OPEN POWER FOR A BRIGHTER FUTURE.

WE EMPOWER SUSTAINABLE PROGRESS.

Endesa, S.A. and subsidiaries

Consolidated Management Report for the nine-month period ended 30 September 2023

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Endesa is Open Power

VISION

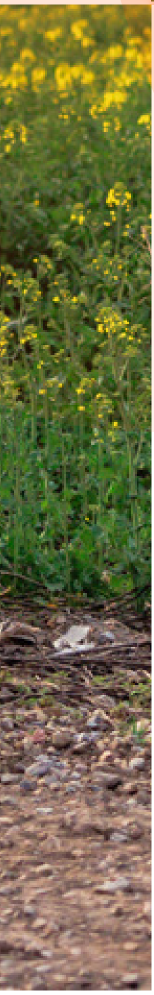
Endesa combines the strength of a global organisation with the opportunities of an open and connected world to make energy affordable and sustainable, and to ensure security of supply.

Aware of the profound changes that the industry is experiencing, Endesa finds itself in a new era for energy that is more open, participatory and digital. This strategic positioning is summarised in the concept of *Open Power*, which constitutes the Company's mission, vision and values.

MISSION

"Open Power" means opening access to energy to more people, opening the world of energy to new technologies, opening the management of energy to people, opening the possibility of new energy uses and opening up to more partnerships.

- **Open energy to more people:** Working to connect more people to safe and sustainable energy.
- **Opening energy to new technologies:** Leading the development and application of new technologies to generate and distribute more sustainable energy focusing, in particular, on renewable energy sources and smart distribution grids.
- **Open new ways of managing energy for consumers:** Developing more tailored services for people to help them use energy more efficiently concentrating, in particular, on smart meters and digitalisation.
- **Open energy to new uses:** Developing new services based on energy to meet global challenges, focusing particularly on connectivity and electric mobility.
- **Opening up to a greater number of alliances:** Training a network of research, technology, product development and marketing partners to create new solutions together.



VALUES

Endesa's values are the pillars of its behaviour and reflect its commitment to people..

- **Responsibility:** All of our employees are responsible for Endesa's success, at all levels, always acting within the framework of our social responsibility strategy and complying with tax regulations.
- **Innovation:** Endesa works to open energy to new uses, technologies and people, learning from its successes and its failures.
- **Trust:** Endesa acts competently, honestly and transparently to earn the trust of its employees, customers and external partners, valuing individual differences.
- **Proactiveness:** Endesa continuously analyses global scenarios and challenges to be ahead of the curve and redefine its priorities as the context requires.

Contents

2.

Legend

Activity	Description of Activity
	Conventional Generation
	Renewable Generation
	Energy Supply
	Marketing of Other Products and Services
	Distribution
	Structure and Services

1.

Consolidated Management Report

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

1. Key figures

Revenue

Revenue	Gross operating income (EBITDA)[1]
−22.0%	−9.6%
€19,211 million €24,620 million in the first nine months of 2022	€3,353 million €3,710 million in the first nine months of 2022

Performance

Net income[1]	Net ordinary income[1]	Net financial debt[1]
−35.9%	−27.9%	+6.3%
€1,059 million €1,651 million in the first nine months of 2022	€1,059 million €1,469 million in the first nine months of 2022	€11,551 million €10,869 million at 31 December 2022

Investments / People

Gross investments in property, plant and equipment and intangible assets	Cash flows from operating activities	Final headcount
+5.3%	+384.5%	−0.4%
€1,580 million €1,500 million in the first nine months of 2022	€2,839 million €586 million in the first nine months of 2022	9,225 employees 9,258 employees at 31 December 2022

Renewable and conventional generation

Net installed capacity	Net installed mainland renewable capacity	Electricity generation[2]	Generation of renewable electricity[2]
−%	−%	−6.8%	+13.8%
22,044 MW 22,044 MW at 31 December 2022	9,196 MW 9,196 MW at 31 December 2022	45,982 GWh 49,324 GWh in the first nine months of 2022	10,159 GWh 8,925 GWh in the first nine months of 2022

Distribution

Distribution and transmission networks	Energy distributed[3]	End users[4]	Ratio of digitalised customers[5]
+0.3%	+1.9%	+0.5%	
318,828 km 317,829 km at 31 December 2022	103,859 GWh 101,959 GWh in the first nine months of 2022	12,524 thousand 12,459 thousand at 31 December 2022	99% 100% at 31 December 2022

Retail supply of electricity and gas / Marketing of Other Products and Services

Net electricity sales [6]	Number of electricity customers[7] [8]	Number of electricity customers (deregulated)[9]	Public and private electricity charging stations
−1.0%	−0.3%	+0.3%	+26.6%
59,506 GWh 60,105 GWh in the first nine months of 2022	10,512 thousand 10,545 thousand at 31 December 2022	6,850 thousand 6,829 thousand at 31 December 2022	17,599 units 13,898 units at 31 December 2022

Gas sales[10]	Number of gas customers[11]
+1.6%	+1.0%
47,181 GWh 46,457 GWh in the first nine months of 2022	1,817 thousand 1,799 thousand at 31 December 2022

(1) See definition in Section 12 of this Consolidated Management Report.
(2) In power plant busbars.
(3) Energy supplied to customers, with or without a contract, auxiliary consumption from generators and outputs to other grids (transmission and distributors).
(4) Customers of distributors.
(5) Number of digitalised customers / End users (%).
(6) Sales to end customers.
(7) Supply points.
(8) Customers of retail suppliers.
(9) Customers of deregulated companies.
(10) Excluding own generation consumption.
(11) Supply points.

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2. Basis of presentation of the Consolidated Financial Statements

Endesa's Consolidated Financial Statements for the nine-month period ended 30 September 2023 were prepared in accordance with 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) 1606/2002, of 19 July, of the European Parliament and of the Council and other provisions of the financial reporting regulatory framework applicable to Endesa.

The accounting policies, bases of presentation and measurement bases used to prepare Endesa's Consolidated Financial Statements for the nine-month period ended 30 September 2023 are the same as those explained in Notes 2 and 3 to the Consolidated Financial Statements for the year ended 31 December 2022, except for the new International Financial Reporting Standards (IFRS) and IFRIC interpretations published in the Official Journal of the European Union and which were first applied by Endesa in the Consolidated Financial Statements for the nine-month period ended 30 September 2023, and following the going-concern principle by applying the cost method, with the exception of items which, in accordance with IFRS, are measured at fair value. Items in the Consolidated Income Statement are classified by cost type.

At the date of approval of this Consolidated Management Report, the modifications and reforms adopted by the European Union applicable to the years beginning on 1 January 2023 were as follows:

Standards, amendments and interpretations	Mandatory application: Years beginning on or after
Amendments to IAS 1 — *Presentation of Financial Statements* and to IFRS 2 Practice Statement: Making Materiality Judgements	1 January 2023
Amendments to IAS 8 — *Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of Accounting Estimates	1 January 2023
IFRS 17 — *Insurance Contracts*, including amendments	1 January 2023
Amendments to IAS 12 — *Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 17 — *Insurance Contracts:* Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023

The effective application of the above amendments has not had a material effect on the Consolidated Financial Statements for the nine months ended 30 September 2023, except for the Amendments to IAS 12 — Income Taxes: Deferred tax related to Assets and Liabilities arising from a Single Transaction.

With the amendment effective as of 1 January 2023, Endesa recognised, at 1 January 2022 "Deferred tax assets" and "Deferred tax liabilities" for the temporary differences arising on the initial recognition of right-of-use assets and the related lease liabilities for Euro 129 million and Euro 131 million, respectively (1 January 2023: Euro 107 million and Euro 110 million, respectively). The cumulative impact was a negative Euro 2 million recognised in "Equity".

The impact of the amendment on the 2022 Consolidated Income Statement was less than Euro 1 million, negative.

3. Description of the entity

3.1. Organisational structure

Endesa, S.A. and its subsidiaries operate in the electricity and gas business, mainly in the markets of Spain and Portugal. To a lesser extent, Endesa also supplies electricity and gas in other European markets, and other products and services related to its main business.

Endesa, S.A. and its subsidiaries are part of the Enel Group, the parent of which in Spain is Enel Iberia, S.L.U.

At 30 September 2023, the Enel Group held 70.1% of the share capital in Endesa, S.A., through Enel Iberia, S.L.U.

At the date of approval of this Consolidated Management Report, Endesa's organisational structure was unchanged with respect to the structure described in Section 3.2 of the Consolidated Management Report for the year ended 31 December 2022.

Senior Management

At the date of approval of this Consolidated Management Report, the Senior Management of Endesa S.A., which is tasked with implementing the Company's strategy, presented the following composition:

Chief Executive Officer
Mr. José Damián Bogas Gálvez

Staff and service units

General Manager – Communications
Mr. Ignacio Jiménez Soler

General Manager – People and Organisation
Mr. Paolo Bondi

General Manager – Institutional Relations and Regulation
Mr. José Casas Marín

General Manager – Media
Mr. Pablo Azcoitia Lorente

General Manager – Audit
Ms. Patricia Fernández Salís

General Manager – ICT Digital Solutions
Mr. Manuel Fernando Marín Guzmán

General Manager – Sustainability
Ms. María Malaxechevarría Grande

General Manager – Procurement
Mr. Ignacio Mateo Montoya

General Manager – Administration, Finance and Control
Mr. Marco Palermo

General Secretary and Secretary to the Board of Directors and General Manager – Legal Affairs and Corporate Affairs
Mr. Francisco Borja Acha Besga

Business Lines

General Manager – Energy Management
Mr. Juan María Moreno Mellado

General Manager – Generation
Mr. Rafael González Sánchez

General Manager – Infrastructure and Grids
Mr. Jose Manuel Revuelta Mediavilla

General Manager – Market
Mr. Javier Uriarte Monereo

General Manager - Endesa X
Mr. Davide Ciciliato

General Manager – Nuclear Power
Mr. Gonzalo Carbó de Haya

3.2. Business lines and main markets

In order to be able to effectively face all risks and take advantage of all the opportunities of an energy sector in constant change, Endesa's business model is structured into different lines so as to respond quickly in the markets where it operates and take into account the needs of its customers in the territories and businesses where it has a presence.

These Business Lines relate to the following activities in which Endesa is involved: generation, distribution and marketing of electricity and gas, mainly, in Spain and Portugal, and, to a lesser extent, marketing of electricity and gas in other European markets, particularly Germany, France and the Netherlands, from its platform in Spain, and marketing of other products and services related to its main business.

Endesa manages its generation and supply businesses jointly - apart from production from its mainland coal-fired plants - enabling it to optimise its integrated position compared to separate management of both activities.

The description of Endesa's markets and activities is detailed in Section 2.3.4 of the Consolidated Management Report for the year ended 31 December 2022.

Endesa's significant companies and holdings to organise the different Business Lines are described in Section 2.4 of the Consolidated Management Report and in Appendix I to the Notes to the Consolidated Financial Statements for the year ended 31 December 2022 and in Section 5.1 of this Consolidated Management Report.

3.3. Sustainable business model

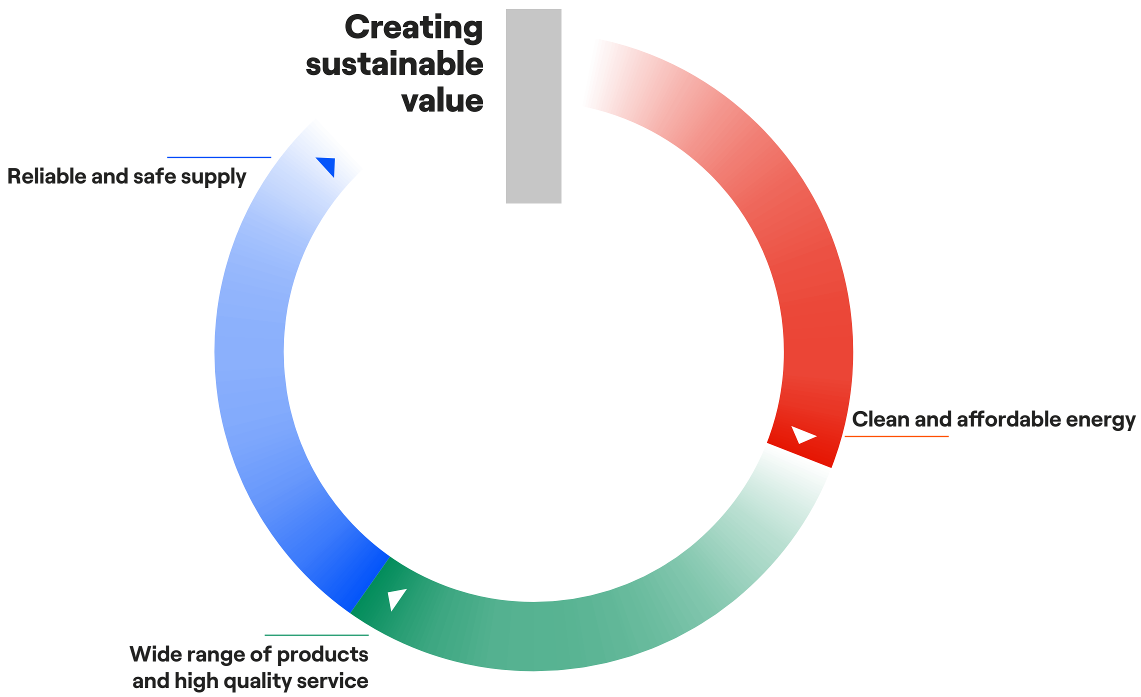
Endesa has built a sustainable business model and gears its business strategy towards meeting the main challenges facing the society in which it operates. The energy transition towards the decarbonisation and electrification of the current economy, including the efficient development of renewable energies abandoning technologies based on fossil fuels without leaving anyone behind, is a major challenge now facing the Company. The shift towards a decarbonised economy has encouraged and required the transformation of the current business model, while generating great economic, environmental and social opportunities, contributing to the creation of wealth and employment, as well as the improvement of the planet. Climate change is the main challenge for all of Endesa's stakeholders, and the Company is aware of the key role it can play in combating this phenomenon. Endesa therefore pursues a business model that aims to lead the energy transition, in line with the UN Sustainable Development Goals (SDGs) and the objectives of the Paris Agreement to achieve the goal of decarbonisation.

Materiality analysis is very important in Endesa's journey towards an innovative business model that fosters the decarbonisation of the sector and whose commitment can be extended along the entire value chain. It is therefore immensely useful in laying the foundations for a fair and efficient transformation. Faced with the changing interpretation of the concept itself, Endesa has incorporated a dual perspective of materiality, identifying the impacts resulting from its activity that have both positive and negative effects on people and the environment, and the external environmental, social and governance aspects that might affect the Company's value and financial performance in the short, medium and longer term.

This orientation of Endesa's strategy and business model to respond to key concerns for its stakeholders means it can manage these risks and identify and harness opportunities.

Bearing this in mind, Endesa has designed its 2023–2025 Sustainability Plan considering both its expected impact and the risks and opportunities it entails. This Plan sets out the Company's roadmap for overcoming the energy transformation challenges and helping to achieve the Sustainable Development Goals (SDGs).

This Strategic Plan, which guides the Company's activity towards a sustainable business model, is complemented by Endesa's Sustainability Plan. It includes the Company's commitments to sustainability, including more than 130 quantitative objectives for the 2023–2025 period, with the focus reflecting the Company's purpose, vision, mission and values.



2023–2025 Sustainability Plan

On 22 February 2023, Endesa approved its 2023–2025 Sustainability Plan, which embodies its commitment to a business model in which sustainability is built into the Company's industrial and business plan, along with various ethical, social and environmental commitments.

Endesa's 2023–2025 Strategic Plan steers the Company's endeavours around a business model that responds to the major challenges facing society, such as decarbonisation and electrification to combat climate change and progress towards energy sovereignty. Notably, this Strategic Plan is complemented by a Sustainability Plan for the same period, which is based on the priorities shown in the diagram below:

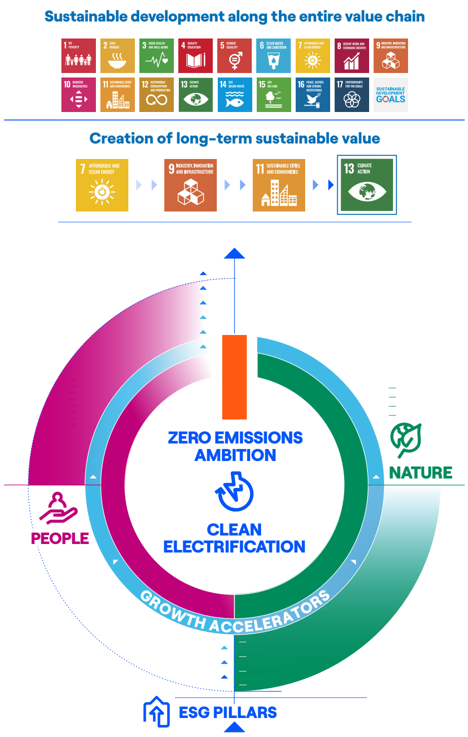
Endesa Sustainability Plan 2023-2025

PEOPLE

- Empowering our people
- Commitment to local and global communities
- Responsible supply chain

NATURE

- Protection of biodiversity
- Waste management
- Responsible use of water
- Reducing pollution



GROWTH ACCELERATORS

- Innovation
- Digitalisation
- Circular economy
- Sustainable finance

ESG PILLARS

- Occupational health and safety
- Good governance
- Human rights

ZERO EMISSIONS AMBITION AND CLEAN ELECTRIFICATION

- Renewable
- Networks
- Customer electrification

This plan envisions more than 130 measures aligned with the objective established by the Paris Agreements to avoid an increase of 1.5 °C in the global average temperature compared with pre-industrial levels. These measures include raising the bar in relation to existing targets, while setting new targets to guarantee the decarbonisation and emissions reduction path, together with a continued commitment to customer electrification, improving diversity among Endesa's workforce, and protecting biodiversity and the communities in which the Company operates.

The description of Endesa's sustainable business model is detailed in Section 2.3.3 of the Consolidated Management Report for the year ended 31 December 2022.

4. Reference scenario

4.1. Macroeconomic environment

In the third quarter of the year, the global economy had to contend with further economic and geopolitical uncertainty, notably inflation and economic growth indicators. The main central banks continued to pursue tight monetary policies by hiking interest rates and paring back their balance sheets, albeit at a slower pace and even with the odd hiatus, as in the case of the Federal Reserve (Fed).

The European Central Bank (ECB) has hiked interest rates 6 times so far in 2023, for a cumulative increase of 200 basis points (450 basis points since the first hike in July 2022), thus bringing its main refinancing rate to 4.5% and the deposit rate to 4.0%. The US Federal Reserve (Fed), after taking a breather at its last meeting in September, has hiked rates by 100 basis points in the year to date, which means 11 hikes in total since March 2022, bringing interest rates to the 5.25–5.5% range. This is the highest level for the US dollar since 2001.

Spanish inflation stood at 1.9% in June 2023, but has since been rising and hit 3.5% at the end of September. Core inflation (which excludes energy and unprocessed food) has shown signs of abating and stood at 5.8% at 30 September. Looking ahead, inflation projections for 2024 and 2025 remain above the target set by the European Central Bank (ECB).

The latest figures to be released on Gross Domestic Product (GDP) show a deterioration in Eurozone growth. Growth in the second quarter of 2023 was 0.1% quarter-on-quarter, compared with 0.2% in the first three months of the year. In the case of Spain, growth also slowed to 0.4% compared to 0.5% in the first quarter of 2023. The European Central Bank (ECB) has downgraded its economic growth forecasts for the Eurozone to 0.7% for 2023 and to 1.0% for 2024.

On the foreign exchange market, the Euro depreciated 0.8% against the US dollar during the first six nine of the year, with the EUR/USD exchange rate standing at 1.0588 at the end of September. The Euro also depreciated by 2.2% against the pound sterling, with the EUR/GBP exchange rate standing at 0.8674 at 30 September 2023.

Inflation[1]	30 September 2023	30 September 2022
Year-on-year inflation in Spain (%)	3.5	8.9
Year-on-year core inflation in Spain (%)	5.8	6.2

[1] Source: Spanish National Statistics Institute ("INE").

Year-end exchange rates[1]	30 September 2023	31 December 2022	Difference
Closing exchange rate (Euro / US dollar)	1.0588	1.0673	(0.0085)
Closing exchange rate (Euro / Pound Sterling)	0.8674	0.8873	(0.0199)

[1] Source: Bloomberg.

Average exchange and interest rates[1]	January–September 2023	January–September 2022	Difference
Average exchange rate (Euro / US dollar)	1.0832	1.0635	0.0197
6-month Euribor (period average)	3.58	(0.14)	3.72

[1] Source: Bloomberg.

4.2. Electricity and gas market

During the first nine months of 2023 we witnessed a reduction in prices within the European electricity markets compared to the same period of 2022, largely as a result of the reduction in gas prices and the increase in renewable energy production.

The price of natural gas in European markets and in the Spanish market began to head downwards in the last few months of 2022, with this trend continuing over the first nine months of 2023. Notably, natural gas prices are now lower than they were prior to the onset of the Russia-Ukraine conflict; a product of falling demand caused by mild temperatures and the steps taken to discourage consumption and diversify supply sources, which has helped to restore confidence among economic agents and boosted levels of economic activity.

