amounting to Euros 14 million.

1.2.6. Corporate Income Tax.

In the first half of 2017, the expense for corporate income tax amounted to Euros 190 million, which is Euros 55 million (-22.4%) lower than the amount posted for the first half of 2016.

The effective rate in January-June 2017 was 22.4% (23.5% in January-June 2016).

1.2.7. Net income.

In the first half of 2017, net income stood at Euros 653 million, which is Euros 143 million (-18.0%) lower than the amount obtained in the first half of 2016.

2. Other information.

2.1. Scope of Consolidation.

Eléctrica de Jafre, S.A.

On 31 May 2017 ENDESA Red, S.A.U. acquired 52.54% of the share capital of Eléctrica de Jafre, S.A., a company that performs power transmission and distribution activities, in addition to water and electricity meter rental and reading services, in which it previously held a stake of 47.46%.

As a result of this transaction ENDESA took control of Eléctrica de Jafre, S.A. compared to the significant influence it exerted until then, strengthening its distribution business.

The net cash outflow resulting from the acquisition of Eléctrica de Jafre, S.A. totalled Euros 1 million, corresponding mainly to the agreed transaction price.

The provisional purchase price was set according to the fair value of the assets acquired and liabilities assumed (net assets acquired) from Eléctrica de Jafre, S.A. on the acquisition date, in the following lines of the consolidated financial statements:

Millions of Euros

	Fair value (1)
Non-current assets	**4**
Property, plant & equipment	4
TOTAL ASSETS	**4**
Non-current liabilities	**1**
Deferred income	1
Current Liabilities	**1**
Trade and other current liabilities	1
TOTAL LIABILITIES	**2**
Fair value of net assets acquired	**2**

(1) See Note 4.2 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

To establish the fair value of the assets acquired and the liabilities assumed, the projected discounted cashflows were considered applying the remuneration system in force at the acquisition date.

Revenue and net profit generated by this company from the acquisition date of 31 May 2017 are not significant. Additionally, if the acquisition had taken place on 1 January 2017, revenue and net profit generated by this transaction in the first half of 2017 would have been less than Euros 1 million.

Net profit generated at the date control was taken as a result of the fair value valuation of the non-controlling 47.46% stake previously held in Eléctrica de Jafre, S.A. was less than Euros 1 million.

Other stakes.

On 30 June 2017, ENDESA sold its stakes in 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. The transaction generated a gross gain of Euros 4 million in the consolidated income statement for the six-month period ended 30 June 2017 (see Section 1.2.5, Gains (loss) on the sale of assets of this Consolidated Management Report).

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

On 27 July 2016, ENDESA Generación S.A.U., a fully owned subsidiary of ENDESA S.A. (ENDESA), acquired to ENEL Green Power International B.V 60% of the share capital of ENEL Green Power España, S.L.U. (EGPE), company in which it previously held a 40% interest in its share capital.

On the date of execution of the purchase, ENDESA assumed control over ENEL Green Power España, S.L.U. (EGPE) compared to the significant influence that it had previously held as a result of holding 40% of the latter's share capital.

As a result thereof, the consolidated income statement for the first half of 2017 includes the income and expenses of the fully consolidated ENEL Green Power España, S.L.U. (EGPE).

The contribution of ENEL Green Power España, S.L.U. (EGPE) to net profit (loss) in the first half of 2017 was Euros 26 million, with the following breakdown:

Millions of Euros

	Contribution of ENEL Green Power España, S.L.U. (EGPE)	
	January - June 2017	**January - June 2016**
Net result of the prior interest of 40% (1)	N/A	(66) (4)
Net result of the Interest of 100%	26	N/A
Revenues	144	N/A
Contribution margin	132	N/A
EBITDA (2)	96	N/A
EBIT (3)	42	N/A
Net financial loss	(2)	N/A
Net profit (loss) of companies according to the equity method and other investments	3	N/A
Corporate income tax	(12)	-
Non-controlling Interests	(5)	-
TOTAL	**26**	**(66)**

(1) Corresponding to the 40% stake that ENDESA, S.A. held through ENDESA Generación, S.A.U. until the date when it assumed control.

(2) EBITDA = Income - Procurements and Services + Work carried out by the Group for its assets – Personnel expenses - Other Fixed Operating Expenses.

(3) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.

(4) Includes the negative impact of Euros 72 million corresponding to impairment of the carrying amount of the 40% stake in ENEL Green Power España, S.L.U. (EGPE) held by ENDESA at 30 June 2016.

As of 30 June 2017, the key data of ENEL Green Power España, S.L.U. (EGPE) are as follows:

	January - June 2017
Electricity generation (GWh)	1,814
Gross installed capacity (MW) (1)	1,675
Net installed capacity (MW) (1)	1,675
Electricity sales (GWh)	1,814

(1) At 30 June 2017.

2.2. Acquisition of the systems and telecommunications activity (ICT).

On 29 December 2016, ENDESA, S.A., acting through its fully owned subsidiary ENDESA Medios y Sistemas, S.L.U. (formerly ENDESA Servicios, S.L.U.), and ENEL Iberia, S.L.U. entered into an Assignment Contract for the Branch of the Systems and Telecommunications Activity for the acquisition to the latter of the systems and telecommunications activity (ICT) within the ENDESA sphere.

The transaction entailed the transfer of materials, human resources and contracts with third parties affected in the implementation of these activities.