In the first nine months of 2023, Spain recorded electricity demand of 183,621 GWh, down 4.1% on the same period in 2022 (-3.5% factoring in calendar and temperature effects), due, among other reasons, to the growth in solar self-consumption and a lower growth in the country's gross domestic product (GDP).

Without correcting for the effects of working hours and temperature, mainland demand between January and September 2023 stood at GWh 172,144 GWh, down 4.4% on the level reported in 2022 (-3.7% factoring in the effects of working hours and temperatures). In the first nine months of 2023, gross demand in the Balearic Islands and the Canary Islands is estimated at 4,704 GWh and 6,478 GWh (-3.2% and +1.3%, respectively, corrected for the effects of working hours and temperature, compared to the same period of the previous year).

In the first nine months of 2023, solar photovoltaic (PV) production reached an all-time high in Spain (+32%) and Portugal (+43%), according to figures released by Red Eléctrica de España and Redes Energéticas Nacionais, SGPS, S.A., respectively. This increase was due to prevailing weather conditions and in line with the progress made towards the energy transition and the increase in installed capacity for renewable power. Moreover, during the first nine months of the year, the closing prices of gas and Brent crude fell by 69.3% and 19.9%, respectively, compared to the same period of the previous year, while the price of carbon dioxide (CO_2) was up 4.9% compared to January-September 2022.

In this context, the arithmetic average price in the wholesale electricity market reached 91.1 €/MWh (down 51.0% on the same period in 2022).

Meanwhile, gas demand was down 13.0% in Spain between January and September 2023, largely due to lower demand from the electricity sector (-29.3%) and the reduction in demand from the conventional gas market (-3.2%).

4.2.1. Trend in the main market indicators

Market indicators	January-September 2023	January-September 2022	Chg. (%)
Arithmetic average price in the wholesale electricity market (€/MWh)(1)	91.1	185.8	(51.0)
ICE Brent average price ($/bbl)(2)	82.0	102.4	(19.9)
Average price of carbon dioxide (CO_2) emission rights (€/t)(3)	85.9	81.9	4.9
Average Price of Guarantees of Origin (€/MWh)(4)	6.8	2.3	195.7
Average price of coal (€/MWh)(5)	129.7	310.6	(58.2)
Average price of gas (€/MWh)(6)	40.7	132.5	(69.3)

(1) Source: Iberian Energy Market Operator - "Polo Español" (OMIE).
(2) Source: ICE: Brent Crude Futures.
(3) Source: ICE: ECX Carbon Financial Futures Daily.
(4) Source: Prepared in-house.
(5) Source: Api2 index.
(6) Source: TTF index.

4.2.2. Trend in demand

Percentage (%)

Electricity[1]	Without adjusting for seasonal and temperature effects		Adjusted for seasonal and temperature effects	
	January–September 2023	January–September 2022	January–September 2023	January–September 2022
Mainland	**(4.4)**	**(1.4)**	**(3.7)**	**(2.8)**
Endesa area[2]	**(3.4)**	**0.5**	**(2.5)**	**(0.8)**
Industrial	(3.4)	(4.0)		
Services	(2.5)	6.9		
Residential	(4.4)	(1.3)		
Non-mainland Territories ("TNP")	**(0.1)**	**10.1**	**(0.8)**	**10.8**
Canary Islands	1.6	8.2	1.3	7.9
Balearic Islands	(2.3)	13.5	(3.2)	13.6

[1] Source: Red Eléctrica de España, S.A. (REE). In power plant busbars.
[2] Source: In-house.

Percentage (%)

Gas[1]	January–September 2023	January–September 2022
Spanish domestic market	(13.0)	3.8
Spanish domestic – conventional	(3.2)	(17.3)
Electricity sector	(29.3)	80.2

[1] Source: Enagás, S.A.

4.2.3. Market share

Percentage (%)

Market share[1]	30 September 2023	31 December 2022
Electricity		
Mainland generation[2]	18.3	18.2
Distribution	44.4	43.7
Retail supply	29.8	29.6
Gas		
Deregulated market	13.6	18.4

[1] Source: In-house.
[2] Includes renewable energies.

5. Significant events in the period

5.1. Changes in the consolidation scope

From January–September 2023, the following transactions were carried out:

Company	Transaction	Consolidation method	Date	Activity	Stake at 30 September 2023 (%)		Stake at 31 December 2022 (%)	
					Control	Economic	Control	Economic
Endesa Mobility, S.L.U.[1]	Formation	FC	26 January 2023	Electric mobility	100.00	100.00	—	—
Renovables Brovales Segura de León 400 KV, S.L.[2]	Formation	EM (A.)	31 January 2023	Photovoltaic	64.05	64.05	—	—
María Renovables, S.L.[2]	Formation	EM (A.)	9 March 2023	Photovoltaic	45.36	45.36	—	—
Xaloc Solar, S.L.U.[3]	Sale	FC	23 March 2023	Photovoltaic	—	—	100.00	100.00
Endesa Comercialização de Energía, S.A.	Dissolution	FC	5 May 2023	Retail supply	—	—	100.00	100.00
Grineo Gestión Circular, S.L.[4]	Formation	EM (JV)	19 May 2023	Services	35.00	35.00	—	—
Solana Renovables, S.L.[5]	Sale	EM (A.)	15 June 2023	Photovoltaic	39.90	39.90	49.84	49.84
Energía Ceuta XXI Comercializadora de Referencia, S.A.U.[6]	Acquisition	FC	1 July 2023	Retail supply	100.00	100.00	100.00	96.42
Enel Green Power España Solar 1, S.L.U.[2]	Formation	FC	27 July 2023	Photovoltaic	100,00	100,00	—	—
EGPE Solar 2, S.L.U.[2]	Formation	FC	27 July 2023	Photovoltaic	100,00	100,00	—	—
Energías Especiales de Peña Armada, S.A.U.	Merger	FC	19 September 2023	Wind	—	—	100.00	100.00

FC: Full consolidation; EM: Equity method; A.: Associate; JV: Joint Venture.

[1] Company incorporated by Endesa, S.A. On 24 January 2023, the Board of Directors of Endesa, S.A. authorised the start of a corporate restructuring process consisting of the spin-off of the electric mobility business owned by Endesa X Servicios, S.L.U., including the 49% stake in the share capital of Endesa X Way, S.L. to Endesa Mobility, S.L.U. Subsequently, on 26 January 2023, the company Endesa Mobility, S.L.U. was incorporated, under the sole ownership of Endesa, S.A. The spin-off was ultimately filed on 3 April.

[2] Companies formed directly and/or indirectly by Enel Green Power España, S.L.U. (EGPE) for a total of less than Euro 1 million.

[3] On 23 March 2023, Enel Green Power España, S.L.U. (EGPE) formalised the sale of the stake in this company for an amount of Euro 2 million, which was paid through the set-off of receivables with the buyer. The gross result on the sale is less than Euro 1 million, negative.

[4] Company incorporated by Endesa Generation, S.A.U. for a non-material amount.

[5] The key figures for this company and related transaction are not significant.

[6] On 1 July 2023, Empresa de Alumbrado Eléctrico de Ceuta, S.A. completed the sale of its stake in this company to Endesa Energía, S.A.U. and the sale of its deregulated retail supply business to Empresa de Alumbrado Eléctrico de Ceuta Energía, S.L.U.

5.2. Russia-Ukraine conflict and COVID-19 health crisis

Russia-Ukraine conflict

The macroeconomic and geopolitical environment as of the date of approval of this Consolidated Management Report has been characterized by uncertainty and volatility in the energy markets as a result of:

- The ongoing conflict between Russia and Ukraine, which shows no signs of abating any time soon, and the impacts of this on the supply and prices of raw materials, mainly gas, to which must be added the current tense situation resulting from the conflict in the Middle East;
- The sharp increase in inflation together with possible tensions along the supply chain and the implications of the reopening of the Chinese economy;
- Cybersecurity; and
- The current macroeconomic backdrop of rising interest rates, which has resulted in higher costs of financing of public and corporate debt.

The liquid fuels markets have been balanced out once the sanctions imposed by the European Union (EU) on imports of Russian crude oil and other products arising from the conflict in Ukraine have entered into force. There is currently availability of products in the main refining and trading hubs in northern Europe. For its part, Endesa has sealed its fuel oil and gasoil supply needs for the Non-mainland Territories ("TNP") plants with companies of acknowledged solvency and with their own refinancing capacity However, it could be the case that existing market tensions hinder these supplies.

With regard to gas, Endesa does not have any counterparties that are possibly affected by the sanctions, nor has it taken out gas supply contracts with Russia; hence, the Company's gas supply is guaranteed. Gas prices in the European markets affected by the reduction of Russian gas to Europe, particularly the Title Transfer Facility (TTF), followed a neutral trend during the first nine months of 2023 and were highly volatile, despite considerable gas storage level and weak demand. Endesa holds positions in the TTF due to its strategy of hedging expected revenues from gas sales, and liquidity needs have declined as a result of the net position subject to margining of financial instruments traded on organised markets.

With regard to uranium (UF_6), Endesa has covered its nuclear fuel needs for reactor refuels in successive years.

Given the complexity of the current environment and in compliance with the recommendations of the European Securities and Markets Authority (ESMA) published on 14 March 2022, 13 May 2022 and 28 October 2022, Endesa is keeping a close eye on the current situation generated by the ongoing Russia-Ukraine conflict in order to manage potential risks and changes in prevailing macroeconomic, financial and commercial indicators, as well as possible regulatory or legal changes and developments, so as to be able to update its estimates as to possible impacts of these factors on the Consolidated Financial Statements. The analysis is outlined in the following sections of the Consolidated Management Report:

Matters	Notes	Content
Regulatory Framework	9 and 13	Regulatory measures adopted by the community and national authorities in response to the economic and social consequences of the conflict and of the present environment.
Financial instruments	6.2, 7.3 and 10.3	Changes in the measurement and settlement of energy stock derivatives, details of financial instruments and impact on Endesa.
Financial debt	7.2	Details of financial debt (borrowings).
Energy commodity price, liquidity, credit and concentration risks	4.2 and 10.3	Trend in electricity and gas prices in energy and other commodity markets, breakdown of liquidity position and analysis of impairment of financial assets and possible delays in supply and contract fulfilment at supply chain level.
Monitoring of stock markets	10.1	Impact of the conflict and current landscape on Endesa's share price.

According to the above, in the first nine months of 2023, the effects of both the conflict and the current context did not have a significant impact on gross operating income (EBITDA) or operating income (EBIT). The net position subject to margining in the Organized Markets in which Endesa contracts its financial instruments shows the evolution of the gas market, whose prices have been at lower levels than those prior to the conflict, which has resulted in lower collateralization needs, with the balance at 30 September 2023 being Euro 2,196 million (Euro 6,724 million at 31 December 2022), which has had a positive impact on Endesa's liquidity position (see Sections 7.2 and 10.3 of this Consolidated Management Report).

COVID-19 health crisis

Endesa is also constantly monitoring the course of the COVID-19 pandemic, along with changes in macroeconomic, financial and trade variables and prevailing law and regulations, so as to be able to update the estimated effects of these factors on the Consolidated Financial Statements, in line with the recommendations of the European Securities and Markets Authority (ESMA) and the Spanish Securities Market Commission ("CNMV").

In the first nine months of 2023 and 2022, the effect of the health crisis did not have a significant impact on gross operating income (EBITDA) or on operating income (EBIT).

6. Performance of Endesa's operations and results from January to September 2023

6.1. Operating performance

At 30 September 2023

45,982 GWh
Generation of electricity[1] from January to September 2023
of which the following amount is renewable: **10,159 GWh**

9,196 MW
Net installed mainland renewable capacity
of a total of **+17,684 MW**

318,828 km
Distribution and transmission networks

12,378 Thousands
Digitalised customers
+99% Ratio of digitalised customers

10,512 Thousands
Number of customers (electricity)[2] [3]
of which from the deregulated market **6,850 thousand**

59,506 GWh
Net electricity sales[4] from January to September 2023
–1.0% compared to January–September 2022

17,599 Units
Public and private charging stations
26.6% compared to 31 December 2022

1,817 Thousands
Number of customers (gas)[2]
of which from the deregulated market **1,392 thousand**

47,181 GWh
Gas sales[5] from January to September 2023
+1.6% compared to January–September 2022

(1) In power plant busbars.
(2) Supply points.
(3) Customers of the retail supply companies.
(4) Sales to end customers.
(5) Excluding own generation consumption.

The following table shows the key operating figures for the first nine months of 2023 and their change compared to the same period of the previous year:

Operating figures	SDGs[(1)]	Unit	January–September 2023	January–September 2022	Chg. (%)
Electricity generation[(2)]		GWh	45,982	49,324	(6.8)
Generation of renewable electricity	7	GWh	10,159	8,925	13.8
Gross installed capacity		MW	22,819[(3)]	22,819[(4)]	–
Net installed capacity		MW	22,044[(3)]	22,044[(4)]	–
Net installed mainland renewable capacity	7	MW	9,196[(3)]	9,196[(4)]	–
Net installed non-mainland territories ("TNP") renewable energy capacity	7	MW	97[(3)]	97[(4)]	–
Energy distributed[(5)]	9	GWh	103,859	101,959	1.9
Digitalised customers[(6)]	9	Thousands	12,378[(3)]	12,503[(4)]	(1.0)
Distribution and transmission networks	9	km	318,828[(3)]	317,829[(4)]	0.3
End users[(7)]		Thousands	12,524[(3)]	12,459[(4)]	0.5
Ratio of digitalised customers[(8)]		(%)	99[(3)]	100[(4)]	–
Gross electricity sales[(2)]		GWh	66,065	66,673	(0.9)
Net electricity sales[(9)]		GWh	59,506	60,105	(1.0)
Gas sales[(10)]		GWh	47,181	46,457	1.6
Number of customers (Electricity)[(11) (12)]		Thousands	10,512[(3)]	10,545[(4)]	(0.3)
Deregulated market[(13)]		Thousands	6,850[(3)]	6,829[(4)]	0.3
Number of customers (gas)[(11)]		Thousands	1,817[(3)]	1,799[(4)]	1.0
Deregulated market		Thousands	1,392[(3)]	1,486[(4)]	(6.3)
Public and private electricity charging stations	11	Units	17,599[(3)]	13,898[(4)]	26.6
Public lighting points	11	Units	141[(3)]	104[(4)]	35.6
Response to demand		MW	155[(3)]	–	N/A
Final headcount		No. of employees	9,225[(3)]	9,258[(4)]	(0.4)
Average headcount		No. of employees	9,108	9,144	(0.4)

(1) Sustainable Development Goals.
(2) In power plant busbars.
(3) At 30 September 2023.
(4) At 31 December 2022.
(5) Energy supplied to customers, with or without a contract, ancillary consumption of generators and output towards other grids (transmission or distribution).
(6) Activated smart meters.
(7) Customers of distribution companies.
(8) Number of digitalised customers / End users (%).
(9) Sales to end customers.
(10) Excluding own generation consumption.
(11) Supply points.
(12) Customers of supply companies.
(13) Customers of deregulated retail supply companies.

Electricity generation

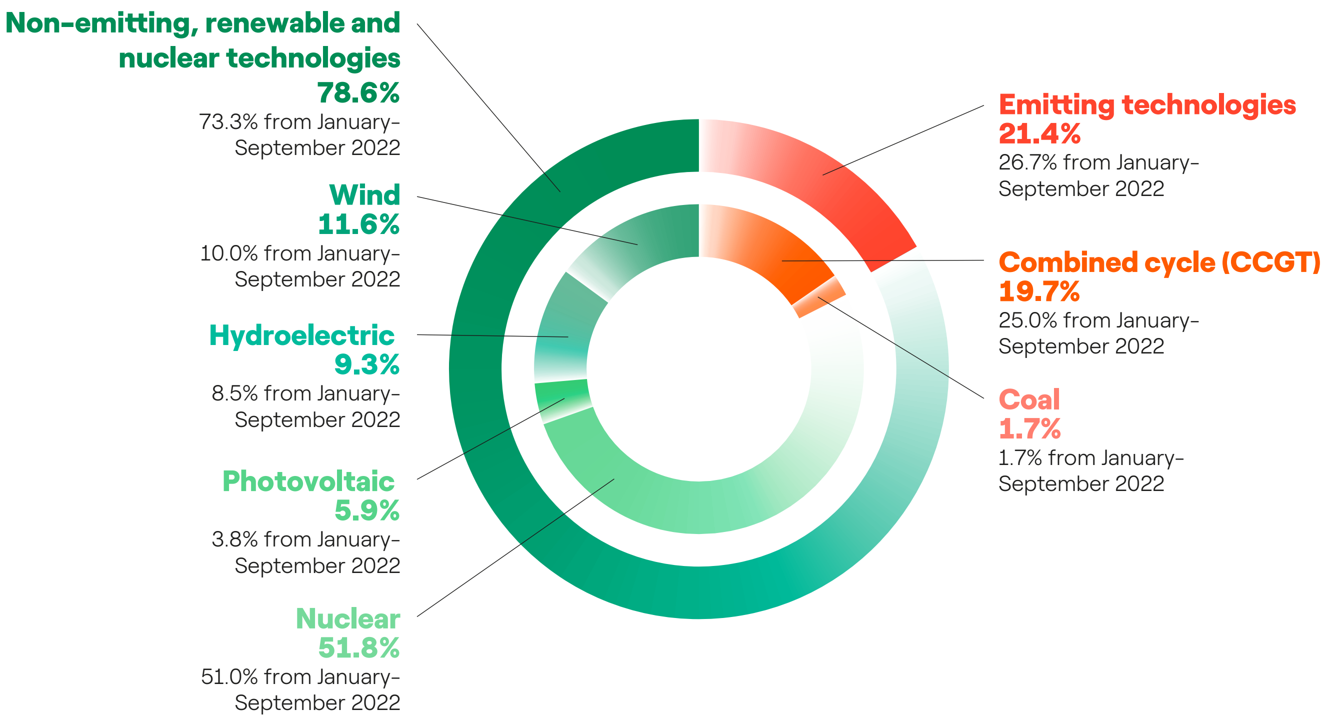
GWh

Electricity generation[1]	January–September 2023	January–September 2022	Chg. (%)
Mainland	**37,496**	**40,024**	**(6.3)**
Renewable energy	10,159	8,925	13.8
Hydroelectric	3,488	3,409	2.3
Wind[2]	4,388	3,990	10.0
Photovoltaic[3]	2,282	1,525	49.6
Rest	1	1	–
Nuclear power	19,357	20,424	(5,2)
Coal	648	682	(5,0)
Combined cycle (CCGT)	7,332	9,993	(26,6)
Non-mainland Territories ("TNP")	**8,486**	**9,300**	**(8,8)**
Coal	70	86	(18,6)
Fuel-gas	3,383	3,339	1,3
Combined cycle (CCGT)	5,033	5,875	(14,3)
TOTAL	**45,982**	**49,324**	**(6.8)**

(1) In power plant busbars.
(2) The first nine months of 2023 includes 63 GWh corresponding to Non-mainland Territories ("TNP") (86 GWh in the first nine months of 2022).
(3) The first nine months of 2023 includes 77 GWh corresponding to Non-mainland Territories ("TNP") (56 GWh in the first nine months of 2022).

Non-emitting renewable and nuclear technologies accounted for 78.6% of Endesa's mainland generation mix in the first nine months of 2023, compared to 83.4% for the wider sector (73.3% and 74.0%, respectively, from January to September 2022).

The following chart shows Endesa's mainland generation mix by technology in the first nine months of 2023:



Gross and net installed capacity

Gross installed capacity	30 September 2023		31 de diciembre de 2022		Chg. (%)
	MW	Percentage (%)	MW	Percentage (%)	
Mainland	**18,082**	**79.2**	**18,082**	**79.2**	**—**
Renewable energy[1]	9,337	40.9	9,337	40.9	—
Hydroelectric	4,790	21.0	4,790	21.0	—
Wind[2]	2,882	12.6	2,882	12.6	—
Photovoltaic[3]	1,665	7.3	1,665	7.3	—
Nuclear power	3,453	15.1	3,453	15.1	—
Coal	1,469	6.4	1,469	6.4	—
Combined cycle (CCGT)	3,823	16.8	3,823	16.8	—
Non-mainland Territories ("TNP")	**4,737**	**20.8**	**4,737**	**20.8**	**—**
Coal	260	1.1	260	1.1	—
Fuel-gas	2,620	11.5	2,620	11.5	—
Combined cycle (CCGT)	1,857	8.2	1,857	8.1	—
TOTAL	**22,819**	**100.0**	**22,819**	**100.0**	**—**

(1) At 30 September 2023 and 31 December 2022, additional capacity stood at 0 MW and 908 MW, respectively.
(2) At 30 September 2023, it included 40 MW relating to Non-mainland Territories ("TNP") (40 MW at 31 December 2022).
(3) At 30 September 2023, it included 57 MW relating to Non-mainland Territories ("TNP") (57 MW at 31 December 2022).

Net installed capacity	30 September 2023		31 December 2022		Chg. (%)
	MW	Percentage (%)	MW	Percentage (%)	
Mainland	**17,781**	**80.7**	**17,781**	**80.7**	**—**
Renewable energy[1]	9,293	42.2	9,293	42.2	—
Hydroelectric	4,746	21.5	4,746	21.5	—
Wind[2]	2,882	13.1	2,882	13.1	—
Photovoltaic[3]	1,665	7.6	1,665	7.6	—
Nuclear power	3,328	15.1	3,328	15.1	—
Coal	1,403	6.4	1,403	6.4	—
Combined cycle (CCGT)	3,757	17.0	3,757	17.0	—
Non-mainland Territories ("TNP")	**4,263**	**19.3**	**4,263**	**19.3**	**—**
Coal	241	1.1	241	1.1	—
Fuel-gas	2,334	10.6	2,334	10.6	—
Combined cycle (CCGT)	1,688	7.7	1,688	7.6	—
TOTAL	**22,044**	**100.0**	**22,044**	**100.0**	**—**

(1) At 30 September 2023 and 31 December 2022, additional capacity stood at 0 MW and 908 MW, respectively.
(2) At 30 September 2023, it included 40 MW relating to Non-mainland Territories ("TNP") (40 MW at 31 December 2022).
(3) At 30 September 2023, it included 57 MW relating to Non-mainland Territories ("TNP") (57 MW at 31 December 2022).

The following chart breaks down Endesa's net installed capacity by technology at 30 September 2023:

(1) Sin cambios respecto a la capacidad instalada neta a 31 de diciembre de 2022.

Electricity and gas sales

Electricity

Thousand

Number of customers (Electricity)[1] [2]	30 September 2023	31 December 2022	Chg. (%)
Regulated market	3,662	3,716	(1.5)
Mainland Spain	3,155	3,190	(1.1)
Non-mainland Territories ("TNP")	507	526	(3.6)
Deregulated market	6,850	6,829	0.3
Mainland Spain	5,242	5,245	(0.1)
Non-mainland Territories ("TNP")	989	972	1.7
Outside Spain	619	612	1.1
TOTAL	**10,512**	**10,545**	**(0.3)**
Revenue / Supply points[3]	**1.6**	**2.2**	**–**

(1) Supply points.
(2) Customers of retail supply companies.
(3) Ratio between annualised revenue from electricity sales and the number of electricity supply points (Thousands of Euro / Supply points).

GWh

	Gross electricity sales[1]			Net electricity sales[2]		
	January–September 2023	January–September 2022	Chg. (%)	January–September 2023	January–September 2022	Chg. (%)
Regulated price	6,848	7,647	(10.4)	5,820	6,500	(10.5)
Deregulated market	59,217	59,026	0.3	53,686	53,605	0.2
Spanish	50,805	50,751	0.1	45,786	45,846	(0.1)
Outside Spain	8,412	8,275	1.7	7,900	7,759	1.8
TOTAL	**66,065**	**66,673**	**(0.9)**	**59,506**	**60,105**	**(1.0)**

(1) At power plant busbars.
(2) Sales to end customers.

Gas

Thousand

Number of customers (gas)[1]	30 September 2023	31 December 2022	Chg. (%)
Regulated market	425	313	35.8
Mainland Spain	399	289	38.1
Non-mainland Territories ("TNP")	26	24	8.3
Deregulated market	1,392	1,486	(6.3)
Mainland Spain	1,166	1,258	(7.3)
Non-mainland Territories ("TNP")	66	69	(4.3)
Outside Spain	160	159	0.6
TOTAL	**1,817**	**1,799**	**1.0**
Revenue / Supply points[2]	**3.0**	**3.4**	**–**

(1) Supply points.
(2) Ratio between annualised revenue from gas sales and the number of gas supply points (Thousands of Euro / Supply points).

GWh

Gas sales	January–September 2023	January–September 2022	Chg. (%)
Deregulated market	45,780	45,657	0.3
Spanish	35,949	34,472	4.3
Outside Spain	9,831	11,185	(12.1)
Regulated market	1,401	800	75.1
TOTAL[1]	**47,181**	**46,457**	**1.6**

(1) Excluding own generation consumption.

Electricity distribution

Supply quality measures	January–September 2023	January–September 2022	Chg. (%)
Energy distributed (GWh)[1]	103,859	101,959	1.9
Energy losses (%)[2]	6,7	6.9	–
Installed Capacity Equivalent Interruption Time (Average) – ICEIT (Minutes)[3]	38,2	43.7	(12.6)
Duration of Interruptions in the Distribution Grid – SAIDI (Minutes)[4]	68.9	65.2	5.7
Number of Interruptions in the Distribution Grid – SAIFI[4]	1.3	1.4	(7.1)

(1) Energy supplied to customers with or without a contract, ancillary consumption of generators and output towards other grids (transmission or distribution).
(2) Input of energy in the distribution grid (or energy injected into the distribution grid), less distributed energy divided among the energy input to the distributor (or energy injected into the distribution grid).
(3) Criteria of the Spanish regulator. Includes data of Installed Capacity Equivalent Interruption Time (ICEIT) own, scheduled and transmission.
(4) Source: In-house. Figures for the last 12 months.

Marketing of other products and services

Business performance	30 September 2023	31 December 2022	Chg. (%)
Public and private electricity charging stations (units)	17,599	13,898	26.6

Workforce

Number of employees

	Final headcount						
	30 September 2023			31 December 2022			Chg. (%)
	Men	Women	Total	Men	Women	Total	
Generation and Supply	3,771	1,268	5,039	3,838	1,264	5,102	(1.2)
Distribution	2,304	499	2,803	2,265	490	2,755	1.7
Structure and others[1]	696	687	1,383	717	684	1,401	(1.3)
TOTAL	**6,771**	**2,454**	**9,225**	**6,820**	**2,438**	**9,258**	**(0.4)**

[1] Structure and services.

Number of employees

	Average headcount						
	January–September 2023			January–September 2022			Chg. (%)
	Men	Women	Total	Men	Women	Total	
Generation and Supply	3,761	1,242	5,003	3,779	1,219	4,998	0.1
Distribution	2,253	490	2,743	2,289	466	2,755	(0.4)
Structure and others[1]	687	675	1,362	717	674	1,391	(2.1)
TOTAL	**6,701**	**2,407**	**9,108**	**6,785**	**2,359**	**9,144**	**(0.4)**

[1] Structure and services.

6.2. Analysis of results

€3,353 million

Gross operating income (EBITDA)[1]

-9.6% compared to January–September 2022

€1,903 million

Operating income (EBIT)[1]

-20.3 % compared to January–September 2022

€1,059 million

Net income[1]

-35.9% compared to January–September 2022

€1,059 million

Net ordinary income[1]

-27.9% compared to January–September 2022

[1] See definition in Section 12 of this Consolidated Management Report.

Net income attributable to the Parent amounted to Euro 1,059 million in the first nine months of 2023, compared to Euro 1,651 million in the same period of the previous year (-35.9%).

Endesa reported net ordinary income of Euro 1,059 million from January–September 2023, down Euro 410 million (-27.9%) on the figure reported in the same period of the previous year. In order to analyse this performance, the following effects should be taken into account:

Period	Effect	Change	
January–September 2023	**Temporary Energy Levy**	▼ Euro 208 million.	• Recognition of the expense associated with the temporary energy levy ushered in by Law 38/2022 of 27 December.
January–September 2022	**Sale of 51% of Endesa X Way, S.L.**	▲ Euro 182 million	• Net income generated from the sale of 51% of the holding in Endesa X Way, S.L. to Enel X Way, S.r.l. and the recognition of the holding (49%) retained at fair value as a result of the loss of control over the company.
	***Bono Social* – Social Bonus**	▲ Euro 125 million	• Ruling 202/2022, of 21 February 2022, handed down by the Supreme Court in Appeal No. 687/2017, acknowledged the right of Endesa, S.A. to be compensated for the amounts borne to finance and co-finance, with the public administrations, the Social Bonus during the whole term that the third financing system of the Social Bonus remains in force, so that all amounts paid in this regard are refunded to the complainant by discounting the amounts that, where appropriate, had been passed on to customers. Endesa has not passed on the financing cost to customers, hence there are robust arguments to justify its entitlement to a full refund of all the amounts borne in this regard. In particular, by virtue of a court order handed down on 26 May 2023, the Supreme Court partially upheld the motion filed by Endesa in which it declared the right of Energía XXI Comercializadora de Referencia, S.L.U. to be paid the sum of Euro 152 million, plus the corresponding legal interest, by the government for financing the Bono Social in relation to the regulated segment of the market. Meanwhile, various notifications were received in July and September 2023 from the General Secretary of Energy and the Supreme Court in relation to the Bono Social (see Sections 6.2.2, 6.2.3 and 10.6 of this Consolidated Management Report).
	Ministerial Order TED/749/2022	▼ Euro 135 million	• Recognition of the value of remuneration for distribution activity for 2017 to 2019 pursuant to Order TED/749/2022, of 27 July.

The following table breaks down the most relevant figures in Endesa's Consolidated Income Statement in the first nine months of 2023 and shows the change compared with the same period in the previous year.

Millions of Euro

	Key figures			
	January–September 2023	**January–September 2022**	**Difference**	**Chg. (%)**
Revenue	**19,211**	**24,620**	**(5,409)**	**(22.0)**
Procurements and services	**(11,938)**	**(17,999)**	**6,061**	**(33.7)**
Income and expenses from energy commodity derivatives	**(2,375)**	**(1,642)**	**(733)**	**44.6**
Contribution margin[1]	**4,898**	**4,979**	**(81)**	**(1.6)**
Self-constructed assets	210	219	(9)	(4.1)
Personnel expenses	(756)	(722)	(34)	4.7
Other fixed operating expenses	(1,010)	(1,007)	(3)	0.3
Other gains and losses	11	241	(230)	(95.4)
Gross operating income (EBITDA)[1]	**3,353**	**3,710**	**(357)**	**(9.6)**
Depreciation and amortisation, and impairment losses on non-financial assets	(1,282)	(1,200)	(82)	6.8
Impairment losses on financial assets	(168)	(122)	(46)	37.7
Operating Income (EBIT)[1]	**1,903**	**2,388**	**(485)**	**(20.3)**
Net financial profit/(loss)[1]	**(410)**	**(131)**	**(279)**	**213.0**
Profit/(loss) before tax	**1,506**	**2,275**	**(769)**	**(33.8)**
Net income[1]	**1,059**	**1,651**	**(592)**	**(35.9)**
Net ordinary income[1]	**1,059**	**1,469**	**(410)**	**(27.9)**

[1] See definition in Section 12 of this Consolidated Management Report.

Gross operating income (EBITDA) from January to September 2023 amounted to Euro 3,353 million (-9.6%). Operating income (EBIT) from January to September 2023 was down 20.3% on the same period in the previous year, to Euro 1,903 million.

In order to analyse this performance, the following effects should be taken into account:

Period	Effect	Change	
January–September 2023	Temporary Energy Levy	▼ Euro 208 million.	• Recognition of the expense associated with the temporary energy levy ushered in by Law 38/2022 of 27 December.
January–September 2022	Sale of 51% of Endesa X Way, S.L.	▲ Euro 238 million	• Net income generated from the sale of 51% of the holding in Endesa X Way, S.L. to Enel X Way, S.r.l. and the recognition of the holding (49%) retained at fair value as a result of the loss of control over the company.
	Social Bonus	▲ Euro 152 million	• Ruling 202/2022, of 21 February 2022, handed down by the Supreme Court in Appeal No. 687/2017, acknowledged the right of Endesa, S.A. to be compensated for the amounts borne to finance and co-finance, with the public administrations, the Social Bonus during the whole term that the third financing system of the Social Bonus remains in force, so that all amounts paid in this regard are refunded to the complainant by discounting the amounts that, where appropriate, had been passed on to customers. Endesa has not passed on the financing cost to customers, hence there are robust arguments to justify its entitlement to a full refund of all the amounts borne in this regard. In particular, by virtue of a court order handed down on 26 May 2023, the Supreme Court partially upheld the motion filed by Endesa in which it declared the right of Energía XXI Comercializadora de Referencia, S.L.U. to be paid the sum of Euro 152 million, plus the corresponding legal interest, by the government for financing the Bono Social in relation to the regulated segment of the market. Meanwhile, various notifications were received in July and September 2023 from the General Secretary of Energy and the Supreme Court in relation to the Bono Social (see Sections 6.2.2, 6.2.3 and 10.6 of this Consolidated Management Report).
	Ministerial Order TED/749/2022	▼ Euro 180 million	• Recognition of the value of remuneration on distribution activity for 2017 to 2019 pursuant to Order TED/749/2022, of 27 July.

6.2.1. Revenue

In the first nine months of 2023, revenue amounted to Euro 19,211 million, down Euro 5,409 million (-22.0%) on the figure obtained in the same period of 2022.

The following table breaks down revenue from January to September 2023 and shows the change compared with the same period in the previous year:

Millions of Euro

	Revenue			
	January–September 2023	January–September 2022	Difference	Chg. (%)
Revenue from sales and services	18,893	24,388	(5,495)	(22.5)
Other operating income	318	232	86	37.1
TOTAL	**19,211**	**24,620**	**(5,409)**	**(22.0)**

Revenue from sales and services

The table below breaks down Revenue from sales and services between January and September 2023 and shows the change compared with the same period in the previous year:

Millions of Euro

	Revenue from sales and services			
	January–September 2023	January–September 2022	Difference	Chg. (%)
Electricity sales	12,693	18,234	(5,541)	(30.4)
Sales on the deregulated market	9,253	11,596	(2,343)	(20.2)
Sales to the Spanish deregulated market	8,217	10,320	(2,103)	(20.4)
Sales to customers in deregulated markets outside Spain	1,036	1,276	(240)	(18.8)
Sales at regulated prices	1,230	2,553	(1,323)	(51.8)
Wholesale market sales	1,077	3,137	(2,060)	(65.7)
Compensation for Non-mainland Territories ("TNP")	1,132	898	234	26.1
Remuneration for investment in renewable energies	1	18	(17)	(94.4)
Other electricity sales	—	32	(32)	N/A
Gas sales	4,050	4,289	(239)	(5.6)
Sales on the deregulated market	3,893	4,203	(310)	(7.4)
Sales at regulated prices	157	86	71	82.6
Regulated revenue from electricity distribution	1,504	1,334	170	12.7
Verifications and connections	25	26	(1)	(3.8)
Services rendered at facilities	32	19	13	68.4
Other sales and services rendered	585	483	102	21.1
Sales related to Value Added Services	287	258	29	11.2
Proceeds due to capacity	9	13	(4)	(30.8)
Sales of other energy commodities	94	26	68	261.5
Provision of services and others	195	186	9	4.8
Lease revenue	4	3	1	33.3
TOTAL	**18,893**	**24,388**	**(5,495)**	**(22.5)**

Electricity sales to deregulated market customers

In the first nine months of 2023, sales on the deregulated market amounted to Euro 9,253 million (-20.2%), broken down as follows:

Sales on the deregulated market	Change	
Spain	▼ Euro 2,103 million (-20.4%)	• The change between both periods is due to the reduction in the unit price (-9.2%), mainly among Business to Business (B2B) indexed customers together with the reduction in the total number of physical units sold (-0.1%).
Outside Spain	▼ Euro 240 million (-18.8%)	• The reduction in revenues in the Portuguese market due to the network access tariff together with the reduction in physical units sold in this country (-8.0%) led to a decline in these sales in economic terms.

Electricity sales at a regulated price

In the first nine months of 2023, these sales generated revenue of Euro 1,230 million, down 51.8% on the same period in 2022, as a result of both falling prices and the reduction in physical units sold (-10.5%).

Electricity sales in the wholesale market

Revenues from electricity sales to the wholesale market in the first nine months of 2023 amounted to Euro 1,077 million, down 65.7% on the same period of the previous year due to the trend in electricity prices during the period (-51.0%) in spite of the increase in physical units sold (+19.5%).

Remuneration for investment in renewable energies

In order to analyse the evolution of this heading, it should be taken into consideration that, in the period January-September 2022, this heading included the recording of income amounting to Euro 24 million as a result of the reversal of the liability generated by adjustments derived from the deviation of the market price relating to those Standard Facilities ("IT") which, at that date, had recovered their Net Asset Value (NAV or "VAN") and ceased to receive Return on Investment (RoI or "Rinv") as from 1 January 2022.

Gas sales

Revenue from gas sales from January to September 2023 amounted to Euro 4,050 million, down Euro 239 million (-5.6%) on the same period of 2022, as shown below:

Gas sales	Change	
Deregulated market	▼ Euro 310 million (-7.4%)	• The variation between the two periods is the result of, among other things, the decrease in price and the net reduction in the number of customers (-6.3%) despite the net increase in physical units sold (+0.3%).
Regulated price	▲ Euro 71 million (+82.6%)	• The increase in physical units sold (+75.1%) despite the reduction in the unit price led to an increase in these sales in financial terms.

Compensation for Non-mainland Territories ("TNP")

In the first nine months of 2023, compensation for the generation cost overruns of Non-mainland Territories ("TNP") amounted to Euro 1,132 million, up Euro 234 million on the same period of the previous year.

The increase in compensation for the Non-mainland Territories from January to September 2023 was largely due to the reduction (-51.0%) in the wholesale electricity market price.

The wholesale market price, which is settled on account by the System Operator, increases or decreases, respectively, the amount of compensation to cover the regulated revenue resulting from the applicable regulations.

Electricity distribution

From January to September 2023, Endesa distributed 103,859 GWh of power in the Spanish market, up 1.9% on the same period of 2022.

Regulated revenue from the distribution activity from January to September 2023 amounted to Euro 1,504 million, up Euro 170 million (+12.7%) on the same period of the previous year, mainly as a result of the recognition, during the January–September 2023 period, of the update of the remuneration on distribution activity relating to 2017, 2018 and 2019, in accordance with Order TED/749/2022, of 27 July, amounting to Euro 180 million.

Sales of other energy commodities

Sales of other energy commodities with physical settlement were up Euro 68 million, mainly due to changes in the settlement of carbon dioxide (CO_2) emission allowance derivatives and guarantees of origin, which should be read in conjunction with the increase in purchases of those energy commodities subject to physical settlement amounting to Euro 71 million, as recognised under "Other variable procurements and services" in the Consolidated Income Statement. These sales and purchases are made to cover the industrial risks caused by the variability of the market and the technologies taking part in it.

Other operating income

The table below breaks down other operating income from January to September 2023 and shows the changes therein compared with the same period in the previous year.

Millions of Euro

	Other operating income			
	January–September 2023	January–September 2022	Difference	Chg. (%)
Charge to profit or loss of facilities transferred from customers, connection extension rights and other liabilities from contracts with customers	131	127	4	3.1
Grants charged to income	77	48	29	60.4
Guarantees of Origin and other environmental certificates[1]	64	18	46	255.6
Other allocations to profit/(loss) from Grants[2]	13	30	(17)	(56.7)
Third-party compensation	18	(9)[3]	27	(300.0)
Other	92[4]	66	26	39.4
TOTAL	**318**	**232**	**86**	**37.1**

[1] Relates to guarantees of origin generated in relation to the production of energy from own installations making use of renewable resources.
[2] The period from January to September 2023 includes Euro 12 million pertaining to capital grants and Euro 1 million in operating grants (Euro 12 million and Euro 18 million, respectively, from January to September 2022).
[3] Includes the resettlements of the distribution activity recognised in 2021 amounting to Euro 29 million.
[4] Includes Euro 20 million in updates to decommissioning provisions, relating mainly to coal-fired mainland power plants.

6.2.2. Operating expenses

Operating expenses totalled Euro 17,308 million from January to September 2023, down 22.1% on the same period in the previous year.

The table below breaks down operating expenses from January to September 2023 and shows the changes therein compared with the same period in the previous year.

Millions of Euro

	Operating expenses			
	January–September 2023	January–September 2022	Difference	Chg. (%)
Procurements and services	11,938	17,999	(6,061)	(33.7)
Power purchases	5,115	10,436	(5,321)	(51.0)
Fuel consumption	1,985	3,187	(1,202)	(37.7)
Transmission costs	2,454	2,812	(358)	(12.7)
Other variable procurements and services	2,384	1,564	820	52.4
Taxes and charges	908	643	265	41.2
Temporary Energy Tax	208	–	208	N/A
Rate for the treatment of radioactive waste	159	168	(9)	(5.4)
Street lighting / works licences	179	243	(64)	(26.3)
Nuclear charges and taxes	87	67	20	29.9
Catalonia environmental tax	110	106	4	3.8
Water tax	24	2	22	1.100.0
Other taxes and charges	141	57	84	147,4
Bono Social discount rate	186	(60)	246	(410.0)
Consumption of carbon dioxide (CO_2) emission allowances	726	635	91	14.3
Consumption of energy with guarantees of origin and other environmental certificates	104	31	73	235.5
Costs related to Value Added Services	141	136	5	3.7
Purchases of other energy commodities	78	7	71	1.014.3
Other	241	172	69	40.1
Income and expenses from energy commodity derivatives	2,375	1,642	733	44.6
Self-constructed assets	(210)	(219)	9	(4.1)
Personnel expenses	756	722	34	4.7
Other fixed operating expenses	1,010	1,007	3	0.3
Other gains and losses	(11)	(241)	230	(95.4)
Depreciation and amortisation, and impairment losses on non-financial assets	1,282	1,200	82	6.8
Impairment losses on financial assets	168	122	46	37.7
TOTAL	**17,308**	**22,232**	**(4,924)**	**(22.1)**

Procurements and services (variable costs)

Procurements and services expenses (variable costs) from January to September 2023 amounted to Euro 11,938 million, down 33.7% on the same period in the previous year.