The effective date of the transaction was 1 January 2017 and entailed a reorganisation of systems and telecommunications support activities (ICT) at ENDESA with a view to rendering them more adaptable to the needs of its corporate perimeter, simplifying internal and administrative management procedures.

The price stipulated for purchasing this activity was Euros 246 million and payment thereof was settled on the date when the contract was formalised. The transaction was recognised through the acquisition method, and provisionally assigned to the following items in the consolidated financial statements:

Millions of Euros

	Fair value (1)
Non-current assets	**95**
Property, plant & equipment	64
Intangible assets	31
TOTAL ASSETS	**95**
Non-current liabilities	**8**
Non-current provisions	8
Current liabilities	**2**
Trade and other current liabilities	2
TOTAL LIABILITIES	**10**
Fair value of net assets acquired	**85**

(1) See Note 4.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

The difference between the cost of combining the businesses and the fair value of the recognised assets and liabilities indicated above generated goodwill of Euros 161 million because of the synergies to secure in transactions based on aspects such as the prospects of greater autonomy for ENDESA in the future management of ICT activities, simplification and improvement of operations and management and a reduction in expected costs.

The fair value of the assets acquired and the liabilities assumed was determined by discounting free cashflows according to the business plan and the performance of the ICT sector.

3. Regulatory Framework.

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

2017 electricity tariff.

On 29 December 2016 the Official State Gazette (BOE) published Order ETU/1976/2016 of 23 December, which establishes the access tariffs for 2017.

In accordance with this Order, the access tariffs remained unchanged.

Natural gas tariff for 2017

Under Order ETU/1977/2016 of 23 December access tariffs in force in 2016 were largely maintained.

Energy Efficiency.

Law 18/2014, of 15 October, 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 IET/258/2017 of 24 March entailed a contribution by ENDESA to the Energy Efficiency National Fund of Euros 29.3 million, corresponding to its 2017 obligations.

Renewable energy auction.

The Ministry for Energy, Tourism and the Digital Agenda has rolled out a series of requirements for auctions with regard to adherence to the specific remuneration regime for new renewable energy generation plants.

On 1 April 2017 the Official State Gazette (BOE) published Royal Decree 359/2017 of 31 March, establishing a call for assigning the specific remuneration system for new renewable energy production facilities through an auction with a maximum installed power limit of 3,000 MW.

This Royal Decree was enacted by Order ETU/315/2017, of 6 April, regulating the procedure for assigning the specific remuneration system in each auction, in addition to the remuneration parameters for reference and standard facilities, and characteristics of the auction, and the Resolutions issued by the Secretary of State for Energy on 10 April 2017, approving the call for an auction, and the terms and conditions thereof.

As a result of this auction, which took place on 17 May 2017, ENDESA, through ENEL Green Power España, S.L.U. (EGPE), was awarded 540 MW of wind power capacity (see Note 4.3 Investments, of this Consolidated Management Report).

Additionally, on 17 June 2017, Royal Decree 650/2017 of 16 June was published in the Official State Gazette (BOE), establishing a new installed capacity quota of 3,000 MW for new plants that generate power using renewable energy sources, enacted by Order ETU/615/2017, of 27 June, that establishes the assignment procedure and remuneration parameters for the auction, and the Resolution issued by the Secretary of State for Energy on 30 June 2017, calling for a new auction on 26 July 2017.

Fee for the use of continental waters to produce electric power.

On 10 June 2017, Royal Decree Law 10/2017 of 9 June was published in the Official State Gazette (BOE), establishing specific urgent measures to mitigate the effects of drought in certain river basins, amending the current Water Law.

Among other aspects, this Royal Decree Law modifies the tax on the fee for using continental waters to produce electric power from 22% to 25.5%, with a reduction for plants with capacity of up to 50 MW to offset the tax increase.

Social Bonus.

Royal Decree Law 7/2016 of 23 December was published on 24 December 2016, regulating the mechanism for financing the cost of the social bonus and other measures designed to protect vulnerable power users.

To enact this Royal Decree Law, the Ministry of Energy, Tourism and the Digital Agenda has started work on a draft Royal Decree to regulate vulnerable power users, the social bonus and loss of supply conditions for consumers using 10 kW or less.

Among other aspects, three categories of customers are identified according to income level, measured using the Public Indicator of Income with Multiple Effects (IPREM) to establish different discounts for each category.

4. Liquidity and Capital Resources.

4.1. Financial management.

Financial debt.

The reconciliation of ENDESA's gross and net financial debt at 30 June 2017 and 31 December 2016 is as follows:

Millions of Euros

	30 June 2017	31 December 2016	Difference	% Change
Non-current financial debt (1)	4,748	4,223	525	12.4
Current financial debt (1)	1,326	1,144	182	15.9
Gross financial debt	**6,074**	**5,367**	**707**	**13.2**
Cash and cash equivalents (2)	(451)	(418)	(33)	7.9
Derivatives recognised as financial assets (3)	(9)	(11)	2	(18.2)
Net financial debt	**5,614**	**4,938**	**676**	**13.7**

(1) See Note 13.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.
(2) See Note 10 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.
(3) See Note 14.3.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

At 30 June 2017, ENDESA had net financial debt of Euros 5,614 million, an increase of Euros 676 million (+13.7%) compared to 31 December 2016.

When assessing net debt, it must be borne in mind that on 2 January 2017 ENDESA paid shareholders an Interim dividend against 2016 results of Euros 0.7 per share (gross), hence a payout of Euros 741 million.