Changes in these costs from January to September 2023 were as follows:

Procurements and services	Change	
Power purchases	▼ Euro 5,321 million (-51.0%)	• The evolution includes, mainly, the decrease in power purchases (Euro -4,256 million), in turn due to the reduction in the arithmetic average price on the wholesale electricity market (91.1 €/MWh; -51.0%), partially offset by the increase in physical units purchased (+11.9%) and the reduction in gas purchases (Euro -1,098 million), largely due to the reduction in the average price of gas (40.7 €/MWh; -69.3%).
Fuel consumption	▼ Euro 1,202 million (-37.7%)	• The reduction is largely due to the trend during the period in commodity prices, coupled with lower combined cycle production on the mainland (-26.6%) and in the Non-mainland Territories ("TNP") (-14.3%).
Transmission expenses	▼ Euro 358 million (-12.7%)	• The change between the two periods is due to the effect of the 40% reduction to have been approved in relation to electricity charges compared to those in effect on 1 January 2022, by virtue of Order TED/1312/2022 of 23 December 2022 (see section 9 of this Consolidated Management Report).
Other variable procurements and services	▲ Euro 820 million (+52.4%)	
Temporary Energy Tax	▲ Euro 208 million	• Recognition of the expense related to the new temporary energy tax introduced by Law 38/2022, of 27 December, establishing temporary levies on energy companies and financial credit institutions, creating the temporary solidarity tax on high-wealth subjects, and amending certain tax rules (see Section 9 of this Consolidated Management Report).
Street lighting / works licences	▼ Euro 64 million	• The decrease is mainly due to a reduction in revenues from electricity sales, both in the deregulated market and at regulated prices (-26.0%), which are the basis for the calculation of this rate.
Nuclear charges and taxes	▲ Euro 20 million	• This includes, from January to September 2022, an expense reversal of Euro 16 million, as a result of the tax settlements issued by the tax authorities and signed and accepted by the Company in relation to the tax on the production of spent nuclear fuel and radioactive waste from the Almaraz and Trillo nuclear power plants.
Water tax	▲ Euro 22 million	• The increase is due to the recognition of the expense accrued during the first nine months of 2023 under the provisions of Law 7/2022, of 8 April 2022, which was not payable in 2022.

Procurements and services	Change	
"Bono Social" discount rate	▲ Euro 246 million	• The first nine months of 2023 and 2022 includes the accrual of the Social Bonus (discount rate), pursuant to Royal Decree Law 6/2022, of 29 March, based on the financing percentages established in Order TED 733/2022, of 22 July, amounting to Euro 179 million and Euro 104 million, respectively. • Ruling 202/2022, of 21 February 2022, handed down by the Supreme Court in Appeal No. 687/2017, acknowledged the right of Endesa, S.A. to be compensated for the amounts borne to finance and co-finance, with the public administrations, the Social Bonus during the whole term that the third financing system of the Social Bonus remains in force, so that all amounts paid in this regard are refunded to the complainant by discounting the amounts that, where appropriate, had been passed on to customers. Endesa has not passed on the financing cost to customers, hence there are robust arguments to justify its entitlement to a full refund of all the amounts borne in this regard. In particular, by virtue of a court order handed down on 26 May 2023, the Supreme Court partially upheld the motion filed by Endesa in which it declared the right of Energía XXI Comercializadora de Referencia, S.L.U. to be paid the sum of Euro 152 million, plus the corresponding legal interest, by the government for financing the Bono Social in relation to the regulated segment of the market. On 28 July 2023, the Secretary of State for Energy notified Endesa of a Resolution dated 21 July 2023 recognising (i) the right of Energía XXI Comercializadora de Referencia, S.L.U. to be compensated for the amounts paid to finance the Social Bonus in the amount of Euro 172 million (the principal amount of Euro 152 million plus interest of Euro 19 million, calculated up to 31 July 2023); (ii) the right of Energía XXI Comercializadora de Referencia S.L.U. to be compensated for its role in managing the Social Bonus in the amount of Euro 6 million, plus interest of Euro 1 million. Of these amounts, only late payment interest of Euro 1 million remained outstanding at 30 September 2023. Lastly, (iii) with respect to the cost of financing the Social Bonus associated with consumers supplied by Endesa Energía, S.A.U., no compensation is recognised. On 18 September 2023, Endesa submitted a brief of allegations to the Supreme Court, together with the corresponding expert reports, in order to demonstrate that Endesa has not passed on the cost of financing the social bonus associated with customers in the free segment of the commercialization market and that, consequently, it is entitled to full compensation (see Section 10.6 of this Consolidated Management Report). • In the first nine months of 2022, this heading also included the recognition of Euro 18 million in revenue due to the reversal of the due and payable amounts under Settlement 12 for financial year 2021, which was not ultimately issued by the Spanish Markets and Competition Commission ("CNMC"), in relation to the financing and cofinancing of the Social Bonus with the public administrations as a result of the Supreme Court Ruling 202/2022, of 21 February 2022, as handed down under Appeal 687/2017. This ruling confirmed the non-applicability of the Social Bonus financing system and the cost of supplying electricity for consumers at risk of social exclusion set forth in Article 45.4 of Law 24/2013, of 26 December, on the grounds that they are incompatible with Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity.
Consumption of carbon dioxide (CO_2) emission allowances	▲ Euro 91 million (+14.3%)	• The performance reflects the increase in the average price of carbon dioxide (CO_2) emission allowances (85.9 €/t; +4.9%), despite the decrease in tonnes (-13.7%) due to the decrease in production using emitting technologies.
Consumption of energy with guarantees of origin and other environmental certificates	▲ Euro 73 million (+235.5%)	• The change between the two periods is due to the average price of the guarantees of origin (+195.7%), as well as the increase in their consumption, following the efforts made to promote the generation and supply of electricity from renewable sources.
Purchases of other energy commodities	▲ Euro 71 million (+1,014.3%)	• Movements in these costs are analysed together with sales of other energy commodities (see Section 6.2.1 of this Consolidated Management Report).

Income and expenses from energy stock derivatives

Set out below are details of revenue and expenses arising from energy stock derivatives from January to September 2023, including changes therein with respect to the previous year:

Millions of Euro

	January–September 2023	January–September 2022	Difference	Chg. (%)
Revenue				
Revenue from derivatives designated as hedging instruments	**2,198**	**3,609**	**(1,411)**	**(39.1)**
Revenue from cash flow hedging derivatives[1]	2,198	3,609	(1,411)	(39.1)
Income from derivatives at fair value with changes in profit/loss	**89**	**7,671**	**(7,582)**	**(98.8)**
Revenue from fair value derivatives recognised in the income statement	89	7,671	(7,582)	(98.8)
Total revenue	**2,287**	**11,280**	**(8,993)**	**(79.7)**
Expenses				
Expenses from derivatives designated as hedging instruments	**(3,237)**	**(4,623)**	**1,386**	**(30.0)**
Expenses from cash flow hedging derivatives[1]	(3,237)	(4,623)	1,386	(30.0)
Expenses from derivatives at fair value through profit and loss	**(1,425)**	**(8,299)**	**6,874**	**(82.8)**
Expenses from fair value derivatives recognised in the income statement	(1,425)	(8,299)	6,874	(82.8)
Total expenses	**(4,662)**	**(12,922)**	**8,260**	**(63.9)**
TOTAL	**(2,375)**	**(1,642)**	**(733)**	**44.6**

[1] At 30 September 2023, this heading included a Euro 149 million (positive) impact on the income statement due to inefficiencies (Euro 139 million (positive) at 30 September 2022).

In line with its General Risk Control and Management Policy, Endesa uses financial instruments (derivatives) to hedge the risks to which its activities are exposed. The use of derivatives is essential for Endesa to plan its operations, as they ensure the revenue to be obtained when delivering the products and the cost of the raw materials used in the production processes. This procedure therefore makes it possible to manage risk without exposing the business to short-term price developments (spot prices).

In the first nine months of 2023, total Revenue and expenses from energy commodity derivatives amounted to Euro 2,375 million, negative, compared to Euro 1,642 million, also negative, in the same period of the previous year, due to changes in the valuation and settlement of mainly gas —though also electricity— derivatives due to the volatility of energy prices in the last few months, during which derivatives were arranged, the settlement of which took place in January to September 2023 (see Section 4.2.1 of this Consolidated Management Report).

Fixed operating expenses

The table below provides a breakdown of fixed operating expenses from January to September 2023 and changes therein compared with the same period of the previous year.

Millions of Euro

	Fixed operating expenses			
	January–September 2023	January–September 2022	Difference	Chg. (%)
Self-constructed assets	(210)	(219)	9	(4.1)
Personnel expenses	756	722	34	4.7
Other fixed operating expenses	1,010	1,007	3	0.3
TOTAL	**1,556**	**1,510**	**46**	**3.0**

From January to September 2023, fixed operating costs amounted to Euro 1,556 million, up Euro 46 million (+3.0%) on January to September 2022, due to the following factors:

Fixed operating expenses	Change	
Wages and salaries	▲ Euro 6 million (+1.1%)	• Higher personnel costs mainly due to the effects of inflation.
Other personnel expenses/employee benefits expense	▲ Euro 23 million (+16.8%)	• The increase is largely due to higher Social Security expenses pursuant to Order PCM/74/2023, of 30 January, which sets the contribution rate for common contingencies at 28.9% (28.3% between January and September 2022).
Workforce restructuring plans	▲ Euro 2 million (+33.3%)	• The changes are due to the update of provisions for workforce restructuring plans.
Taxes and Fees	▲ Euro 9 million (+9.2%)	• The increase is a consequence, among other aspects, of the higher Real Estate Tax (IBI) expense (Euro 4 million) due to the increase in wind farms and photovoltaic plants in operation in accordance with the growth of the renewable generation park contemplated in Endesa's Strategic Plan.
Penalty proceedings	▼ Euro 22 million (-55.0%)	• The evolution is a consequence of the lower expense recognized for penalty proceedings related to the Distribution Business Line

Other gains and losses

The main transactions from January–September 2023 and 2022 were as follows:

Millions of Euro

	Other gains and losses			
	January–September 2023	January–September 2022	Difference	Chg. (%)
Disposals of investments in Group companies and other	**—**	**239**	**(239)**	**N/A**
Holding of 51% of Endesa X Way, S.L.	—	121[1]	(121)	N/A
Stake recognised as a consequence of the loss of control of Endesa X, S.L.	—	117[1]	(117)	N/A
Other disposals	—	1	(1)	N/A
Non-current asset disposals	**11**	**2**	**9**	**450.0**
Land adjoining the Foix thermal power plant (Barcelona)	6	—	6	N/A
Other[2]	5	—	5	N/A
TOTAL	**11**	**241**	**(230)**	**(95.4)**

(1) On 29 April 2022, Endesa X Servicios, S.L.U. sold 51% of its holding in Endesa Movilidad Eléctrica, S.L.U., currently Endesa X Way, S.L., to Enel X Way, S.r.l. (an Enel Group company and parent of the electric mobility business), amounting to Euro 122 million, generating a gross capital gain of Euro 121 million. For Endesa, the sales meant the loss of control over Endesa X Way, S.L. As a result, the stake retained in that company was recognised for its fair value, leading to the recognition of a gross gain of Euro 117 million. The impact on income, net of tax, was Euro 182 million.
(2) Relates to gross capital gains/(losses) generated by the sale of land and real estate.

Depreciation and amortisation, and impairment losses on non-financial assets

The table below presents a breakdown of depreciation and amortisation and impairment losses on non-financial assets in the first nine months of 2023 and changes therein compared to the previous year.

Millions of Euro

	Depreciation and amortisation and impairment losses			
	January-September 2023	January-September 2022	Difference	Chg. (%)
DEPRECIATION AND AMORTISATION	**1,281**	**1,197**	**84**	**7.0**
Provision for the depreciation of property, plant and equipment	1,049	988	61	6.2
Provision for amortisation of intangible assets	232	209	23	11.0
IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS	**1**	**3**	**(2)**	**(66.7)**
Provision for impairment losses	**1**	**3**	**(2)**	**(66.7)**
Provision for impairment losses on property, plant and equipment and investment property	1	1	—	—
Provision for impairment losses on intangible assets	—	2	(2)	N/A
TOTAL	**1,282**	**1,200**	**82**	**6.8**

Depreciation and amortisation, and impairment losses on non-financial assets in the first nine months of 2023 amounted to Euro 1,282 million, up Euro 82 million (+6.8%), due largely to the depreciation and amortisation charge as a result, firstly, of the increased investment in renewable energy electricity production systems and facilities and in distribution grids, in line with the Strategic Plan and, secondly, the increased capitalisation of the incremental costs incurred in obtaining contracts with customers.

Impairment losses on financial assets

In the first nine months of 2023 and 2022, the breakdown of this Consolidated Income Statement heading is as follows:

Millions of Euro

	January-September 2023	January-September 2022	Difference	Chg. (%)
Provision for impairment losses	**303**	**280**	**23**	**8.2**
Provision for impairment losses on receivables from contracts with customers	299	280	19	6.8
Provision for impairment losses on other financial assets	4	—	4	N/A
Reversal for impairment losses	**(135)**	**(158)**	**23**	**(14.6)**
Reversal of impairment losses on receivables from contracts with customers	(135)	(157)	22	(14.0)
Reversal of impairment losses on other financial assets	—	(1)	1	N/A
TOTAL	**168**	**122**	**46**	**37.7**

In the first nine months of 2023, net impairment losses on financial assets amounted to Euro 168 million and related to net impairment losses on receivables from contracts with customers.

When analysing the performance of this item, the following aspects must be taken into consideration:

Business	Amount	
Generation and Supply	▲ Euro 68 million	• Further provisions were recognised due to the deterioration in collections from residential and business-to-business (B2B) customers.
Distribution	▼ Euro 22 million	• Recognition, in the first nine months of 2022, of further impairment losses due to the worsening payment trend among small energy retail supply companies.

6.2.3. Net financial profit/(loss)

The Company incurred a net financial loss in the periods from January–September 2023 and 2022, in the amounts of Euro 410 million and Euro 131 million, respectively.

The table below presents the detail of net financial profit/(loss) in the first nine months of 2023 and its variation compared with the same period in the previous year:

Millions of Euro

	Net financial profit/(loss)[1]			
	January–September 2023	**January–September 2022**	**Difference**	**Chg. (%)**
Net financial expense	(424)	(87)	(337)	387.4
Financial income	34	212	(178)	(84.0)
Financial expense	(486)	(211)	(275)	130.3
Income and expenses on derivative financial instruments	28	(88)	116	(131.8)
Net exchange differences	14	(44)	58	(131.8)
TOTAL	**(410)**	**(131)**	**(279)**	**213.0**

[1] See definition in Section 12 of this Consolidated Management Report.

Net financial expense

In the period from January–September 2023, net financial expense amounted to Euro 424 million, up Euro 337 million on the same period of the previous year.

In analysing changes in net financial expense from January–September 2023, the following effects need to be taken into account:

Millions of Euro

	Net financial expense[1]			
	January–September 2023	**January–September 2022**	**Difference**	**Chg. (%)**
Net expense for financial instruments at amortised cost	(344)	(137)	(207)	151.1
Update of provisions for workforce restructuring plans, the dismantling of facilities and the impairment of financial assets in accordance with *IFRS 9 "Financial instruments"*	(49)	55	(104)	(189.1)
Late-payment interest under the Social Bonus ruling	4	15	(11)	(73.3)
Factoring transaction fees	(35)	(29)	(6)	20.7
Late-payment interest on the compensation of carbon dioxide (CO_2) emission rights in 2006	–	4	(4)	N/A
Other	–	5	(5)	N/A
TOTAL	**(424)**	**(87)**	**(337)**	**387.4**

[1] See definition in Section 12 of this Consolidated Management Report.

Changes in these net costs from January to September 2023 were as follows:

Net financial loss	Change	
Net expense for financial instruments at amortised cost	▲ Euro 207 million (+151.1%)	• Amid the current uncertainty in the financial markets due to the interest rate hikes carried out by the central banks in recent quarters, Endesa's net financial expense increased significantly due to the higher cost (i.e. interest) of its gross financial debt, which increased from 1.1% in the first nine months of 2022 to 3.0% in the first nine months of 2023, together with an increase in average gross financial debt, which climbed from Euro 15,522 million at 30 September 2022 to Euro 15,780 million at 30 September 2023. This was largely due to the increase, during 2022, of the financial deposits posted as a result of trading activity in the organised markets in which Endesa arranges its derivative financial instruments (see Section 7.2 of the Consolidated Management Report for the year ended 31 December 2022).
Provisions for workforce restructuring plans, dismantling and impairment of financial assets (IFRS 9)	▲ Euro 104 million (+189.1%)	• The change is largely due to the increased expense caused by the update of provisions for workforce restructuring plans (Euro 91 million) and the costs of dismantling facilities (Euro 24 million).
Late-payment interest pursuant to the Social Bonus ruling	▼ Euro 11 million (-73.3%)	• In the first nine months of 2023 and 2022, the Company recognised Euro 4 million and Euro 15 million, respectively, in late payment interest, largely due to the acknowledgement of the right of Endesa, S.A. to be compensated for the amounts borne to finance and co-finance the Social Bonus with the public administrations during the whole term that the third financing system of the Social Bonus is in force, so that all amounts paid in this regard are refunded to the complainant by discounting the amounts that, where appropriate, had been passed on to customers. (see Section 10.6 of this Consolidated Management Report).

Net exchange differences

In the first nine months of 2023, net exchange differences were positive in the amount of Euro 14 million (Euro 44 million, negative, in the first nine months of 2022).
The change is due mainly to the fluctuations in the Euro/US dollar exchange rate for January–September 2023 and impact of these fluctuations on payments associated with contracts denominated in dollars and on borrowings associated with rights of use corresponding to charter agreements for the transmission of liquefied natural gas (LNG).

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

In the first nine months of 2023, the net result of companies accounted for using the equity method was Euro 13 million, compared to Euro 18 million in the first nine months of 2022, broken down as follows:

Millions of Euro

	Net profit/(loss) of companies accounted for using the equity method	
	January–September 2023	January–September 2022
Associates	**(1)**	**11**
Energías Especiales del Bierzo S.A.	1	4
Gorona del Viento El Hierro, S.A.	—	1
Compañía Eólica Tierras Altas, S.A.	2	3
Endesa X Way, S.L.	(5)	(3)
Boiro Energía, S.A.	—	2
Other	1	4
Joint Ventures	**14**	**7**
Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.	—	(1)
Nuclenor, S.A.	—	1
Énergie Électrique de Tahaddart, S.A.	3	1
Suministradora Eléctrica de Cádiz, S.A.	2	3
Other	9	3
TOTAL	**13**	**18**

6.2.5. Income tax

In the first nine months of 2023, the income tax expense amounted to Euro 433 million, down Euro 149 million (+25.6%) on the amount recognised in the first nine months of 2022.

The effective rate for the period January–September 2023 was 28.8% (25.6% in the period January–September 2022), due, among other factors, to the non-deductible expense related to the temporary energy levy in the amount of Euro 208 million and the limitation on the dividend exemption in effect as of 1 January 2021, in the amount of Euro 15 million.

Without considering the effects described in the previous paragraphs, the effective tax rate for the period from January–September 2023 was 24.3%.

6.2.6. Net income and net ordinary income

Net income attributable to the Parent in the first nine months of 2023 came to Euro 1,059 million, down Euro 592 million (-35.9%) on the same period in the previous year.

Net ordinary income attributable to the Parent in the first nine months of 2023 amounted to Euro 1,059 million (-27.9%), broken down as follows:

Millions of Euro

	January–September 2023	January–September 2022	Difference	Chg. (%)
Net Income[1]	**1,059**	**1,651**	**(592)**	**(35.9)**
Net gain/(loss) on disposal of non-financial assets[2]	—	(182)	182	N/A
Stake of 51% and profit/(loss) recognised due to the loss of control of Endesa X Way, S.L.	—	(182)	182	N/A
Net Ordinary Income[1]	**1,059**	**1,469**	**(410)**	**(27.9)**

[1] See the definition provided in Section 12 of this Consolidated Management Report.
[2] Above Euro 10 million.

7. Equity and financial analysis

7.1. Net invested capital

Below are the details of the breakdown and changes in Endesa's net invested capital at 30 September 2023:

Millions of Euro

	30 September 2023	31 December 2022	Difference
Net non-current assets:			
Property, plant and equipment and intangible assets	24,117	23,974	143
Goodwill	462	462	—
Investments accounted for using the equity method	285	274	11
Other net non-current assets/(liabilities)	(4,138)	(5,454)	1,316
Total net non-current assets[1]	**20,726**	**19,256**	**1,470**
Net working capital:			
Trade receivables for sales and services and other receivables	5,042	5,472	(430)
Inventories	1,325	2,122	(797)
Other net current assets/(liabilities)	(162)	(1,066)	904
Suppliers and other payables	(4,775)	(6,219)	1,444
Total net working capital[1]	**1,430**	**309**	**1,121**
Gross invested capital[1]	**22,156**	**19,565**	**2,591**
Deferred tax assets and liabilities and provisions:			
Provisions for pensions and other similar obligations	(260)	(278)	18
Other provisions	(3,512)	(3,922)	410
Deferred tax assets and liabilities	577	1,235	(658)
Total deferred tax assets and liabilities and provisions	**(3,195)**	**(2,965)**	**(230)**
Non-current assets classified as held for sale and discontinued operations	**27**	**27**	**—**
Net invested capital[1]	**18,988**	**16,627**	**2,361**
Equity[2]	**7,437**	**5,758**	**1,679**
Net financial debt[1] [3]	**11,551**	**10,869**	**682**

[1] See definition in Section 12 of this Consolidated Management Report.
[2] See Section 7.3 of this Consolidated Management Report.
[3] See Section 7.2 of this Consolidated Management Report.