The structure of ENDESA's gross financial debt at 30 June 2017 and 31 December 2016 is as follows:

Millions of Euros

	30 June 2017	31 December 2016	Difference	% Change
Euro	6,074	5,367	707	13.2
TOTAL	**6,074**	**5,367**	**707**	**13.2**
Fixed rate	3,647	3,661	(14)	(0.4)
Floating rate	2,427	1,706	721	42.3
TOTAL	**6,074**	**5,367**	**707**	**13.2**
Average life (years) (1)	6.2	6.5	-	-
Average cost (2)	2.3	2.5	-	-

(1) Average life (years) = (Principal * Number of valid days) / (Valid principal at the close of the period * Number of days in the period).
(2) Average cost (%) = (Cost of gross financial debt) / Average gross financial debt.

At 30 June 2017, gross financial debt bearing fixed interest rates accounted for 60% of the total, while 40% was at floating rates.

As of this date, the entire gross financial debt is in euros.

Main financial transactions.

Within the framework of the financial transaction (ENDESA Network Modernisation) concluded with the European Investment Bank (EIB) in 2014, Tranches B and C (each one of Euros 150 million) were available on 18 January 2017 and 20 February 2017, thus completing the provision of the transaction for a total amount of Euros 600 million. Both provisions are at floating rate, with a 12-year maturity which may be repaid from 2021.

In January-June 2017, ENDESA in turn concluded agreements with different financial institutions for the extension to three years with a possibility of extending to five years of most of its credit lines for Euros 1,985 million.

At 30 June 2017 ENDESA, S.A. had renegotiated the terms and conditions of the inter-company credit line arranged with ENEL Finance International N.V., extending its maturity to 30 June 2020 and reducing the margin and applicable non-drawdown fee to 55 basis points and 18 basis points, respectively.

In the first half of 2017, ENDESA maintained the Euro Commercial Paper (EPC) emissions programme through International ENDESA, B.V., and the active balance thereof as of 30 June 2017 is Euros 1,200 million, and its renewal is backed by irrevocable bank credit lines.

Liquidity.

As of 30 June 2017, ENDESA had liquidity of Euros 3,260 million (Euros 3,620 million at 31 December 2016) as detailed below:

Millions of Euros

	Liquidity (3)			
	30 June 2017	31 December 2016	Difference	% Var.
Cash and cash equivalents	451	418	33	7.9
Available through unconditional credit facilities (1)	2,809	3,202	(393)	(12.3)
TOTAL	**3,260**	**3,620**	**(360)**	**(9.9)**
Coverage of debt maturities (months) (2)	32	17	15	88.2

(1) At 30 June 2017 and 31 December 2016, Euros 1,000 million correspond to the credit line available with ENEL Finance International, N.V.
(2) Coverage of maturities = maturity period (months) for vegetative debt that could be covered with the liquidity available.
(3) See Note 13.2.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Treasury investments considered as “Cash and Cash Equivalents” are high liquidity and entail no risk of changes in value, mature within three months from their contract date and accrue interest at the market rates for such instruments.

Restrictions that could affect the availability of funds for ENDESA are described in Notes 10 and 13.2 to the explanatory notes of the Interim Consolidated Financial Statements for the six-month period ended on 30 June 2017.

Leverage.

Consolidated leverage level at 30 June 2017 and 31 December 2016 was as follows:

Millions of Euros

	Leverage (1)	
	30 June 2017	31 December 2016
Net financial debt:	**5,614**	**4,938**
Non-current financial debt (2)	4,748	4,223
Current financial debt (2)	1,326	1,144
Cash and cash equivalents (3)	(451)	(418)
Derivatives recognised as financial assets (4)	(9)	(11)
Equity: (5)	**9,035**	**9,088**
of the parent company	8,894	8,952
of non-controlling Interests	141	136
Leverage (%)	**62.1**	**54.3**

(1) Leverage = Net Financial Debt / Equity
(2) See Note 13.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.
(3) See Note 10 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.
(4) See Note 14.3.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.
(5) See Note 11 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Credit rating.

ENDESA's credit ratings are as follows:

	30 June 2016 (1) (2)			31 December 2016 (1) (2)		
	Long term	Short term	Outlook	Long term	Short term	Outlook
Standard & Poor’s	BBB	A-2	Positive	BBB	A-2	Stable
Moody’s	Baa2	P-2	Stable	Baa2	P-2	Stable
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Stable

(1) On the respective approval dates of the Consolidated Financial Statements.
(2) See Note 11 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

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 June 2017, has been classified as “investment grade” by all the rating agencies.

4.2. Cash Flows.

At 30 June 2017, cash and cash equivalents stood at Euros 451 million (Euros 674 million at 30 June 2016).

ENDESA's net cash flows in the first half of 2017 and 2016, classified by activities (operation, investment and financing) were:

Millions of Euros

	Statement of cash flows (2)	
	January - June 2017 (1)	January - June 2016
Net cash flows from/(used in) operating activities	675	1,470
Net cash flows from/(used in) investment activities	(608)	(475)
Net cash flows from/(used in) financing activities	(34)	(667)

(1) Includes net cash flows from the operation, investment and financing activities of ENEL Green Power, S.L.U. (EGPE) amounting to Euros 92 million, Euros 59 million (negative) and Euros 25 million (negative), respectively.

(2) See the consolidated cash flow statements for the six-month periods ended 30 June 2017.

In the first half of 2017, net investments necessary for developing ENDESA businesses and the payment of dividends to shareholders were covered with the net cash flows from operating activities and an increase in the net financial debt.

Net cash flows from/(used in) operating activities

Net cash flow from operating activities in January-June 2017 totalled Euros 675 million, Euros 795 million (-54.1%) lower than in the same period in 2016 due to:

- The decline in gross earnings before tax and minority interests during the period (Euros 193 million)
- The trend in working capital (Euros 618 million), mainly as a result of the reduction in compensation for extra-costs in non-mainland territories generation (Euros 827 million).

As of 30 June 2017 and 31 December 2016, working capital comprised the following items:

Millions of Euros

	30 June 2017	31 December 2016
Current assets (1)	**4,987**	**5,015**
Inventories (2)	1,118	1,202
Trade and other accounts receivable (3)	3,240	3,452 (4)
Current financial assets	629 (5)	361(6)
Current liabilities (7)	**5,839**	**6,377**
Current provisions (8)	315	567
Trade and other current liabilities (9)	5,524 (10)	5,810 (11)

(1) Excluding "Cash and cash equivalents" and Financial derivative assets corresponding to financial debt.

(2) See Note 8 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(3) See Note 9 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(4) Including the acquisition price of the systmes and telecommunicatios activity (ICT), paid on 29 December 2016 for the amount of Euros 246 million.

(5) Including Euros 502 million relating to collection rights for financing for the revenue shortfall from regulated activities and compensations for extra-costs in non-mainland territories generation.

(6) Including Euros 258 million relating to collection rights for financing the revenue shortfall from regulated activities.

(7) Excluding "Current financial debt" and financial derivative liabilities corresponding to financial debt.

(8) See Note 12.1 to the explanatory notes of the Interim consolidated financial statements for the six-month period ended 30 June 2017.

(9) See Note 16 to the explanatory notes of the Interim consolidated financial statements for the six-month period ended 30 June 2017.

(10) Including the final dividend for 2016 amounting to Euros 670 million paid on 3 July 2017.

(11) Including the Interim dividend paid against 2016 profits, for the amount of Euros 741 million paid on 2 January 2017 and Euros 296 million related to compensations for extra-costs in non-mainland territories generation.

Net cash flows from/(used in) investment activities

During the first half of 2017, the net cash flows applied to investment activities were Euros 608 million (compared with Euros 475 million in the first half of 2016) and mainly include net cash payments applied to the acquisition of property, plant and equipment amounting to Euros 559 million (compared with Euros 486 million in January-June 2016) (see Section 4.3 Investments of this Consolidated Management Report).

Net cash flows from/(used in) financing activities

In the first half of 2017, the net cash flows applied to financing activities amounted to Euros 34 million (Euros 667 million in the first half of 2016) and primarily include the payment of Euros 741 million corresponding to the Interim dividend paid against 2016 profits (Euros 424 million in January-June 2016) (see Section 4.4. Dividends, of this Consolidated Management Report).

4.3. Investments.

In the first half of 2017 ENDESA made gross investments of Euros 392 million, as follows:

Millions of Euros

	January - June 2017 (1)	January - June 2016	% Var.
Generation and supply	88	140	(37.1)
Distribution	221	230	(3.9)
Structure and other	-	-	-
TOTAL PROPERTY, PLANT AND EQUIPMENT (2)	**309**	**370**	**(16.5)**
Generation and supply	15	18	(16.7)
Distribution	15	11	36.4
Structure and other	11	8	37.5
TOTAL INTANGIBLE ASSETS (3)	**41**	**37**	**10.8**
FINANCIAL INVESTMENTS	**42**	**77**	**(45.5)**
TOTAL INVESTMENT	**392**	**484**	**(19.0)**

(1) Includes investments in property, plant and equipment of ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 9 million. Does not include the acquisition of the systems and telecommunications activity (ICT) or the controlling stake taken in Eléctrica de Jafre, S.L. (see Section 2.1. Scope of Consolidation, and Section 2.2. Acquisition of the systems and telecommunications activity (ICT) of this Consolidated Management Report).

(2) See Note 5.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(3) See Note 6.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Investments in Property, Plant and Equipment.

Gross investments in generation in the first half of 2017 mostly correspond to investments made on plants that were already operating at 31 December 2016, prominently including the Euros 7 million investment in the Litoral power plant to adapt it to European environmental legislation and also entailed extending its useful service life.

Gross investments in supply correspond primarily to the development of the activity concerning Value Added Products and Services (VAPS).

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

ENDESA, through ENEL Green Power España, S.L.U. (EGPE), was awarded wind plant capacity of 540 MW in the auction held by the Ministry of Energy, Tourism and the Digital Agenda on 17 May 2017 (see Section 3. Regulatory Framework of this Consolidated Management Report) and expects to invest approximately Euros 600 million in building the wind energy capacity awarded.

Investment in Intangible Assets.

Gross investments in the first half of 2017 primarily correspond to computer software and ongoing investments in the systems and telecommunications activity (ICT), including the change from the ERP accounting system to the new E4E SAP system.

Financial investments.

Gross investments in the first half of 2017 include, primarily, the contribution of Euros 21 million to Nuclenor, S.A.

4.4. Dividends.

At its meeting of 22 November 2016, ENDESA, S.A.'s Board of Directors approved the following shareholder remuneration for 2016-2019:

- 2016: the ordinary dividend per share distributed against the year will be the equivalent to 100% of net profit attributable to the parent company set down in the consolidated annual financial statements provided that this amount is higher than the result of applying a minimum 5% increase to the ordinary dividend paid with a charge to the prior year.