At 30 September 2023, gross capital invested stood at Euro 22,156 million. The change in the first nine months of 2023 was largely a result of the following impact:

Heading	Change	
Derivative financial asset instruments	▼ Euro 1,796 million (-47.5%)	• The variation between the two periods is due, among other aspects, to the evolution of the valuation of electricity and, fundamentally, gas derivatives as a result of the situation in 2022 in the energy markets and the impact of the conflict between Russia and Ukraine on the main European gas market, which, in turn, significantly affected the price of electricity (see Section 5.2 of this Consolidated Management Report).
Derivative financial liability instruments	▼ Euro 4,453 million (-60.2%)	

At 30 September 2023, net invested capital amounted to Euro 18,988 million and its changes in the first nine months of 2023 include, firstly, the variation in gross invested capital, amounting to Euro 2,591 million and, secondly, the aspects detailed below:

Heading	Change	
Deferred tax assets and liabilities	▼ Euro 658 million (-53.3%)	• The reduction is mainly due to the change in the heading *"Valuation adjustments"* included in equity, which includes, among others, the fair value of derivative transactions for cash flow hedging (see Section 7.3 of this Consolidated Management Report).
Other provisions	▼ Euro 410 million (-10.5%)	• The changes in other provisions is largely down to the net effect of: – The redemption of carbon dioxide (CO_2) emission allowances and guarantees of origin for 2022 in the amount of Euro 945 million, partially offset by the provision to cover the cost of CO_2 emission allowances and guarantees of origin in the amount of Euro 830 million. – The update of estimated costs of dismantling the facilities forming part of property, plant and equipment, which reduced the provision by Euro 132 million. – The reduction by Euro 118 million of provisions for workforce restructuring plans, largely as a result of the payment of provisions (Euro 138 million) and the update of such provisions (Euro 20 million).

7.2. Financial management

7.2.1. Financial position

The financial markets were heavily affected by the increases in short- and long-term interest rates during the third quarter of the year. Moreover, the main Central Banks have been strongly hinting that the relentless interest rates we have been witnessing could be drawing to a close, but that rates could remain at current levels for longer than the markets seem to be expecting.
In this context, the Eurozone inflation figure for September surprised many by retreating 90 basis points (from 5.2% in August to 4.3% in September), bringing inflation to its lowest point in almost two years, albeit still a long way off the European Central Bank's (ECB) target of 2%.

Main indicators

The following table shows the performance of various key financial indicators in the first nine months of 2023:

	30 September 2023	31 December 2022	Difference	Chg. %
Closing exchange rate (EUR/USD)[1]	1.0588	1.0673	(0.0085)	(0.80)
Long-term Euro interest rate (10-Year Swap) (%)[1]	3.39	3.20	0.19	5.9
Short-term Euro interest rate (3-month Euribor) (%)[1]	3.95	2.13	1.82	85.4
Long-term US dollar interest rate (USD 10-Year SOFR) (%)[1]	4.27	3.84[4]	0.43	11.2
Short-term US dollar interest rate (3-Month SOFR) (%)[1]	5.4	4.77[5]	0.63	13.2
German 10-Year bond (%)[1]	2.84	2.57	0.27	10.5
German 30-Year bond (%)[1]	3.03	2.53	0.50	19.8
10-Year Spanish bond (%)[1]	3.93	3.65	0.28	7.7
Risk premium for Spain (bp)[1] [2]	90	108	(18)	(16.7)
Risk premium for Italy (bp)[1] [2]	175	213	(38)	(17.8)
Risk premium for Portugal (bp)[1] [2]	55	101	(46)	(45.5)
European Central Bank (ECB) reference rates (%)[1]	4.50	2.50	2.00	80.0
European Central Bank (ECB) deposit facility rate (%)[1] [3]	4.00	2.00	2.00	100.0
US Federal Reserve reference rates (Fed) (%)[1]	5.25 –5.50	4.25–4.50	1.00	22.22

(1) Source: Bloomberg.
(2) Spread against the German 10-year bond.
(3) Fee that the European Central Bank (ECB) charges banks for their deposits.
(4) 10-year USD Swap.
(5) 3-month USD Libor.
bp=basis points.

7.2.2. Financial Debt

Gross and net financial debt

At 30 September 2023, Endesa had net financial debt of Euro 11,551 million, an increase of Euro 682 million (+6.3%) on that existing at 31 December 2022.

The reconciliation of Endesa's gross and net financial debt at 30 September 2023 and 31 December 2022 is as follows:

Millions of Euro

	Reconciliation of borrowings			
	30 September 2023	31 December 2022	Difference	Chg. (%)
Non-current borrowings	12,401	11,704	697	6.0
Current borrowings	1,694	6,784	(5,090)	(75.0)
Gross financial debt	**14,095**	**18,488**	**(4,393)**	**(23.8)**
Debt derivatives recognised as financial assets	74	87	(13)	(14.9)
Cash and cash equivalents	(330)	(871)	541	(62.1)
Debt derivatives recognised as assets	(92)	(111)	19	(17.1)
Financial guarantees recognised as assets	(2,196)	(6,724)	4,528	(67.3)
Net financial debt	**11,551**	**10,869**	**682**	**6.3**

When analysing the changes in gross financial debt, the following factors should be taken into account:

Gross financial debt	Change	
Financial guarantees recognised as assets	▼ Euro 4,528 million (-67.3%)	• In the first nine months of 2023, there was a reduction in financial deposits posted as a result of transactions in organised markets in which Endesa arranges its derivative financial instruments, given that the liquidity requirements generated by the hedging portfolio in these markets have fallen owing to the gradual rotation of positions and the decrease in the prices of energy commodities, mainly gas, which has effectively reduced the level of financing needed to meet the costs of those deposits.
Dividends	▲ Euro 1,678 million	• On 3 July 2023, Endesa, S.A. paid its shareholders dividends amounting to Euro 1.5854 gross per share, for a total pay-out of Euro 1,678 million.

Structure

The structure of Endesa's gross financial debt at 30 September 2023 and 31 December 2022 is as follows:

Millions of Euro

	Structure of gross financial debt			
	30 September 2023	31 December 2022	Difference	Chg. (%)
Euro	13,940	18,307	(4,367)	(23.9)
US dollar (USD)	155	181	(26)	(14.4)
TOTAL	**14,095**	**18,488**	**(4,393)**	**(23.8)**
Fixed interest rate	9,719	7,190	2,529	35.2
Floating interest rate	4,376	11,298	(6,922)	(61.3)
TOTAL	**14,095**	**18,488**	**(4,393)**	**(23.8)**
Sustainable Financing (%)[1]	64	64	–	–
Average Life (years)[1]	3.6	3.2	–	–
Average Cost (%)[1]	3.0	1.4	–	–

[1] Véase definición en el Apartado 12 de este Informe de Gestión Consolidado.

At 30 September 2023, 69% of gross financial debt accrued fixed interest while 31% accrued floating interest. At that date, 99% of the Company's gross financial debt was denominated in Euro.

Maturity

At 30 September 2023, the breakdown of the nominal value of gross financial debt, by maturity, was as follows:

Millions of Euro

	Carrying amount at 30 September 2023	Nominal value		Total maturity					
		Current	Non-current	2023	2024	2025	2026	2027	Siguientes
Bonds and other negotiable securities	331	318	12	318	—	—	—	—	12
Bank borrowings	6,008	903	5,184	5	1,411	538	458	935	2,740
Other financial liabilities	7,756	474	7,288	397	3,095	89	94	1,729	2,358
Borrowings associated with rights of use	816	87	729	21	84	80	81	70	480
Other	6,940	387	6,559	376	3,011	9	13	1,659	1,878
TOTAL	**14,095**	**1,695**	**12,484**	**720**	**4,506**	**627**	**552**	**2,664**	**5,110**

7.2.3. Other matters

Main financial transactions

The main financial transactions from January–September 2023 were as follows:

- Endesa registered a new commercial paper programme known as *"Endesa, S.A. SDG 13 Euro Commercial Paper Programme"* (ECP) worth a total of EUR 5 billion and with an outstanding nominal amount of Euro 318 million at 30 September 2023, the renewal of which is backed by irrevocable bank credit facilities. This Programme incorporates sustainability objectives, in line with the Strategic Plan.
- Long-term financial transactions were concluded in the amount of Euro 5,300 million, all of them incorporating sustainability objectives, as follows:

Millions of Euro

Transaction	Counterparty	Signed on	Maturing on	Amount
Loan[1] [2]	European Investment Bank	17 January 2023	2038	250
Loan[3]	Caixabank, S.A.	24 March 2023	3 May 2028	425
Loan[3]	Kutxabank, S.A.	24 March 2023	4 May 2028	75
Loan[3]	BNP Paribas	24 March 2023	5 May 2028	125
Loan[3]	Enel Finance International N.V.	4 May 2023	4 May 2028	1,875
Loan[4] [5]	Club Deal	29 May 2023	30 November 2025	300
Loan[2] [6]	European Investment Bank	28 June 2023	2038	200
Loan[6]	Official Credit Institute	28 June 2023	28 June 2035	300
Credit facility[4]	BNP Paribas	24 March 2023	24 March 2026	125
Credit facility[4]	Intesa San Paolo, S.P.A.	31 March 2023	31 March 2026	250
Credit facility[4]	Enel Finance International N.V.	4 May 2023	4 May 2026	1,125
Credit facility[4] [5]	Club Deal	29 May 2023	30 November 2025	250
TOTAL				**5,300**

(1) The credit conditions of these transactions are pegged to the objective established in the company's Strategic Plan to reduce specific emission of Scope 1 carbon dioxide (CO_2) emissions, equivalent to 145 gCO_2eq/kWh in 2024.
(2) Relates to loans not paid out at 30 September 2023.
(3) The credit conditions of these transactions are pegged to environmental sustainability goals according to the criteria set out in Article 3 of the European Union Taxonomy Regulation, set at 80% by 31 December 2025.
(4) The credit conditions of these transactions are pegged to environmental sustainability goals according to the criteria set out in Article 3 of the European Union Taxonomy Regulation, set at 78% by 31 December 2023.
(5) Renewable of existing loans and credit facilities.
(6) The credit conditions of these transactions are pegged to the objective envisioned in the Strategic Plan to bring specific Scope 1 carbon dioxide (CO_2) emissions equivalent to below 145 gCO_2eq/kWh in 2025.

Liquidity

At 30 September 2023, Endesa's liquidity rose to Euro 7,891 million (Euro 9,185 million at 31 December 2022), as detailed below:

Millions of Euro

	Liquidity			
	30 September 2023	31 December 2022	Difference	Chg. (%)
Cash and cash equivalents	330	871	(541)	(62.1)
Unconditionally available under credit facilities and loans[1]	7,561	8,314	(753)	(9.1)
TOTAL	**7,891**	**9,185**	**(1,294)**	**(14.1)**
Coverage of debt maturities (number of months)[2]	17	10	—	N/A

[1] At 30 September 2023, Euro 3,525 million relates to available credit facilities with Enel Finance International N.V. (31 December 2022: Euro 4,950 million).
[2] See definition in Section 12 of this Consolidated Management Report.

Endesa has a robust financial position, along with unconditional credit facilities arranged with prime entities under which significant amounts can be drawn.

Covenants

The information relating to covenants to which certain subsidiaries of Endesa are subject is described in Note 41.4.3 of the Consolidated Financial Statements for the year ended 31 December 2022.

At 30 September 2023, neither Endesa, S.A. nor any of its subsidiaries were in breach of their financial obligations or any obligations that might lead to the mandatory early repayment of their financial commitments.

Endesa's Directors do not consider that these clauses change the current/non-current classification of debt in the Consolidated Statement of Financial Position at 30 September 2023.

7.3. Capital management

From January–September 2023, Endesa followed the same capital management policy as that described in Note 35.1.12 to the Consolidated Financial Statements for the year ended 31 December 2022.

At the date of approval for issue of this Consolidated Management Report, Endesa, S.A. had no commitments to raise funds through its own sources of finance.

7.3.1. Equity

At 30 September 2023 and 31 December 2022, the composition of this heading of the Consolidated Statement of Financial Position was as follows:

Millions of Euro

	30 September 2023	31 December 2022[1]
Total equity of the Parent	**7,255**	**5,557**
Share capital	1,271	1,271
Share premium	89	89
Legal reserve	254	254
Revaluation reserve	404	404
Other reserves	106	106
(Treasury shares)	(5)	(5)
Retained earnings	6,192	6,812
Interim dividend	—	—
Other equity instruments	5	4
Reserve for actuarial gains and losses	(189)	(190)
Adjustments due to changes in value	(872)	(3,188)
Translation differences	—	(1)
Reserve for the update of unrealised assets and liabilities	(872)	(3,187)
Hedging transactions	(866)	(3,176)
Other	(6)	(11)
Total equity of non-controlling interests	**182**	**201**
TOTAL EQUITY	**7,437**	**5,758**

[1] See Section 2 of this Consolidated Management Report.

The heading *"Adjustments due to changes in value"* in Equity includes, among others, the fair value of the cash flow accounting hedge derivative transactions arranged by Endesa, which have yet to be reclassified under results for the period because the envisaged hedged transaction has not taken place.

At 30 September 2023, the amount shown under *"Value adjustments"* – *"Hedging transactions"* came to a negative Euro 866 million (31 December 2022: negative Euro 3,176 million) and included mainly gas financial derivatives arranged for 2023–2025, as a result of Endesa's hedging strategy.

Treasury shares

The long-term variable remuneration of Endesa's Directors and Senior Management is articulated through long-term remuneration plans called Strategic Incentive Plans, the main feature of which is the allocation of an incentive consisting of the right to receive a number of ordinary shares of Endesa, S.A. and a monetary amount in accordance with the conditions established in the Plan.

Information on Endesa's incentives system is provided in Note 47.3.5 to the Consolidated Financial Statements for the year ended 31 December 2022.

On 6 September 2023, Endesa paid 30% of the long-term remuneration to have accrued in previous years under the 2020–2022 Strategic Incentive Plan, which entailed the delivery to the beneficiaries of 21,282 ordinary shares in Endesa, S.A. for a total amount of less than Euro 1 million.

Additionally, in the first half of 2023, a Temporary Share Repurchase Program was carried out in relation to the share delivery plan for employees ("Flexible Share Remuneration Program"). Within the framework of the aforementioned Program, Endesa, S.A. acquired 613,000 shares of the Parent Company for an amount of Euro 12 million, of which, at 30 September 2023, 1,351 remain in the possession of the Parent Company.

According to all of the above, at 30 September 2023 and 31 December 2022, Endesa, S.A. held treasury shares related to those programmes as shown in the table below:

	Number of shares	Nominal value (Euro/Share)	% of total share capital	Average acquisition cost (Euro/Share)	Total cost of acquisition (Euro)
Treasury shares at 30 September 2023	234,679	1.2	0.02217	19.25	4,518,265
Treasury shares at 31 December 2022	254,610	1.2	0.02405	19.25	4,901,357

7.3.2. Leverage

Consolidated leverage is an indicator used to track financial position and was as follows at 30 September 2023 and 31 December 2022:

Millions of Euro

	Leverage		Chg. (%)
	30 September 2023	31 December 2022	
Net financial debt:	**11,551**	**10,869**	**6.3**
Non-current borrowings	12,401	11,704	6.0
Current borrowings	1,694	6,784	(75.0)
Debt derivatives recognised as financial assets	74	87	(14.9)
Cash and cash equivalents	(330)	(871)	(62.1)
Debt derivatives recognised as assets	(92)	(111)	(17.1)
Financial guarantees recognised as assets	(2,196)	(6,724)	(67.3)
Equity:	**7,437**	**5,758**	**29.2**
Of the Parent	7,255	5,557	30.6
Of non-controlling interests	182	201	(9.5)
Leverage (%)[1]	**155.32**	**188.76**	**N/A**

(1) See definition in Section 12 of this Consolidated Management Report.

7.3.3. Financial indicators

Financial indicators[1]	30 September 2023	31 December 2022
Liquidity ratio	1.10	0.96
Solvency ratio	1.04	0.97
Debt ratio (%)	60.83	65.37
Debt coverage ratio	2.22	1.95
Net financial debt / Fixed assets (%)	46.88	44.37
Net financial debt / Funds from operations	2.56 [2]	2.35
(Funds from Operations + Interest expenses) / Interest expenses[3]	10.94	29.19

(1) See definition provided in Section 12 of this Consolidated Management Report.
(2) Funds from Operations for the last 12 months.
(3) Relating to the periods January–September 2023 and January–September 2022, respectively.

7.4. Management of credit ratings

Endesa's credit ratings are as follows:

	Credit rating						
	30 September 2023[1]				31 December 2022[1]		
	Long-term	Short-term	Outlook	Date of last report	Long term	Short-term	Outlook
Standard & Poor's	BBB+	A-2	Negative	14 December 2022	BBB+	A-2	Negative
Moody's	Baa1	P-2	Negative	17 October 2023	Baa1	P-2	Negative
Fitch	BBB+	F2	Stable	20 February 2023	BBB+	F2	Stable

[1] A las respectivas fechas de aprobación del Informe de Gestión Consolidado.

Endesa's credit rating is influenced by the rating of its Parent Enel. According to the methods employed by rating agencies, and, on the date of approval of this Consolidated Management Report, it has been classified as investment grade by all the rating agencies.

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

7.5. Cash flows

At 30 September 2023 and 31 December 2022, cash and cash equivalents were as follows (see Section 7.2 of this Consolidated Management Report):

Millions of Euro

	Cash and cash equivalents			
	30 September 2023	31 December 2022	Difference	Chg. (%)
Cash on hand and in banks	330	871	(541)	(62.1)
Other Cash Equivalents	—	—	—	N/A
TOTAL	**330**	**871**	**(541)**	**(62.1)**

Endesa's net cash flows in the period from January–September 2023 and 2022, classified by activity (operating, investing and financing) were as follows:

Millions of Euro

	Statement of Cash Flows			
	January–September 2023	January–September 2022	Difference	Chg. (%)
Net cash flows from operating activities	2,839	586	2,253	384.5
Net cash flows from investing activities	2,805	(9,872)	12,677	(128.4)
Net cash flows from financing activities	(6,185)	9,146	(15,331)	(167.6)

From January to September 2023, net cash flows from operating activities (Euro 2,839 million) and from investing activities (Euro 2,805 million) have enabled net payments to be met arising from financing activities (Euro 6,185 million).

7.5.1. Net cash flows from operating activities

From January to September 2023, net cash flows from operating activities amounted to Euro 2,839 million (Euro 586 million from January to September 2022), as follows:

Millions of Euro

	January–September 2023	January–September 2022	Difference	Chg. (%)
Gross profit before tax	1,506	2,275	(769)	(33.8)
Adjustments for:	2,740	1,635	1,105	67.6
Depreciation and amortisation and impairment losses	1,450	1,322	128	9.7
Other adjustments (net)	1,290	313	977	312.1
Changes in working capital:	(304)	(2,677)	2,373	(88.6)
Trade and other receivables	369	(3,167)	3,536	(111.7)
Inventories	(148)	(730)	582	(79.7)
Current financial assets	414	(1,178)	1,592	(135.1)
Trade payables and other current liabilities	(939)	2,398	(3,337)	(139.2)
Other cash flows from operating activities:	(1,103)	(647)	(456)	70.5
Interest received	57	25	32	128.0
Dividends received	24	35	(11)	(31.4)
Interest paid[1]	(295)	(108)	(187)	173.1
Corporate income tax paid	(650)	(306)	(344)	112.4
Other receipts from and payments for operating activities[2]	(239)	(293)	54	(18.4)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**2,839**	**586**	**2,253**	**384.5**

[1] Includes interest payments on borrowings for right-of-use assets amounting to Euro 30 million and Euro 25 million, respectively.
[2] Relates to payments of provisions.

The variations in the main items determining the changes in working capital are as follows:

Heading	Change	
Changes in working capital	▲ Euro 2.373 million (-88.6%)	The change in this heading is the result of the following impacts: • The increase in trade and other receivables of Euro 3,536 million. • The decrease in payments for inventories of Euro 582 million. • Higher net receipts of regulatory items amounting to Euro 1,592 million. This figure includes, firstly, an increase due to compensation for cost overruns on Non-mainland Territories generation ("TNP") (Euro 1,650 million) and tariff deficit payments (Euro 154 million) and, secondly, an increase due to the restriction on the increase in the Tariff of Last Resort (TUR) for gas (Euro 96 million). • Increase in trade payables and other current liabilities in the amount of Euro 3,337 million, which includes, among others, the payment made to the State Administration relating to the temporary energy tax recognised under "Other variable procurements and services" introduced by Law 38/2022, of 27 December (see Section 9 of this Consolidated Management Report).

From January–September 2023, Endesa has also continued with its active management policy for current assets and liabilities, focusing, among other aspects, on the improvement of processes, the factoring of receivables and agreements extending payment periods with suppliers.