- 2017 to 2019: the ordinary dividend per share to be distributed in these years will be the equivalent to 100% of ordinary net profit attributable to the parent company set down in the consolidated annual financial statements of the Group headed by this company. Specifically, for 2017, this ordinary dividend will be at least the same as Euros 1.32 gross per share.

The General Shareholders' Meeting of ENDESA, S.A. held on 26 April 2017 approved the distribution of a total dividend to its shareholders charged against the 2016 profit of a gross figure of Euros 1.333 per share (Euros 1,411 million), which is equal to the consolidated net profit of ENDESA for the year ended on 31 December 2016.

In consideration of the gross Interim dividend of Euros 0.70 per share (Euros 741 million) paid out on 2 January 2017, the gross supplementary dividend (final dividend) charged against 2016 results is Euros 0.633 per share (Euros 670 million) and paid out on 3 July 2017.

5. Major risks and uncertainties in the second half of 2017.

Information relating to the main risks and uncertainties relating to ENDESA's activities is provided in Note 7 of the Consolidated Management Report for the year ended 31 December 2016.

The major risks and uncertainties facing ENDESA in the second half of 2017 relate mainly to the following issues:

- ENDESA's sales in the second half of 2017 will largely depend on electricity and gas demand in Spain during the period, which will be shaped by the Spanish economy and primarily by GDP growth.

- Rainfall and wind conditions will impact electricity production costs and market prices, and hence margins in the second half of the year.

- Wholesale electricity and fuel prices, fundamentally coal and gas prices, will impact business costs and sale prices. Although ENDESA has fuel price hedges in place and has signed agreements for power sold to customers for the next few months, variations in the market price for both fuel and electricity will affect the group’s costs and income, and consequently, its margins.

- Interest rates will also have an impact on ENDESA's results in the second half of the year because of the part of the group’s net financial debt that bears a floating rate. To mitigate this impact, ENDESA has arranged an interest rate hedge via derivatives.

- The earnings and fair value of ENDESA investees in which the company does not have control and which are recognised in the consolidated financial statements using the equity method, could impact results in the second half of 2017. Specifically, developments in the status of Nuclenor, S.A. could have a significant effect on the results of these companies.

- ENDESA is involved in certain legal proceedings, the resolution of which could have an impact on the consolidated financial statements. Information concerning lawsuits and arbitrage is included in Note 12.2 to the the explanatory notes of the Interim Consolidated Financial Statements for the six-month period ended 30 June 2017.

6. Information on related-party transactions.

Information concerning related-party transactions is included in Note 18 to the the explanatory notes of the Interim Consolidated Financial Statements for the six-month period ended 30 June 2017.

7. Other information.

There were no one-off events involving significant amounts during the first half of 2017 other than those referred to in the Consolidated Management Report.

Therefore, no new significant contingent liabilities arose during the period ended 30 June 2017 other than those described in the consolidated financial statements for the year ended 31 December 2016.

Information concerning lawsuits, arbitrage and contingent assets is included in Note 12.2 to the explanatory notes of the Interim Consolidated Financial Statements for the six-month period ended 30 June 2017.

8. Subsequent Events.

Information concerning events after the reporting period is included in Note 21 to the explanatory notes of the Interim Consolidated Financial Statements for the six-month period ended 30 June 2017.

Appendix I: Statistical information.

Industrial data.

GWh

Electricity generation (2)	January - June 2017	January - June 2016	% Var.
Mainland	**29,601**	**24,512**	**20.8**
Nuclear	13,096	12,843	2.0
Coal	10,362	5,687	82.2
Hydroelectric	3,091	4,992	(38.1)
Combined-cycle (CCGT)	3,052	990	208.3
Non-mainland territories	**6,263**	**5,938**	**5.5**
Renewables and cogeneration	**1,814**	**-**	**N/A**
TOTAL (1)	**37,678**	**30,450**	**23.7**

(1) Corresponding to the first half 2017 energy generated by ENEL Green Power España, S.L.U. (EGPE).
(2) At busbar cost.

MW

Gross installed capacity	30 June 2017	31 December 2016	% Var.
Hydroelectric	4,765	4,765	-
Conventional thermal	8,094	8,130	(0.4)
Thermal nuclear	3,443	3,443	-
Combined cycle	5,678	5,678	-
Renewables and cogeneration	1,675	1,675	-
TOTAL	**23,655**	**23,691**	**(0.2)**

MW

Net installed capacity	30 June 2017	31 December 2016	% Var.
Hydroelectric	4,721	4,721	-
Conventional thermal	7,585	7,585	-
Thermal nuclear	3,318	3,318	-
Combined cycle	5,445	5,445	-
Renewables and cogeneration	1,675	1,675	-
TOTAL	**22,744**	**22,744**	**-**

GWh

Electricity sales	January - June 2017	January - June 2016	% Var.
Regulated Price	6,515	6,859	(5.0)
Deregulated Market	40,641	38,825	4.7
TOTAL	**47,156**	**45,684**	**3.2**

Thousands

Number of customers (Electricity) (1)	30 June 2017	31 December 2016	% Var.
Regulated market customers	5,391	5,593	(3.6)
Mainland Spain	4,526	4,692	(3.5)
Non-mainland territories	865	901	(4.0)
Deregulated market customers	5,551	5,423	2.4
Mainland Spain	4,581	4,505	1.7
Non-mainland territories	773	744	3.9
Outside Spain	197	174	13.2
TOTAL	**10,942**	**11,016**	**(0.7)**

(1) Supply points.

Percentage (%)

Electricity demand trends (1)	January - June 2017	January - June 2016
Mainland (2)	1.1	(0.2)
Non-mainland territories (3)	2.4	0.8

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

(2) Corrected for working days and temperature effects, the mainland demand trend is +1.5% in the first half of 2017 and -0.1% in the first half of 2016.
(3) Corrected for working days and temperature effects, the non-mainland territories demand trend is +1.7% in the first half of 2017 and +1.6% in the first half of 2016.

Percentage (%)

Market Share (Electricity) [1]	30 June 2017	31 December 2016
Ordinary Mainland Generation	38.0	35.1
Renewable Generation [2]	3.7	3.5
Distribution	43.6	43.7
Deregulated Market	35.3	35.3

(1) Source: Endesa data.

(2) Excluding hydroelectric.

GWh

Gas Sales	January - June 2017	January - June 2016	% Var.
Deregulated Market	24,938	25,347	(1.6)
Regulated Market	810	876	(7.5)
International Market	12,854	10,013	28.4
Wholesale	3,750	3,166	18.4
TOTAL [1]	**42,352**	**39,402**	**7.5**

(1) Excluding own generation consumption.

Thousands

Customers (Gas) [1]	30 June 2017	31 December 2016	% Var.
Regulated Market	252	262	(3.8)
Mainland Spain	224	233	(3.9)
Non-Mainland Territories	28	29	(3.4)
Deregulated Market	1,335	1,276	4.6
Mainland Spain	1,235	1,167	5.8
Non-Mainland Territories	62	86	(27.9)
Outside Spain	38	23	65.2
TOTAL	**1,587**	**1,538**	**3.2**

(1) Supply points.

Percentage (%)

Gas Demand Trend [1]	January - June 2017	January - June 2016
Domestic Market	6.5	(1.4)
Domestic Conventional	4.2	1.2
Electricity Sector	19.7	(14.5)

(1) Source: Enagás, S.A.

Percentage (%)

Market Share (Gas) [1]	30 June 2017	31 December 2016
Deregulated Market	17.2	16.9

(1) Source: Endesa data.

GWh

Distributed Energy [1]	January - June 2017	January - June 2016	% Var.
Spain and Portugal	57,654	55,959	3.0

(1) At busbar cost.

km

Distribution and Transmission Grids	30 June 2017	31 December 2016	% Var.
Spain and Portugal	317,244	316,562	0.2

Percentage (%)

Energy losses [1]	January - June 2017	January - June 2016
Spain and Portugal	10.9	10.6

(1) Source: Endesa data.

Workforce.

Number of employees

	Period-end headcount (2)						
	30 June 2017			31 December 2016			% Var.
	Men	Women	Total	Men	Women	Total	
Generation and Supply	4,082	982	5,064	4,140	989	5,129	(1.3)
Distribution	2,555	434	2,989	2,707	467	3,174	(5.8)
Structure and Other (1)	924	820	1,744	679	712	1,391	25.4
TOTAL	**7,561**	**2,236**	**9,797**	**7,526**	**2,168**	**9,694**	**1.1**

(1) Structure and Services.
(2) See Note 19 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Number of employees

	Average headcount (3)						
	January - June			January - June			% Var.
	Men	Women	Total (1)	Men	Women	Total	
Generation and Supply	4,099	982	5,081	4,096	962	5,058	0.5
Distribution	2,612	445	3,057	2,928	481	3,409	(10.3)
Structure and Other (2)	921	819	1,740	696	697	1,393	24.9
TOTAL	**7,632**	**2,246**	**9,878**	**7,720**	**2,140**	**9,860**	**0.2**

(1) Including the average workforce of ENEL Green Power España, S.L.U. (170 employees), Eléctrica del Ebro, S.A. (20 employees) and the ICT activity ENDESA Medios y Sistemas, S.L.U. (327 employees).
(2) Structure and Services.
(3) See Note 19 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Financial Data.

Millions of Euros

		Consolidated Income Statement (5)		
		January - June 2017	January - June 2016	% Var.
Sales		9,792	8,837	10.8
Contribution margin	(1)	2,624	2,836	(7.5)
EBITDA	(2)	1,605	1,866	(14.0)
EBIT	(3)	901	1,190	(24.3)
Net Income	(4)	653	796	(18.0)

(1) Contribution margin = Revenues - Procurements and services.
(2) EBITDA = Income - Procurements and services + Work carried out by the Group for its assets – Personnel expenses - Other Fixed Operating Expenses.
(3) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.
(4) Net Income: Parent company.
(5) See the consolidated income statement for the six-month periods ended 30 June 2017 and 2016.

Euros

Key valuation figures		January - June 2017	January - June 2016	% Var.
Net earnings per share	(1)	0.62	0.75	(18.0)
Cash flow per share	(2)	0.64	1.39	(54.1)
Book value per share	(3)	8.40 (4)	8.46 (5)	(0.6)

(1) Net earnings per share = Parent company's profit in the period / Shares.
(2) Cash flow per share = Net cash flow of operating activities / Shares.
(3) Equity of the Parent / No. shares.
(4) At 30 June 2017.
(5) At 31 December 2016.

Millions of Euros

		Consolidated Balance Sheet (2)		
		30 June 2017	31 December 2016	% Var.
Total Assets		30,897	30,964	(0.2)
Equity		9,035	9,088	(0.6)
Net financial debt	(1)	5,614	4,938	13.7

(1) Net financial debt = Non-current financial debt + Current financial debt – Cash and cash equivalents – Financial derivatives recognised under financial assets.
(2) See the Consolidated statements of financial position at 30 June 2017 and 31 December 2016.