7.5.2. Net cash flows from investing activities

From January to September 2023, net cash flows from investing activities amounted to Euro 2,805 million (Euro 9,872 million applied from January to September 2022) and include, inter alia:

Cash receipts and payments used to acquire property, plant and equipment and intangible assets:

Millions of Euro

	January–September 2023	January–September 2022
Acquisitions of property, plant and equipment and intangible assets	**(1,680)**	**(1,503)**
Acquisitions of property, plant and equipment[1]	(1,238)	(1,137)
Acquisitions of intangible assets	(279)	(343)
Facilities transferred from customers	65	64
Non-current asset suppliers	(228)	(87)
Proceeds from sale of property, plant and equipment and intangible assets	**13**	**5**
Other proceeds from and payments for investing activities[2]	**57**	**60**
TOTAL	**(1,610)**	**(1,438)**

[1] Does not include additions for rights of use amounting to Euro 63 million from January to September 2023 and Euro 20 million from January to September 2022.
[2] Corresponding to collections of grants and new installations requested by customers.

Cash payments for investments and/or receipts from disposals of holdings in Group companies

Millions of Euro

	January–September 2023	January–September 2022
Disposals of investments in Group companies	**—**	**136**
Sale of 51% of Endesa X Way, S.L. to Enel Way, S.r.l.	—	122
Sale of 40% stake in Boiro Energía, S.A. and Depuración Destilación Reciclaje, S.L.	—	14
TOTAL	**—**	**136**

Cash payments and receipts used in acquisitions and/or disposals of other investments

Millions of Euro

	January–September 2023	January–September 2022
Purchase of other investments	**(297)**	**(8,591)**
Remuneration of non-current distribution activity	(249)	(148)
Net financial collateral	—	(8,424)
Other financial assets	(48)	(19)
Disposal of other investments	**4,712**	**21**
Net financial collateral	4,528	—
Other financial assets	184	21
TOTAL	**4,415**	**(8,570)**

7.5.3. Net cash flows from/(used in) financing activities

In the first nine months of 2023, net cash flows used in financing activities amounted to Euro 6,185 million (Euro 9,146 million obtained in the first nine months of 2022), including mainly:

Cash flows from equity instruments

Millions of Euro

	January–September 2023	January–September 2022
Acquisition of non-controlling interests in Energías Especiales de Peña Armada, S.A.U. and Energías Especiales de Careón, S.A.	–	(7)
Contribution by shareholders at Endesa X Way, S.L.	(2)	(8)
Contributions by equity holders of direct and/or indirect investees of Enel Green Power España, S.L.U. (EGPE)	(13)	(1)
Return of minority contributions of funds of Bosa del Ebro, S.L. and Tauste de Energía Distribuida, S.L.	(7)	(2)
TOTAL	**(22)**	**(18)**

Drawdowns of non-current borrowings

Millions of Euro

	January–September 2023	January–September 2022
Drawdowns on bank loans and credit facilities	675	1,033
Drawdowns of loans and credit facilities Enel Finance International N.V.	1,875	3,350
Drawdowns of loans from the European Investment Bank (EIB) and Official Credit Institute ("ICO")	300	550
Other	19	88
TOTAL	**2,869**	**5,021**

Reimbursements of non-current borrowings:

Millions of Euro

	January–September 2023	January–September 2022
Repayment of bank loans and credit facilities	(675)	–
Repayment of loans and credit facilities from Enel Finance International, N.V.	(450)	–
Other	(16)	(4)
TOTAL	**(1,141)**	**(4)**

Amortisation and drawdowns of current borrowings:

Millions of Euro

	January–September 2023	January–September 2022
Drawdowns		
Issues of Euro Commercial Paper (ECP)	11,644	23,957
Drawdowns on bank loans and credit facilities	—	3,000
Other financial liabilities	133	1,231
Depreciation and amortisation		
Amortisation of Euro Commercial Paper (ECP)	(16,314)	(22,268)
Payments of right-of-use contracts	(78)	(66)
Repayments of bank loans and credit facilities	(900)	—
Repayments of loans from the European Investment Bank (EIB) and the Official Credit Institute ("ICO")	(165)	(132)
Other financial liabilities	(504)	(44)
TOTAL	**(6,184)**	**5,678**

Dividends paid

Millions of Euro

	January–September 2023	January–September 2022
Dividends of the Parent paid	(1,678)	(1,521)
Dividends paid to non-controlling Interests[1]	(29)	(10)
TOTAL	**(1,707)**	**(1,531)**

[1] Relating to companies of Enel Green Power España, S.L.U. (EGPE).

7.6. Investments

From January–September 2023, gross investments in property, plant and equipment and intangible assets amounted to Euro 1,580 million, as follows:

Millions of Euro

	Investments		
	January–September 2023	January–September 2022	Chg. (%)
Generation and Supply	**710**	**606**	**17.2**
Conventional generation[1]	144	126	14.3
Renewable generation	544	468	16.2
Energy supply	3	–	N/A
Retail supply of other products and services	19	12	58.3
Distribution	**579**	**546**	**6.0**
Structure, services and others[2]	**12**	**5**	**140.0**
TOTAL PP&E[3] [4]	**1,301**	**1,157**	**12.4**
Generation and Supply	**243**	**281**	**(13.5)**
Conventional generation	11	12	(8.3)
Renewable generation	57	46	23.9
Energy supply	146	191	(23.6)
Retail supply of other products and services	29	32	(9.4)
Distribution	**27**	**48**	**(43.8)**
Structure, services and others[2]	**9**	**14**	**(35.7)**
TOTAL INTANGIBLE ASSETS[4] [5]	**279**	**343**	**(18.7)**
TOTAL GROSS INVESTMENTS[6]	**1,580**	**1,500**	**5.3**
Capital Grants and facilities transferred	**(122)**	**(124)**	**(1.6)**
Generation and Supply	**(1)**	**–**	**N/A**
Conventional generation	(1)	–	N/A
Distribution	**(121)**	**(124)**	**(2.4)**
TOTAL NET INVESTMENTS[6]	**1,458**	**1,376**	**6.0**

[1] In the first nine months of 2023 and 2022, this includes gross investments in property, plant and equipment in Non-mainland Territories ("TNP") amounting to Euro 30 million and Euro 33 million, respectively.
[2] Structure, Services and Adjustments.
[3] In the first nine months of 2023, this includes additions for rights of use amounting to Euro 63 million (Euro 20 million in the first nine months of 2022).
[4] In the first nine months of 2023, this includes Euro 1,541 million (97.5%) corresponding to gross investments for low-carbon products, services and technologies, and Euro 39 million (2.4%) relating to gross investments in coal/fuel and combined cycle power plants, (Euro 1,461 million (97.4%) and Euro 39 million (2.6%) in the first nine months of 2022) (see definition in Section 12 of this Consolidated Management Report).
[5] In the first nine months of 2023 and 2022, this includes gross investments in intangible assets in Non-mainland Territories ("TNP") amounting to Euro 1 million and less than Euro 1 million, respectively.
[6] See definition in Section 12 of this Consolidated Management Report.

Information relating to the main investments in Section 8 of this Consolidated Management Report.

8. Segment information

8.1. Basis of segmentation

In carrying out its business activities, Endesa's organisation prioritises its core business of electricity and gas generation, distribution, and sale, as well as related services. Hence, segment financial reporting is based on the approach used by the Company's Executive Management Committee to monitor Endesa's results and includes:

- Generation, together with retail supply;
- Distribution;
- Structure that mainly includes the balances and transactions of holding companies of the holdings and of the financing and service provision companies; and
- Consolidation adjustments and eliminations, including the inter-segment consolidation eliminations and adjustments.

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

8.2. Segment information

8.2.1. Segment information: Consolidated Income Statement for the first nine months of 2023 and 2022

Millions of Euro

	January–September 2023		
	Generation and Supply		
	Conventional generation[1]	Renewable generation	Energy supply
REVENUE	**8,435[2]**	**892**	**15,492**
Revenue with third parties	2,209	191	14,757
Revenue from transactions between segments	6,226	701	735
PROCUREMENTS AND SERVICES	**(4,927)**	**(91)**	**(14,167)**
INCOME AND EXPENSES FROM ENERGY COMMODITY DERIVATIVES	**(1,934)**	**12**	**(453)**
CONTRIBUTION MARGIN[5]	**1,574**	**813**	**872**
FIXED OPERATING COSTS AND OTHER GAINS AND LOSSES	**(578)**	**(184)**	**(375)**
GROSS OPERATING INCOME (EBITDA)[4] [5]	**996**	**629**	**497**
Depreciation and amortisation, and impairment losses on non-financial assets	**(397)**	**(193)**	**(120)**
Depreciation and amortisation	(397)	(192)	(120)
Provision for impairment of non-financial assets	–	(1)	–
Reversal of impairment of non-financial assets	–	–	–
Impairment losses on financial assets	**–**	**(4)**	**(157)**
Provision for impairment of financial assets	(3)	(4)	(235)
Reversal of impairment of financial assets	3	–	78
OPERATING INCOME (EBIT)[5]	**599**	**432**	**220**
Net profit/(loss) of companies accounted for using the equity method	9	4	1
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS[7]	**155**	**601**	**149**

(1) Includes the Contribution Margin, EBITDA and EBIT of Non-Mainland Territories generation amounting to Euro 350 million, Euro 154 million and Euro 89 million, respectively.
(2) Includes Euro 3,448 million (18.1% of total revenue) corresponding to generation from emitting technologies and Euro 1,126 million (5.9% of total revenue) corresponding to nuclear generation.
(3) Includes the contribution margin for gas for commercialization in the amount of Euro 7 million, positive.
(4) EBITDA from low-carbon products, services and technologies was Euro 2,800 million.
(5) See definition in Section 12 of this Consolidated Management Report.
(6) Includes Euro 398 million, positive, corresponding to nuclear generation and Euro 45 million, negative, pertaining to gas for commercialization.
(7) Includes additions of rights of use amounting to Euro 63 million (Euro 52 million in Generation and Retail Supply, Euro 5 million in Distribution and Euro 6 million in Structure and Services).

	January–September 2023						
	Generación y Comercialización						
	Retail supply of other products and services	Generation and supply adjustments and eliminations	Total	Distribution	Structure and Services	Consolidated adjustments and eliminations	Total
	281	**(7,644)**	**17,456**	**1,890**	**348**	**(483)**	**19,211**
	277	–	17,434	1,770	7	–	19,211
	4	(7,644)	22	120	341	(483)	–
	(160)	**7,618**	**(11,727)**	**(116)**	**(209)**	**114**	**(11,938)**
	–	**–**	**(2,375)**	**–**	**–**	**–**	**(2,375)**
	121[3]	**(26)**	**3,354**	**1,774**	**139**	**(369)**	**4,898**
	(65)	**26**	**(1,176)**	**(412)**	**(326)**	**369**	**(1,545)**
	56	**–**	**2,178**[6]	**1,362**	**(187)**	**–**	**3,353**
	(28)	**–**	**(738)**	**(512)**	**(32)**	**–**	**(1,282)**
	(28)	–	(737)	(512)	(32)	–	(1,281)
	–	–	(1)	–	–	–	(1)
	–	–	–	–	–	–	–
	(10)	**–**	**(171)**	**3**	**–**	**–**	**(168)**
	(12)	–	(254)	(49)	–	–	(303)
	2	–	83	52	–	–	135
	18	**–**	**1,269**	**853**	**(219)**	**–**	**1,903**
	(5)	–	9	4	–	–	13
	48	**–**	**953**	**606**	**21**	**–**	**1,580**

Millions of Euro

	January–September 2022		
	Generation and Supply		
	Conventional generation[1]	Renewable generation	Energy supply
REVENUE	**12,971[2]**	**614**	**22,181**
Revenue with third parties	3,877	223	18,736
Revenue from transactions between segments	9,094	391	3,445
PROCUREMENTS AND SERVICES	**(7,670)**	**(61)**	**(23,207)**
INCOME AND EXPENSES FROM ENERGY COMMODITY DERIVATIVES	**(2,999)**	**(32)**	**1,389**
CONTRIBUTION MARGIN[5]	**2,302**	**521**	**363[3]**
FIXED OPERATING COSTS AND OTHER GAINS AND LOSSES	**(568)**	**(172)**	**(334)**
GROSS OPERATING INCOME (EBITDA)[4] [5]	**1,734**	**349**	**29**
Depreciation and amortisation, and impairment losses on non-financial assets	**(382)**	**(170)**	**(93)**
Depreciation and amortisation	(381)	(168)	(93)
Provision for impairment of non-financial assets	(1)	(2)	—
Reversal of impairment of non-financial assets	—	—	—
Impairment losses on financial assets	**(4)**	**(13)**	**(73)**
Provision for impairment of financial assets	(6)	(13)	(165)
Reversal of impairment of financial assets	2	—	92
OPERATING INCOME (EBIT)[5]	**1,348**	**166**	**(137)**
Net profit/(loss) of companies accounted for using the equity method	7	14	(3)
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS[7]	**138**	**514**	**191**

[1] Includes the Contribution Margin, Gross Operating Profit (EBITDA) and Operating Profit (EBIT) from Non-mainland Territories ("TNP") generation amounting to Euro 317 million, Euro 146 million and Euro 82 million, respectively.
[2] Includes Euro 6,370 million (25.9% of total revenue) corresponding to generation from emitting technologies and Euro 1,228 million (5.0% of total revenue) pertaining to nuclear generation.
[3] Includes a negative Contribution Margin of Euro 16 million from gas for commercialization.
[4] EBITDA from low-carbon products, services and technologies is Euro 2,582 million.
[5] See definition in Section 12 of this Consolidated Management Report.
[6] Includes Euro 534 million, positive, corresponding to nuclear generation and Euro 72 million, negative, corresponding to gas for commercialization.
[7] Includes additions of rights of use amounting to Euro 20 million (Euro 18 million in Generation and Retail Supply, Euro 1 million in Distribution, and Euro 1 million in Structure and Services).

January–September 2022						
Generación y Comercialización						
Retail supply of other products and services	Generation and supply adjustments and eliminations	Total	Distribution	Structure and Services	Consolidated adjustments and eliminations	Total
230	**(12,903)**	**23,093**	**1,659**	**337**	**(469)**	**24,620**
229	—	23,065	1,549	6	—	24,620
1	(12,903)	28	110	331	(469)	—
(113)	**12,883**	**(18,168)**	**(104)**	**171**	**102**	**(17,999)**
—	**—**	**(1,642)**	**—**	**—**	**—**	**(1,642)**
117	**(20)**	**3,283**	**1,555**	**508**	**(367)**	**4,979**
172	**20**	**(882)**	**(423)**	**(331)**	**367**	**(1,269)**
289	**—**	**2,401**[6]	**1,132**	**177**	**—**	**3,710**
(27)	**—**	**(672)**	**(489)**	**(39)**	**—**	**(1,200)**
(27)	—	(669)	(489)	(39)	—	(1,197)
—	—	(3)	—	—	—	(3)
—	—	—	—	—	—	—
(13)	**—**	**(103)**	**(19)**	**—**	**—**	**(122)**
(15)	—	(199)	(81)	—	—	(280)
2	—	96	62	—	—	158
249	**—**	**1,626**	**624**	**138**	**—**	**2,388**
(3)	—	15	3	—	—	18
44	**—**	**887**	**593**	**20**	**—**	**1,500**

8.2.2. Segment information: Statement of Financial Position at 30 September 2023 and 31 December 2022

Millions of Euro

	30 September 2023		
	Generation and Supply		
	Conventional generation	Renewable generation	Energy supply
Property, plant and equipment	**4,464**	**5,112**	**175**
Intangible assets	**77**	**730**	**579**
Goodwill	**3**	**300**	**58**
Investments accounted for using the equity method	**87**	**51**	**5**
Non-current assets under contracts with customers	**—**	**—**	**—**
Trade receivables for sales and services and other receivables	**3,002**	**1,021**	**5,396**
Current assets under contracts with customers	**—**	**—**	**—**
Other	**614**	**84**	**395**
ASSETS SEGMENTS	**8,247**	**7,298**	**6,608**
TOTAL ASSETS			
Non-current liabilities of contracts with customers	**—**	**18**	**—**
Non-current provisions	**1,668**	**175**	**114**
Provisions for employee benefits	89	6	15
Other non-current provisions	1,579	169	99
Current Liability Contracts with Customers	**—**	**—**	**2**
Current provisions	**741**	**1**	**130**
Provisions for employee benefits	—	—	—
Other current provisions	741	1	130
Suppliers and other payables	**1,895**	**939**	**5,656**
Other	**151**	**5**	**9**
LIABILITIES SEGMENTS	**4,455**	**1,138**	**5,911**
TOTAL LIABILITIES			

	30 September 2023						
	Generation and Supply			Distribution	Structure and Services	Consolidated adjustments and eliminations	Total
	Retail supply of other products and services	Generation and supply adjustments and eliminations	Total				
	88	**—**	**9,839**	**12,452**	**153**	**—**	**22,444**
	38	**—**	**1,424**	**216**	**33**	—	**1,673**
	—	**—**	**361**	**97**	**4**	**—**	**462**
	127	**—**	**270**	**12**	**3**	**—**	**285**
	—	**—**	**—**	**—**	**—**	**—**	**—**
	74	**(5,094)**	**4,399**	**664**	**539**	**(560)**	**5,042**
	—	**—**	**—**	**6**	**—**	**—**	**6**
	28	**—**	**1,121**	**623**	**5**	**—**	**1,749**
	355	**(5,094)**	**17,414**	**14,070**	**737**	**(560)**	**31,661**
							41,095
	—	**—**	**18**	**4,279**	**—**	**—**	**4,297**
	11	**—**	**1,968**	**527**	**174**	**—**	**2,669**
	1	—	111	123	26	—	260
	10	—	1,857	404	148	—	2,409
	—	**—**	**2**	**315**	**—**	**—**	**317**
	1	**—**	**873**	**87**	**143**	**—**	**1,103**
	—	—	—	—	—	—	—
	1	—	873	87	143	—	1,103
	157	**(5,049)**	**3,598**	**1,584**	**153**	**(560)**	**4,775**
	2	**(45)**	**122**	**676**	**10**	**—**	**808**
	171	**(5,094)**	**6,581**	**7,468**	**480**	**(560)**	**13,969**
							41,095

Millions of Euro

	31 December 2022		
	Generation and Supply		
	Conventional generation	Renewable generation	Energy supply
Property, plant and equipment	**4,975**	**4,735**	**22**
Intangible assets	**93**	**716**	**549**
Goodwill	**3**	**300**	**58**
Investments accounted for using the equity method	**90**	**37**	**3**
Non-current assets under contracts with customers	**–**	**–**	**–**
Trade receivables for sales and services and other receivables	**5,409**	**753**	**6,220**
Current assets under contracts with customers	**–**	**–**	**–**
Other	**1,173**	**60**	**686**
ASSETS SEGMENTS	**11,743**	**6,601**	**7,538**
TOTAL ASSETS			
Non-current liabilities of contracts with customers	**–**	**13**	**–**
Non-current provisions	**1,883**	**167**	**123**
Provisions for employee benefits	101	4	15
Other non-current provisions	1,782	163	108
Current Liability Contracts with Customers	**–**	**–**	**9**
Current provisions	**894**	**2**	**104**
Provisions for employee benefits	–	–	–
Other current provisions	894	2	104
Suppliers and other payables	**3,726**	**1,226**	**7,634**
Other	**163**	**7**	**9**
LIABILITIES SEGMENTS	**6,666**	**1,415**	**7,879**
TOTAL LIABILITIES			

[1] See Section 2 of this Consolidated Management Report.

31 December 2022						
Generación y Comercialización						
Retail supply of other products and services	Generation and supply adjustments and eliminations	Total	Distribution	Structure and Services	Consolidated adjustments and eliminations	Total
76	–	9,808	12,371	159	–	22,338
30	–	1,388	209	39	–	1,636
–	–	361	97	4	–	462
129	–	259	12	3	–	274
–	–	–	–	–	–	–
120	(7,533)	4,969	677	232	(406)	5,472
–	–	–	8	–	–	8
32	–	1,951	531	3	–	2,485
387	(7,533)	18,736	13,905	440	(406)	32,675
						50,067[1]
–	–	13	4,287	–	–	4,300
12	–	2,185	578	201	–	2,964
1	–	121	131	26	–	278
11	–	2,064	447	175	–	2,686
–	–	9	285	–	–	294
2	–	1,002	86	148	–	1,236
–	–	–	–	–	–	–
2	–	1,002	86	148	–	1,236
163	(7,492)	5,257	1,120	248	(406)	6,219
1	(41)	139	681	6	–	826
178	(7,533)	8,605	7,037	603	(406)	15,839
						50,067[1]

At 30 September 2023 and 31 December 2022, the reconciliation of assets and liabilities by segment to Total assets and Total liabilities in the consolidated statement of financial position is as follows:

Millions of Euro

	30 September 2023	31 December 2022
TOTAL ASSETS	**41,095**	**50,067**
Other non-current financial assets	691	1,160
Non-current derivative financial instruments	746	1,249
Deferred tax assets	1,799	2,660
Current income tax assets	324	49
Other tax assets	211	166
Other current financial assets	4,066	8,677
Current derivative financial instruments	1,240	2,533
Cash and cash equivalents	330	871
Non-current assets held for sale and discontinued operations	27	27
ASSETS SEGMENTS	**31,661**	**32,675**
TOTAL LIABILITIES	**41,095**	**50,067**
Equity	7,437	5,758
Non-current borrowings	12,401	11,704
Non-current derivative financial instruments	794	2,408
Other non-current financial liabilities	—	—
Deferred tax liabilities	1,222	1,425
Current borrowings	1,694	6,784
Current derivative financial instruments	2,151	4,990
Other current financial liabilities	153	51
Current income tax liabilities	712	544
Other tax liabilities	562	564
LIABILITIES SEGMENTS	**13,969**	**15,839**

8.3. Generation and Supply

8.3.1. Analysis of results

During the period January-September 2023 the context in the Electricity Sector has stabilized due, among other reasons, to the progressive decrease in the price of gas, despite the geopolitical tensions and the inflationary environment, as a consequence of the measures adopted by Europe to mitigate the effects derived from the conflict between Russia and Ukraine and the lower demand due to energy saving policies. This drop in gas prices has led to a reduction in electricity prices, also affected by the higher production of energy from renewable sources during the period.