Millions of Euros

	Leverage (1)		% Var.
	30 June 2017	31 December 2016	
Net Financial Debt:	**5,614**	**4,938**	**13.7**
Non-current financial debt (2)	4,748	4,223	12.4
Current financial debt (2)	1,326	1,144	15.9
Cash and cash equivalents (3)	(451)	(418)	7.9
Derivatives recognised as financial assets (4)	(9)	(11)	(18.2)
Equity: (5)	**9,035**	**9,088**	**(0.6)**
of the Parent company	8,894	8,952	(0.6)
of Non-controlling interests	141	136	3.7
Leverage (%)	**62.1**	**54.3**	**-**

(1) Leverage = Net financial debt / Equity
(2) See Note 13.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.
(3) See Note 10 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.
(4) See Note 14.3.1 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.
(5) See Note 11 to the explanatory notes of the Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Financial Indicators		30 June 2017	31 December 2016
Liquidity ratio	(1)	0.76	0.72
Solvency ratio	(2)	0.93	0.92
Debt ratio	(3)	38.32	35.21
Debt coverage ratio	(4)	1.75	1.44

(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.

	30 June 2017 (1)(2)			31 December 2016 (1)(2)		
	Long term	Short term	Outlook	Long term	Short term	Outlook
Standard & Poor’s	BBB	A-2	Positive	BBB	A-2	Stable
Moody’s	Baa2	P-2	Stable	Baa2	P-2	Stable
Fitch Ratings	BBB+	F2	Stable	BBB+	F2	Stable

(1) On the respective approval dates of the Consolidated financial statements.
(2) See Note 11 to the explanatory notes of Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

Stock market information.

Percentage (%)

Share price performance	January - June 2017	January - June 2016
ENDESA, S.A.	**0.2**	**(2.7)**
Ibex-35	11.7	(14.5)
Eurostoxx 50	4.6	(12.3)
Eurostoxx Utilities	11.0	(3.2)

Euros

ENDESA share price	January - June 2017	January - December 2016	% Var.
High	22.760	20.975	8.5
Low	18.950	15.735	20.4
Period Average	20.917	18.151	15.2
Period Close	20.170	20.125	0.2

Stock market data		30 June 2017	31 December 2016	% Var.
Market cap	(Millions of Euros) (1)	21,355	21,307	0.2
Number of outstanding shares		1,058,752,117	1,058,752,117	-
Nominal share value	(Euros)	1.2	1.2	-
Cash	(Millions of Euros) (2)	5,431	10,784	(49.6)
Continuous market	(Shares)			
Trading volume	(3)	257,389,964	596,186,291	(56.8)
Average daily trading volume	(4)	2,026,693	2,319,791	(12.6)
PER	(5)	16.35	15.10	-
Price / Book value	(6)	2.40	2.38	-

(1) Market Cap = Number of Shares at the Close of the Period * Share Price at the Close 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 (PER) = Share price at the close of the period / Earnings per share.
(6) Price to Book value = Market cap / Equity of the Parent

Dividends.

		2016	2015	% Var.
Share capital	(Millions of Euros) (1)	1,271	1,271	-
Number of shares	(1)	1,058,752,117	1,058,752,117	-
Consolidated net profit	(Millions of Euros)	1,411	1,086	29.9
Individual net profit	(Millions of Euros)	1,419	1,135	25.0
Net earnings per share	(Euros) (2) (3)	1.333	1.026	29.9
Gross dividend per share	(Euros) (4)	1.333 (5)	1.026 (6)	29.9
Consolidated pay-out	(%) (7)	100.0	100.0	-
Individual pay-out	(%) (8)	99.4	95.7	

(1) See Note 11.1 to the the explanatory notes of Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(2) Corresponding to the Consolidated financial statements.

(3) Net earnings per share = Parent company's profit in the period / Number of shares at the close of the period.

(4) See Note 11.2 to the explanatory notes of Interim condensed consolidated financial statements for the six-month period ended 30 June 2017.

(5) 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.

(6) Gross Interim dividend of Euros 0.4 per share, paid out on 4 January 2016 plus the gross supplementary dividend of Euros 0.626 per share paid out on 1 July 2016.

(7) Consolidated pay-out = (Gross dividend per share * Number of shares at the close of the period) / Parent company's profit in the period.

(8) Individual pay-out = (Gross dividend per share * Number of shares at the close of the period) / ENDESA, S.A's profit in the period.

Appendix II: Alternative Performance Measures.

Alternative Performance Measures	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs) at 30 June 2017	Relevance of Use
EBITDA (1)	Millions of Euros	Income - Procurements and services + Work carried out by the Group for its assets – Personnel expenses - Other fixed operating expenses.	Euros 1,605 million = Euros 10,004 million - Euros 7,380 million + Euros 79 million - Euros 451 million - Euros 647 million	Measure of operating performance excluding interest, taxes, provisions and depreciation and amortisation.
EBIT (1)	Millions of Euros	EBITDA - Depreciation and amortisation, and impairment losses.	Euros 901 million = Euros 1,605 million - Euros 704 million	Measure of operating performance excluding interest and taxes.
Contribution margin (1)	Millions of Euros	Income - Procurements and services	Euros 2,624 million = Euros 10,004 million - Euros 7,380 million	Measure of operating performance including direct variable production costs.
Procurements and services (1)	Millions of Euros	Energy purchases + Fuel consumption + Transmission expenses + Other variable procurements and services.	Euros 7,380 million = Euros 2,566 million + Euros 1,056 million + Euros 2,832 million + Euros 926 million	Goods and services for production.
Net financial debt (2)	Millions of Euros	Non-current financial debt + Current financial debt – Cash and cash equivalents – Financial derivatives recognised under assets	Euros 5,614 million = Euros 4,748 million + Euros 1,326 million - Euros 451 million - Euros 9 million	Short and long-term financial debt, less cash and cash equivalents.
Leverage (2)	%	Net financial debt / Equity	62.1% = Euros 5,614 million / Euros 9,035 million	Measure to assess the weighting of funds used to finance the company's activities.
Debt (2)	%	Net financial debt / (Equity + Net financial debt)	38.32% = Euros 5,614 million / (Euros 9,035 million + Euros 5,614 million)	Measure to assess the weighting of funds used to finance the company's activities.
Average life of gross financial debt	Number of years	(Principal * Number of valid days) / (Valid principal at the close of the period * Number of days in the period).	6.2 years = 37,279/6,053	Measure of the duration of financial debt to maturity.
Average cost of gross financial debt	%	(Cost of gross financial debt) / Average gross financial debt	2.3% = (Euros 69 million * 2) / Euros 5,910 million	Measure of effective rate on financial debt.
Liquidity (2)	N/A	Current assets / Current liabilities	0.76 = Euros 5,439 million / Euros 7,165 million	Measure of capacity to meet short term commitments.
Solvency (2)	N/A	(Equity + Non-current liabilities) / Non-current assets.	0.93 = (Euros 9,035 million + Euros 14,697 million) / Euros 25,458 million)	Measure of capacity to meet obligations.
Debt coverage (1)(2)	N/A	Net financial debt / EBITDA	1.75 = Euros 5,614 million / (Euros 1,605 million * 2)	Measure of the amount of cashflow available to cover principal payments on financial debt.
Net earnings per share (1)	Euros	Parent company's profit for the period / No. shares.	Euros 0.62 = Euros 653 million / 1,058,752,117 shares	Measure of the amount of net profit corresponding to each of the shares outstanding.
Cash flow per share (3)	Euros	Cash flow from operating activities / Number of shares	Euros 0.64 = Euros 675 million / 1,058,752,117 shares	Measure of the amount of funds generated corresponding to each of the shares outstanding.
BVPS (2)	Euros	Equity of the parent / No. shares.	Euros 8.40 = Euros 8,894 million / 1,058,752,117 shares	Measure of the amount of own funds generated corresponding to each of the shares outstanding.
Market cap	Millions of Euros	Number of shares at the close of the period * Share price at the close of the period.	Euros 21,355 million = 1,058,752,117 shares * Euros 20.170	Measure of the total value of the company according to the price of its shares.
Price to Earnings ratio (PER)	N/A	Share price at the close of the period / Net earnings per share	16.35 = Euros 20.170 / (Euros 0.62 * 2)	Measure of the number of times earnings per share can be contained in the market price.
Price / Book value	N/A	Market cap / Total equity of the Parent	2.40 = Euros 21,355 million / Euros 8,894 million	Measure that compares the total value of the company according to the price of its shares with its book value.
Consolidated pay-out	%	(Gross dividend per share * Number of shares at the close of the period) / Parent company's profit for the period.	100% = (Euros 1.333 * 1,058,752,117 shares) / Euros 1,411 million	Measure of the portion of earnings used to remunerate shareholders through the payment of dividends (consolidated group).
Individual pay-out	%	(Gross dividend per share * Number of shares at the close of the period) / ENDESA, S.A.'s profit for the period.	99.4% = (Euros 1.333 * 1,058,752,117 shares) / Euros 1,419 million	Measure of the portion OF earnings used to remunerate shareholders through the payment of dividends (individual company).

(1) See the Consolidated income statement for the six-month period ended 30 June 2017.
(2) See the Consolidated statement of financial position at 30 June 2017.
(3) See the Consolidated statement of cash flow for the six-month period ended 30 June 2017.

ENDESA, S.A.

Management Report for the six months ended 30 June 2017

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

Madrid, 24 July 2017

ENDESA, S.A.

Management Report for the six months ended 30 June 2017

Business performance.

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

Revenue in the six-month period ended 30 June 2017 amounted to Euros 481 million, Euros 349 million from dividend income and Euros 132 million from provision of services.

During the first half of 2017, ENDESA has approved the payment of interim dividends of the profit for 2017 in the subsidiaries listed below:

Millions of Euros

Company	**Dividend**
ENDESA Red, S.A.U.	228
ENDESA Financiación Filiales, S.A.U.	121
TOTAL	**349**

In the first half of 2017, total operating income amounted to Euros 491 million, while operating expenses totalled Euros 188 million, which has resulted in a positive EBIT of Euros 303 million.

The financial result reported for the first half of 2017 was negative, amounting to Euros 82 million. This result includes, mainly, net financial expenses of Euros 73 million on financial debt and the effect of the evolution of long-term interest rates on provisions.

The result before tax amounted to Euros 221 million, positive, and income tax accrued was an income of Euros 32 million.

In all, the net result obtained in the six-month period ended 30 June 2017 amounted to Euros 253 million, positive, down 38.6% on the first half of 2016, which amounted to Euros 412 million.