Amid this environment, and in line with Endesa's joint management approach to the integrated margin of electricity generation and supply, it is worth noting that a new inter-company contract has been in effect between the two businesses since 1 January 2022, whereby Endesa's supply company will have access to hydroelectric, nuclear and renewable energy production subject to the reduction regime determined by Article 5 of Royal Decree Law 17/2021, of 14 September, at a fixed price of Euro 65/MWh. Under the terms thus stipulated, such fixed price would be applicable to all energy transmitted with delivery during 2022 and 2023. The energy needs of the supply company not covered under this agreement are subject to the market price.

Key figures in the first nine months of 2023 and the change with respect to the same period of the previous year are as follows:

Millions of Euro

Key figures	January–September 2023	January–September 2022	Difference	Chg. (%)	
Contribution margin	3,354	3,283	71	+2.2	The change in the margin is largely the result of: • The decrease in energy purchase costs (Euro 5,321 million) and fuel consumption (Euro 1,202 million) has offset the lower electricity (Euro 5,541 million) and gas (Euro 239 million) sales, mainly as a result of the decrease in the arithmetic average price on the wholesale electricity market (91.1 Euro/MWh; -51.0%) and the average gas price (40.7 Euro/MWh; -69.3%). • Lower transmission expenses (Euro 358 million), mainly due to the reduction in the portion of the tariffs relating to electricity charges, partially offset by the that access tariffs to the electricity transmission and distribution networks remained unchanged. • The change in "Income and expenses from commodity derivatives" amounting to Euro 733 million due to changes in the price and settlement of electricity and gas derivatives stemming from price volatility in the energy markets.
Gross operating income (EBITDA)	2,178	2,401	(223)	(9.3)	• Includes higher personnel costs (Euro 16 million), partly due to the effect of inflation and higher social security contributions. • Includes the update of provisions for workforce restructuring plans (Euro 9 million, negative). • Includes the higher Real Estate Tax (IBI) expense due to the increase in wind farms and photovoltaic plants in operation (Euro 4 million). • Includes, in the first nine months of 2022, the gross profit obtained from the sale of the 51% stake in Endesa X Way, S.L. and the loss of control of that company for a total of Euro 238 million.
Operating Income (EBIT)	1,269	1,626	(357)	(22.0)	• Includes the increase in depreciation and amortisation expense (Euro 68 million), mainly as a result of the investment made in electricity production facilities from renewable sources and increased capitalisation of the incremental costs incurred in obtaining contracts with customers. • Includes the higher net provision (Euro 68 million), mainly due to the deterioration in receipts from residential customers and Business to Business (B2B) customers.

8.3.2. Investments

Between January and September 2023, gross investments in property, plant and equipment and intangible assets amounted to Euro 953 million. The breakdown by activity is as follows:

Millions of Euro

Investments	January–September 2023	January–September 2022	Difference	Chg. (%)	
	155	138	17	+12.3	• Largely includes investments in generation facilities of various technologies, mainly nuclear. • Includes investments in systems and telecommunications activity (ICT).
	601	514	87	+16.9	• In the first nine months of 2023, in pursuit of the Paris Agreement on the reduction of carbon dioxide (CO_2) emissions and the aim of leading the energy transition and achieving strong growth in the renewable generation pool, as set out in the 2023–2025 Strategic Plan, Endesa invested Euro 489 million in the construction of electricity generation facilities from renewable sources. • Investments in this activity include the recognition of a right-of-use asset over the land on which certain renewable generation facilities are located, for a total of Euro 46 million. • This also includes investments in systems and telecommunications activity (ICT) amounting to Euro 5 million (Euro 6 million in the first nine months of 2022).
	149	191	(42)	(22.0)	• Relates mainly to the capitalisation of incremental costs incurred in rocuring contracts with customers amounting to Euro 114 million (Euro 144 million in the first nine months of 2022). • Also includes investments in systems and telecommunications (ICT) amounting to Euro 35 million (Euro 47 million in the first nine months of 2022).
	48	44	4	+9.1	• Includes, mainly, investments in charging stations for the e-Mobility business and digitalization of the e-City activity for a total amount of Euro 19 million, as well as the capitalisation of incremental costs incurred in signing contracts with customers of the e-Home and e-Industries businesses for an amount of Euro 29 million.
TOTAL	**953**	**887**	**66**	**+7.4**	

8.4. Distribution

8.4.1. Analysis of results

Key figures in the first nine months of 2023 and the change with respect to the same period of the previous year are as follows:

Millions of Euro

Key figures	January–September 2023	January–September 2022	Difference	Chg. (%)	
Contribution margin	1,774	1,555	219	+14.1	• Mainly includes regulated income from distribution activity. In the first nine months of 2022, this included the reduction in regulated revenue from distribution activity, mainly due to recognition of the updated remuneration obtained from distribution activity pertaining to the years 2017, 2018 and 2019, in accordance with Order TED/749/2022 of 27 July, in the amount of Euro 180 million. • In the first nine months of 2022, it included lower revenue from the recognition of the restatements recorded in 2021 (Euro 29 million).
Gross operating income (EBITDA)	1,362	1,132	230	+20.3	• Includes higher personnel costs (Euro 10 million), partly due to the effect of inflation and an increase in social security contributions. • Includes the update of provisions for personnel restructuring plans (Euro 2 million, negative). • Lower expenses recognized for sanctioning proceedings (Euro 22 million).
Operating Income (EBIT)	853	624	229	+36.7	• Includes the increase in depreciation and amortisation expense (Euro 23 million), mainly as a result of the investments made in electricity distribution systems and facilities. • In the first nine months of 2022, it included further provisions for impairment losses (Euro 22 million) as a result of the worsening in the payment performance of small energy supply companies.

8.4.2. Investments

Between January and September 2023, gross investments in property, plant and equipment and intangible assets amounted to Euro 606 million, broken down as follows:

Millions of Euro

Investments	January–September 2023	January–September 2022	Difference	Chg. (%)	
	606	594	12	+2.0	• Investments in property, plant and equipment amounted to Euro 579 million and relate mainly to grid extensions and investments to optimise the operation of the grid and make it more efficient, adapt it to new customer needs and strengthen quality of service and grid resilience in accordance with Endesa's strategy. • In January to September 2023 and 2022, it includes the investment relating to the licence to use the Blue Sky Grid Platform alongside Enel Global Infrastructure and Networks S.r.l (EGIN) for a total of Euro 9 million and Euro 29 million, respectively. • It also includes investments in the systems and telecommunications (ICT) activity.

8.5. Structure and others

8.5.1. Analysis of results

Key figures in the first nine months of 2023 and the change with respect to the same period of the previous year are as follows:

Millions of Euro

Key figures	January–September 2023	January–September 2022	Difference	Chg. (%)	
Contribution margin	(230)	141	(371)	(263.1)	• Includes the recognition of the expense associated with the temporary energy levy ushered in by Law 38/2022 of 27 December (Euro 208 million). • In the first nine months of 2022, it included the recognition of the income arising from the Supreme Court ruling on the inapplicability of the financing regime of the Social Bonus (Euro 152 million).
Gross operating income (EBITDA)	(187)	177	(364)	(205.6)	• Includes higher personnel costs (Euro 3 million), partly due to the effect of inflation and an increase in social security contributions.] • Includes the update of provisions for personnel restructuring plans (Euro 9 million, positive).
Operating Income (EBIT)	(219)	138	(357)	(258.7)	• Includes a reduction in the amortisation of software (Euro 7 million).

8.5.2. Investments

In the first nine months of 2023, gross investments in property, plant and equipment and intangible assets amounted to Euro 21 million, broken down as follows:

Millions of Euro

Investments	January–September 2023	January–September 2022	Difference	Chg. (%)	
	21	19	2	+10.5	• Mainly includes investments in the systems and telecommunications (ICT) activity.

9. Regulatory framework

The main regulatory changes to have taken place between January and September 2023 are as follows: :

Regulatory framework in Spain

Extension throughout 2023 of certain measures taken in response to the Russia-Ukraine conflict and ensuing crisis

Through Royal Decree Law 18/2022, of 18 October, which approves measures to strengthen the protection of energy consumers and contribute to the reduction of natural gas consumption in application of the "*Plan + Security for your energy (+SE)*", as well as measures relating the remuneration of personnel in the public sector and the protection of temporary agricultural workers affected by drought, and Royal Decree 20/2022, of 27 December, on measures to respond to the economic and social consequences of the war in Ukraine and support for the reconstruction of the island of La Palma and other situations of vulnerability and Royal Decree Law 5/2023, of 28 June, adopting and extending certain measures in response to the economic and social consequences of the war in Ukraine, certain measures adopted in the past related to the crisis resulting from the Russia-Ukraine conflict have been extended during the financial year 2023. These include:

- In relation to the Bono Social (Social Bonus), the discounts for beneficiaries have been increased, until 31 December 2023, from 60% to 65% for vulnerable consumers, and from 70% to 80% for severely vulnerable consumers. Similarly, and with the same time horizon, the energy limit to which the rebates apply has been raised by 15%.
  A new discount of 40% has been created, again with the same time horizon, for working households covered by the Voluntary Price for Small Consumers ("PVPC") with incomes between 1.5 and 2 times the Public Multiple Effect Income Indicator ("IPREM"), increased by 0.3 for each additional adult member and 0.5 for each additional minor member of the household. In addition, the ban on cutting the supply of electricity, water and gas to vulnerable customers, severely vulnerable consumers, or those at risk of social exclusion is extended until 31 December 2023.
- The mechanism for reducing the excess remuneration of the electricity market caused by the high price of natural gas on international markets, introduced by Royal Decree Law 17/2021 of 14 September, is extended until 31 December 2023.
- In the tax realm, the Law extends, until 31 December 2023, the reduction in Value Added Tax (VAT) on gas and electricity to 5%, the reduction in the excise tax on electricity to 0.5%, and the suspension of the tax on the value of electricity production (in relation to the latter, the Electricity System will be compensated by an equivalent amount to ensure that revenues and the costs of the charges are balanced).
- Turning to tariffs and charges, the 80% reduction in electricity tariffs for electricity intensive consumers is extended until 31 December 2023, which will be compensated from the General State Budget ("PGE"). In addition, Euro 2,000 million will be allocated out of the General State Budget ("PGE") to cover electricity system charges. Lastly, the Law dictates that any surplus that may arise in the 2022 settlements will be allocated to the 2023 settlements.

Royal Decree Law 5/2023, of 28 June, adopting and extending certain measures in response to the economic and social consequences of the war in Ukraine, support for the reconstruction of the island of La Palma and other situations of vulnerability

This Royal Decree Law was published in the Official State Gazette ("BOE") on 29 June 2023. Among other matters, it introduces a new package of measures to cope with both the economic and social consequences in Spain of the war in Ukraine, including extending measures already adopted previously. In the energy realm, some of the key aspects are:

- It extends the deadline for renewable projects with access permits granted on or after 1 January 2018 by six months to comply with the milestone of obtaining the administrative construction authorisation. In any event, it maintains the 5-year deadline for commissioning.
- The electricity market price references and fuels to be used for certain facilities operating under the specific remuneration scheme for renewable energies, cogeneration and waste are modified to reflect values more in line with prevailing market conditions. On 8 July 2023, Order TED/741/2023 of 30 June was published, updating the remuneration parameters for the 2023–2025 half-period to include, among other aspects, the provisions of Royal Decree Law 5/2023 of 28 June.
- In keeping with European legislation, it introduces a new subject in the electricity sector: citizen energy communities. Among other rights, these communities are able to own distribution networks and act as representatives for consumers to carry out collective self-consumption. For the existing figure of renewable energy communities, new rights are defined based on specific European legislation, whereby the related distribution grid operator will facilitate "*energy transfers*". These communities will be subject to tariffs and charges, and the related fees and taxes, so that they contribute to the overall distribution of the system's cost.
- It also declares all recharging stations with over 3 MW of capacity as of public utility, subject to authorisation by the Ministry for the Ecological Transition and the Demographic Challenge ("MITECO"). Stations with lower capacity are exempt from the requirement to obtain administrative authorisation. Moreover, to promote electric mobility, it includes a deduction of 15% on the purchase value of new electric vehicles and of the amounts for installing a recharging station on a taxpayer's property not used for a business activity from personal income tax withholding) until 31 December 2024.

Law 38/2022, of December 27, for the establishment of temporary energy taxes and taxes on credit institutions and financial credit establishments and creating the temporary solidarity tax on large fortunes, and amending certain tax regulations

The Law was ultimately published in the Official State Gazette ("BOE") on 28 December 2022, and the main aspects of the Law in relation to the energy levy are as follows:

- For 2023 and 2024, the Law introduces a temporary levy of 1.2% on the net turnover earned from activities carried out in Spain during the calendar year prior to the year in which the payment obligation arises (which will arise on the first day of the calendar year).
- The taxable revenue will not include revenue subject to the Tax on Hydrocarbons, the Special Tax of the Autonomous Community of the Canary Islands on Fuels Derived from Petroleum and the Complementary Levies on Fuels and Oil-based Fuels in Ceuta and Melilla, which have either been paid or borne by way of repercussion. The taxable revenue will also exclude revenue relating to regulated activities, understood as regulated price supply (the Voluntary Price for the Small Consumer ("PVPC") for electricity, the Last

Resort Tariff (LRT) for gas, bottled Liquified Petroleum Gas (LPG) and piped LPG), regulated income from the electricity and natural gas transmission and distribution grids and, in the case of generation subject to regulated remuneration and additional remuneration in the Non-mainland Territories ("TNP"), all revenue received from the facilities, including that received from the market and economic dispatch.

- The levy will apply to persons or entities with the status of main operator in the energy sectors in the following two circumstances: 1) when their annual revenues in 2019 exceeded Euro 1,000 million; and 2) when their revenues in 2017, 2018 and 2019 for the activity qualifying them as main operator exceeded 50% of their total revenues for the year in question. The Law also states that the status of main operator in the energy sectors will be held by persons or entities engaged in crude oil or natural gas production, coal mining or oil refining in Spain and that generate, in the year prior to the year in which the obligation to pay the levy arises, at least 75% of their turnover from economic activities in the field of extraction, mining, oil refining or the manufacture of coking plant products.
- Where the companies form part of a tax group that is taxed under the consolidated tax regime, net turnover shall be determined by reference to that group.
- This levy will have the legal status of a non-tax public charge, and will not be considered a tax-deductible expense for the purposes of the taxable base for corporate income tax, nor may it be passed on to third parties.

Royal Decree Law 3/2023, of 28 March, on the extension of the production cost adjustment mechanism for the reduction of the price of electricity in the wholesale market regulated in Royal Decree 10/2022, of 13 May

This Royal Decree Law was published on 29 March 2023. Among other aspects, it extends for seven additional months, until 31 December 2023, the mechanism of the so-called Iberian exception introduced by Royal Decree Law 10/2022, of 13 May. This Royal Decree Law amends and completes, until the end of 2023, the path of reference prices of natural gas for the purposes of activating the mechanism, with values that increasingly range from EUR 45/MWh in January 2023 to EUR 65/MWh in December 2023.

Royal Decree 446/2023, of 13 June, amending Royal Decree 216/2014 of 28 March, which establishes the methodology for calculating the Voluntary Price for Small Consumers ("PVPC") and related legal system for arranging the supply of energy, for the indexation of the regulated tariff to forward price signals in a manner conducive to reducing the current levels of volatility

- Published on 14 June 2023, this Royal Decree amends, with effect as of 1 January 2024, the methodology for calculating the voluntary prices for small consumers ("PVPC"). Its key features are:

  - The "PVPC" will apply to domestic consumers and micro-enterprises with a contracted power equal to or less than 10 kW.
  - The energy cost will be partially indexed to forward markets, incorporating a basket of forward products referenced to OMIP. This will be done gradually, with 25% in 2024, 40% in 2025 and 55% from 2026. The remainder will be the spot price. The part indexed to forward signals is distributed among the monthly (10%), quarterly (36%) and (54%) product. Via a Ministerial Order, these percentages may be amended and a reference

included in the formulation to the price arising from auctions of manageable inframarginal and non-emitting energy, provided for in Royal Decree Law 17/2021, of 14 September, if reference suppliers participate.

– The Voluntary Price for Small Consumers ("PVPC") recognises for reference suppliers the cost of financing the Social Bonus set annual by the related Order along with an additional coefficient for the recovery of the amounts borne since Royal Decree Law 6/2022, of 29 March.

- Additionally, this Royal Decree amends certain regulatory aspects of generation in Non-mainland Territories ("TNP").

Non-mainland Territories ("TNP")

Under the terms of Royal Decree 738/2015, of 31 July, in January 2023 the Ministry of Ecological Transition and the Demographic Challenge ("MITECO") began the process of hearing the proposal for a resolution of the Secretary of State for Energy to convene the competitive procedure for the granting of the favourable compatibility decision for entitlement to the additional remuneration regime. Under this process, the compatibility decision will be granted, among others, to applications able to cover the additional power needs that have come to light as a result of the coverage analyses carried out by the System Operator.

Royal Decree 446/2023 of 13 June also amended certain regulatory aspects of generation in the Non-mainland Territories ("TNP"), such as:

- It eliminates the adjustment factor for fuel bills effective as of 1 January 2023.
- It introduces a correlation factor in the calculation of carbon dioxide (CO_2) emission allowances effective as of 1 July 2023 to consider actual emissions of facilities.
- It recognises a financial cost for the lag between the completion of settlement of Electricity Sector regulated activities for the year in which the measures are approved and the date of approval of the final settlement for that year, based on the one-year Euribor rate plus 50 basis points due to the economic impacts arising from the extraordinary measures taken to guarantee security of supply.

Meanwhile, the resolutions approving the final amounts of the costs of the production activity of the Non-mainland Territories ("TNP") for 2018 and 2019 were published in July, and in September, the processing of the proposal for 2020 began.

Royal Decree 314/2023, of 25 April, which develops the procedure and requirements for the granting of administrative authorisation for closed electricity distribution networks

On 26 April 2023, Royal Decree 314/2023, dated 25 April, was published, which regulates the particular conditions and requirements for closed electricity distribution networks and their owners, as well as the administrative authorisation procedure and the circumstances for its revocation.

In accordance with this provision, an industrial area not exceeding 8 km^2 in area may be authorised as a closed electricity distribution network, provided that the network distributes electricity to the industrial companies located on that site by means of its own networks.

Industrial consumers will be considered to be those belonging to category B or C of the National Classification of Economic Activities ("CNAE" or NACE) and those who, while belonging to groups D and E, qualify as industrial for statistical purposes.

Up to 100 non-industrial consumers may also participate in the network, provided that they are related to the industries, are inside the network or adjacent to it, and do not represent more than 2% of the total electricity consumption.

The industrial owners of the closed network will have to build it or buy it from a distribution company, and will be responsible for managing it, investing in its maintenance and billing for tolls, charges and other costs to the consumers connected to it, while the traders selling electricity to the members of the closed network will only bill for the energy consumed.

Bono Social discount rate

On 21 January 2023, Order TED/81/2023, of 27 January was published, approving the distribution of the amounts to be financed related to the Social Bonus and the cost of supplying electricity to consumers referred to in articles 52.4.j) y 52.4.k) of Law 24/2013 of 26 December, on the electricity sector, pertaining to the year 2023. This order sets out the different unit values to be paid by the entities obliged to finance these costs.

Energy efficiency

On 25 January 2023, Royal Decree 36/2023 of 24 January was published, establishing a system of Energy Saving Certificates, as partially implemented by Order TED/815/2023 of 18 July. Meanwhile, Order TED/845/2023 of 18 July was enacted to approve the catalogue of standardised measures relating to energy efficiency actions.
On 30 March 2023, Order TED/296/2023, of 27 March, establishing the contribution obligations to the Energy Efficiency National Fund in 2023, was published, setting for Endesa an equivalent economic amount for 2023 of Euro 49 million, of which at least it must contribute to the Fund an amount of Euro 30 million (60%). It can meet the rest of its obligation by presenting Energy Savings Certificates ("CAE").

Royal Decree 444/2023, of 13 June, amending Royal Decree 1106/2020 of 15 December, regulating the Statute on electro-intensive consumers

This Royal Decree was published on 14 June 2023. It amended the Statute for Electro-intensive Consumers approved in 2020, which regulated the requirements for certain industrial facilities to be eligible for certification as an electro-intensive consumer. The amendment expands the catalogue of eligible activities and reduces certain requirements, thus expanding the number of beneficiaries. It also updates the maximum amount of subsidies for offsetting the cost associated with the specific remuneration regime for renewable energy and the cost of non-mainland electricity systems included in charges, from 85% for all activities to: 85% for sectors at significant risk; 75% for sectors at risk (and up to 85% if they can demonstrate that 50% of consumption comes from carbon sources and have entered into forward contracts for 10% of consumption or 5% of consumption with self-consumption from renewable source); or a higher percentage for especially vulnerable facilities (i.e. when electricity cost exceeds certain gross added value -GAV- thresholds). However, in no case may charges borne by beneficiaries be less than or equal to Euro 0.5/MWh.

Addendum to the Recovery, Transformation and Resilience Plan

On 6 June 2023, Spain's Council of Ministers approved the final draft of the addendum expanding the Recovery, Transformation and Resilience Plan to be sent to the European Commission. The primary objective of the addendum is to strengthen Spain's strategic energy, agri-food, industrial, technological and digital autonomy.
The addendum includes a new set of reforms to bolster the Strategic Projects for Economic Recovery and Transformation ("PERTE") and includes newly created funds for channelling loans. Specifically, it includes Euro 84 billion in loans, a further Euro 7.7 billion in grants and Euro 2.6 billion under the REPowerEU programme, taking total aid under the Recovery, Transformation and Resilience Plan to Euro 160 billion. The addendum included the creation of the Autonomous Community Resilience Fund, endowed with Euro 20 billion to finance major regional projects, added a series of tax relief and credits, and strengthened certain areas of governance.
Meanwhile, several additional calls for the presentation of specific projects dealing with certain areas of action in the Recovery Plan were held.

Update of the Spanish National Integrated Energy and Climate Plan 2021-2030 ("PNIEC")

On 28 June 2023, the Council of Ministers agreed to send the first draft update of the Spanish National Integrated Energy and Climate Plan 2021-2030 ("PNIEC") to the European Commission.

The proposal includes more ambitious climate and energy targets for 2030. Notably, it raises the emissions reduction target from 23% to 32%, the final renewable energy consumption target from 42% to 48%, the target weight of renewables in electricity generation from 74% to 81%, and the final energy consumption reduction target from 41.7% to 44%.

The new plan calls for 62 GW of wind, 76 GW of photovoltaic, 4.8 GW of solar thermal, 1.4 GW of biomass, and 22 GW of storage installed by 2030.

In parallel, the Ministry for the Ecological Transition and the Demographic Challenge ("MITECO") launched a public consultation on the draft update with a deadline for contributions of 4 September. The intention is to draw up the final document and send it to the European Commission in June 2024.

Royal Decree 445/2023, of 13 June, amending Annexes I, II and III of Law 21/2013, of 9 December, on environmental assessment

This Royal Decree was published in the Official State Gazette ("BOE") on 14 June 2023. It amends certain annexes of Law 21/2013, of 9 December, on environmental assessment that regulates projects subject to the ordinary and simplified assessment procedure to align them with European legislation and provide greater coherence to and update their content based on the experience built up over the years during which this Law has been in force. Key aspects include:

- It introduces new types of projects subject to environmental impact assessments under the ordinary process, especially those projects with an impact on the energy sector, industry and mining.
- It expands the scope of the simplified assessment process by eliminating several thresholds that excluded some projects from the process. Projects now subject to the simplified assessment process include: standalone energy storage facilities using electrochemical batteries or any technology that is hybridised with electric power facilities; certain repowering of existing power transmission lines; or industrial facilities for the production of electrolytic, photoelectric or photocatalytic hydrogen from renewable sources.

2023 electricity tariff

The Resolution of 15 December 2022 of the Spanish Markets and Competition Commission ("CNMC") was published on 22 December 2022, approving the prices of the access tariffs for energy transmission and distribution grids applicable as at 1 January 2023, revealing an average reduction of 1% from the prices in effect as at 1 January 2022.

Meanwhile, Order TED/1312/2022, of 23 December, was published on 29 December 2022, approving the electricity system charges that will apply from 1 January 2023 and certain regulated costs of the electricity system that will apply for 2023. On average, the new charges for 2023 are approximately 40% less than those approved for 1 January 2022.

Natural gas tariff for 2023

The Resolution of the Directorate-General for Energy Policy and Mines of 22 December 2022 was published on 28 December 2022, setting out the Last Resort Tariff (LRT) for natural gas to be applied from 1 January 2023. Compared with the provisions of Royal Decree Law 17/2021, of 14 September, this results in an approximate increase of 7.7%, 9% and 9.5%, respectively, for Last Resort Tariff 1 (LRT1), Last Resort Tariff 2 (LRT2) and Last Resort Tariff 3 (LRT3). Meanwhile, the LRTs applicable to communities of owners, as enacted by Royal Decree Law 18/2022 of 18 October, have been reduced by around 2%.

On 30 March 2023, the Resolution of the Directorate-General for Energy Policy and Mines of 28 March of 2023 was published, establishing the Last Resort Tariff (LRT) for natural gas to be applied from 1 April 2023, with decreases of approximately 26.4%, 30.1% and 31.7%, respectively, for Last Resort Tariff 1 (LRT1), Last Resort Tariff 2 (LRT2) and Last Resort Tariff 3 (LRT3). Meanwhile, the LRT tariffs applicable to communities of owners, as ushered in by Royal Decree Law 18/2022 of 18 October, have been reduced by between 48.7% and 57.3%.

On 29 June 2023, the Resolution of the Directorate-General for Energy Policy and Mines of 27 June 2023, establishing the Last Resort Tariff (LRT) for natural gas to be applied from 1 July 2023, with reductions of approximately 2.3%, 2.8% and 3.0%, respectively, for the Last Resort Tariff 1 (LRT1), Last Resort Tariff 2 (LRT2) and the Last Resort Tariff 3 (LRT3). Meanwhile, the LRT tariffs applicable to communities of owners, as ushered in by Royal Decree Law 18/2022 of 18 October, have been reduced by between 3.4% and 5%.

Finally, the Resolution of the Directorate-General for Energy Policy and Mines of 28 September 2023 was published on 29 September 2023, establishing the Last Resort Tariff (LRT) for natural gas to be applied from 1 October 2023, with reductions of approximately 3.4%, 0.3% and 1.1%, respectively, for the Last Resort Tariff 1 (LRT1), Last Resort Tariff 2 (LRT2) and Last Resort Tariff 3 (LRT3). Meanwhile, the LRT tariffs applicable to communities of owners, as ushered in by Royal Decree Law 18/2022 of 18 October, have been increased by between 10.7% and 20.2%.

Regulatory framework in Europe

Measures to combat high energy prices

On 14 March 2023, the European Commission adopted its proposals on the reform of the electricity market, which are to be discussed in the European Parliament and the Council. The main features of the proposals are as follows:

- Promotion of renewable energy (and clean technologies) to protect customers from price volatility by boosting power purchase agreements (PPAs) and using Contracts for Differences (CfDs) for new wind, solar, geothermal, hydroelectric and nuclear projects, as well as repowering, extending or lengthening useful life.
- Strengthening of flexibility mechanisms, with indicative targets and the ability for Member States to introduce support systems for demand management or storage.
- More protection for consumers: With issues such as the establishment of hedging obligations for marketers to reduce exposure to market volatility; the creation of suppliers of last resort; enabling Member States, in the event of a crisis, to extend regulated retail prices to households and SMEs; or reinforcing the prohibition on disconnecting vulnerable consumers.

On this point, on 14 September 2023 the European Parliament approved an agreement on the electricity market reform proposal, and on 17 October 2023, the Council reached an agreement on its position on the matter. The trilogue process that will lead to the adoption of a single text is now inderway.

In addition, on 28 March 2023, the Council resolved to extend for an additional year (from 1 April 2023 to 31 March 2024) the voluntary measure of Member States reducing gas demand by 15% included in Council Regulation 2022/1369 of 5 August 2022.

On 5 June 2023, the European Commission published its report on the review of emergency interventions to address high energy prices in accordance with Council Regulation (EU) 2022/1854 of 6 October 2022, which introduced measures to reduce electricity demand, place a revenue cap on 'inframarginal' power producers and establish retail price formation rules. In that report, the European Commission said it did not see a need to prolong the measures.

Meanwhile, on 14 March 2023 the European Commission adopted a proposal to amend the Regulation on wholesale energy market integrity and transparency (REMIT). The proposal considerably expands the powers of the European Union Agency for the Cooperation of Energy Regulators (ACER), granting it sanctioning and investigative powers. The proposal also attempts to define terms like inside information and market participant. Meanwhile, it introduces new provisions, taken from the Market Abuse

Regulation, duplicating in certain cases the obligations of market participants. On 19 June 2023, the Council issued its agreement on the text and subsequently, on 7 September 2023, the Parliament was able to push forward with its position, thus allowing the three-way discussions between the European institutions (Council, Parliament and Commission) to begin, with a view to the final adoption of the text.

Renewable Energy Directive

On 12 September 2023, the European Parliament ratified the final text of the revised Renewable Energy Directive, following discussions between the Council, the European Parliament and the European Commission, meaning that only the formal endorsement of the Council is now needed before the Directive is officially published and becomes law.

Notably, the Directive introduces a renewable energy target of 42.5% of the EU's final energy consumption by 2030, with the aim of ultimately reaching 45%. The Directive likewise introduces various measures to speed up permitting and differentiate between projects located inside or outside what are known as "*acceleration areas for renewables*".

Energy Efficiency Directive

On 20 September 2023, the revised Energy Efficiency Directive (Directive (EU) 2023/1791 on energy efficiency and amending Regulation (EU) 2023/955) was published in the Official Journal of the European Union. The Directive envisions more ambitious targets, with a mandatory EU energy consumption reduction target of 11.7% by 2030 compared to a baseline calculated in 2020. In terms of energy efficiency obligation schemes at end-customer level, the annual reduction obligation is raised from 0.8% to 1.3% in 2024–2025, to 1.5% in 2026–2027, and to 1.9% in 2028–2030.

Financial regulation

On 7 December 2022, the European Commission adopted a proposal to amend the Regulation on OTC derivatives, central counterparties and trade repositories (EMIR), which is currently being discussed by the European Parliament and the Council. The main changes include the calculation of positions towards the clearing threshold. The proposal also states only those derivatives that are not cleared at an authorised central counterparty (CCP) or a CCP recognised under European Union (EU) law should be included in the calculation. Moreover, the proposal introduces other changes, such as the elimination of the exemption from reporting intragroup transactions. It also allows CCPs to accept highly liquid commercial bank and public bank guarantees as eligible collateral, provided that they are unconditionally available upon request within the liquidation period.

Sustainable finance

On 13 June 2023, the European Commission adopted a new set of European Union (EU) taxonomy criteria for economic activities that make a substantial contribution to one or more of the non-climate environmental objectives: sustainable use and the protection of water and marine resources, transition towards a circular economy, the prevention and control of pollution, and the protection and recovery of biodiversity and ecosystems. These regulations are pending scrutiny by the European Parliament and the Council, and are expected to apply from January 2024 onwards.

10. Other information

10.1. Stock market information

Share price performance

Changes in the share price of Endesa, S.A. and the major benchmark indexes in the first nine months of 2023 and 2022 were as follows:

Percentage (%)

Share price performance[1]	January–September 2023	January–September 2022
Endesa, S.A.	**9.3**	**(23.7)**
Ibex-35	14.6	(15.5)
Euro Stoxx 50	10.0	(22.8)
Euro Stoxx Utilities	0.4	(20.8)

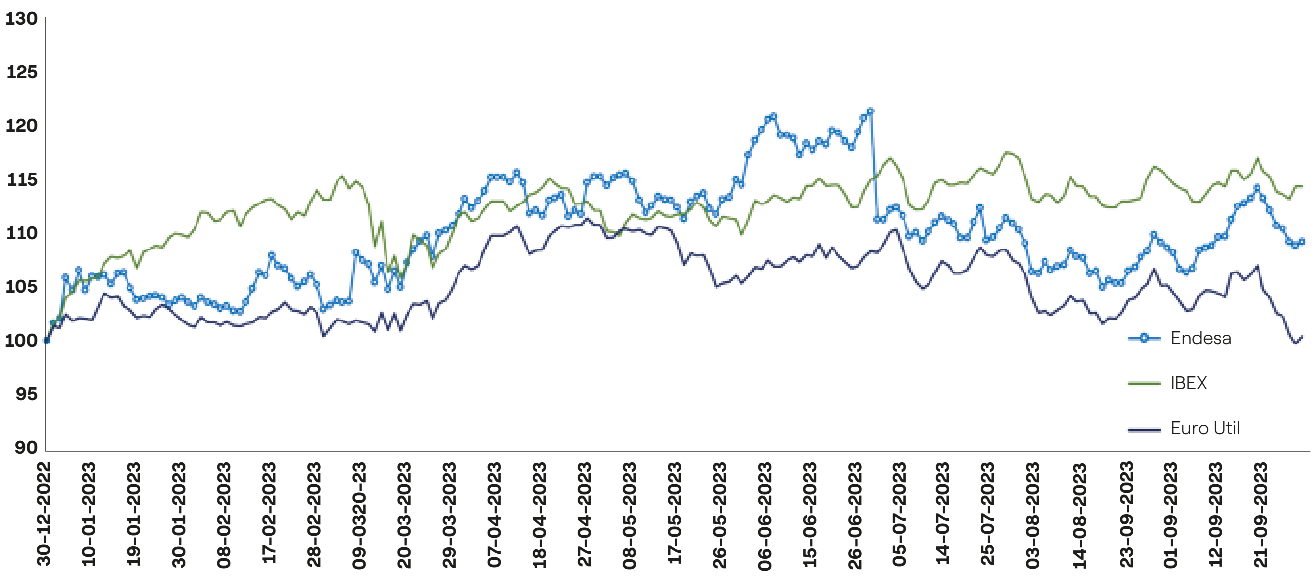
[1] Source: Madrid Stock Exchange.

Euro

Endesa share price[1]	January–September 2023	January–September 2022	Chg. (%)
High	21.450	20.960	2.3
Low	17.920	15.420	16.2
Period average	19.412	18.820	3.1
Period close	19.275	15.420	25.0

[1] Source: Madrid Stock Exchange.

Performance of the Endesa share, the IBEX 35 and the EURO STOXX Utilities index between January and September 2023



Source: Bloomberg.

The performance of the world's main stock markets in the third quarter of 2023 was largely steered by expectations that central banks will continue to hike interest rates in a bid to get rampant inflation back under control. This situation in turn has triggered fears of a deeper economic deterioration than initially expected.

While this macroeconomic uncertainty has led to significant market sell-offs in recent months, the stock markets remain positive in cumulative returns for the year to date. The biggest gainers were the NASDAQ technology index, up 34.5%, followed by the Japanese NIKKEI with 22.1% and the Italian FTSE-MIB index, the best performer in Europe with a 19.1% gain in the period. Posting more modest gains we had the US Down Jones Industrial index, which was up only 1.1%, and the UK FTSE-100, up 2.1%. Meanwhile, the EURO STOXX 50, which represents the 50 largest companies in the Eurozone in terms of stock market capitalisation, ended the period up 10%.

The Spanish blue-chip IBEX-35 closed out the first nine months of the year as the biggest gainer among European indices along with the Italian FTSE-MIB, rising 14.6% to end the period at 9,428 points. One of the key factors driving this strong relative performance by the IBEX-35 was the high weight of the financial industry in its composition, one of the few sectors to have benefited from the rising interest rates, while the opposite holds true for the renewable generation sector, whose stocks were the biggest underperformers on the IBEX-35. In this particular case, higher interest rates make project financing more expensive, which has been further compounded by the difficulties facing the supply chain and market uncertainty surrounding the course and volatility of electricity prices, thus calling into question the profitability of the heavy investments being made by this sector.

Other companies operating in the European electricity sector delivered a mixed bag of results during the period, as reflected in the virtually flat performance of the EURO STOXX UTILITIES index, with gained only 0.4%. The performance here was adversely affected by declines in heavily index-weighted stocks, affected by fierce competition from bond yields, which have soared to new highs. Despite this backdrop, the Endesa share performed remarkably well by posting a 9.3% gain, placing it in fifth place out of the 20 companies that currently make up this sector indicator. The Endesa share closed the third quarter of the year trading at Euro 19.275 per share, after fluctuating between a low of Euro 17.92 per share on 2 January 2023, and a high of Euro 21.45 per share on 28 June 2023.

On 3 July 2023, Endesa paid its shareholders a one-off gross dividend of Euro 1.5854 per share out of 2022 earnings and carryforward from prior years. This dividend adds an additional 9% dividend yield to the stock market revaluation for the period, bringing the total accumulated return in 2023 to 18.3%.

Stock market information

Key stock market figures for Endesa, S.A. as at 30 September 2023 and 31 December 2022 are as follows:

Stock market information		30 September 2023	31 December 2022	Chg. (%)
Market cap[1]	Millions of Euro	20,407	18,671	9.3
Number of shares outstanding		1,058,752,117	1,058,752,117	—
Nominal share value	Euro	1.2	1.2	—
Cash[2]	Millions of Euro	5,030	5,974	(15.8)
Continuous market	Shares			
Trading volume[3]		257,777,206	324,484,195	(20.6)
Average daily trading volume[4]		1,335,633	1,262,584	5.8
Price to Earning Ratio (P.E.R.) Ordinary[1]		10.27	7.79	—
Price to Earning Ratio (P.E.R.)[1]		10.47	7.35	—
Price / Carrying amount[1]		2.81	3.36	—

[1] See definition provided in Section 12 of this Consolidated Management Report.
[2] Cash = Sum of all the transactions performed on the shares during the reference period (Source: Madrid Stock Exchange).
[3] Trading Volume = Total volume of Endesa, S.A. securities 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).

10.2. Dividends

Shareholder remuneration policy

Information on the shareholder remuneration policy is disclosed in Section 19.2 of the Consolidated Management Report for the year ended 31 December 2022.

Approval was given at Endesa, S.A.'s General Shareholders' Meeting of 28 April 2023 to pay shareholders a total dividend for a gross amount of Euro 1.5854 per share, for a total pay-out of Euro 1,678 million, which was ultimately paid on 3 July 2023.

Dividend per share

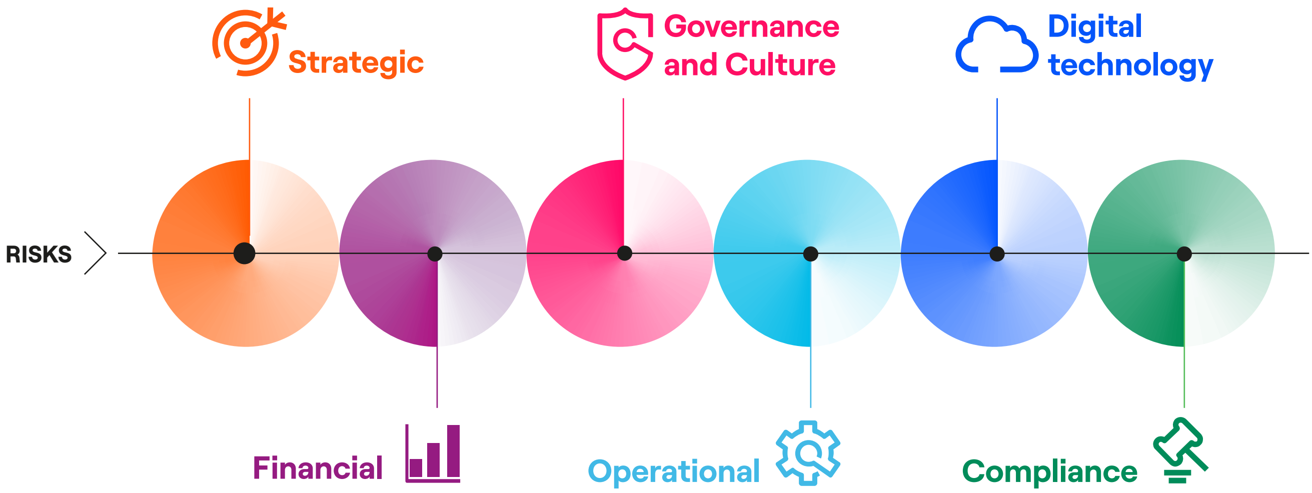
In accordance with the foregoing, details of Endesa, S.A.'s dividends per share are as follows:

		2022	2021	Chg. (%)
Share capital	Millions of Euro	1,270.5	1,270.5	—
Number of shares		1,058,752,117	1,058,752,117	—
Consolidated ordinary net income	Millions of Euro	2,398	1,902	26.1
Consolidated net income	Millions of Euro	2,541	1,435	77.1
Individual net income	Millions of Euro	697	581	20.0
Net ordinary earnings per share[1]	Euro	2.2649	1.7965	26.1
Net earnings per share[1]	Euro	2.400	1.355	77.1
Gross dividend per share	Euro	1.5854[2]	1.4372[3]	—
Consolidated ordinary pay-out[1]	%	70.0	80.0	—
Consolidated pay-out[1]	%	66.1	106.0	—
Individual pay-out[1]	%	240.8	261.9	—

[1] See definition in Section 12 of this Consolidated Management Report.
[2] Dividend equal to Euro 1.5854 gross per share paid on 3 July 2023.
[3] Interim dividend equal to Euro 0.5 gross per share paid on 3 January 2022 plus final dividend equal to Euro 0.9372 gross per share paid on 1 July 2022.

10.3. Main risks and uncertainties

In the first nine months of 2023, Endesa followed the same risk control and management policy as that described in Note 42 to the Consolidated Financial Statements for the year ended 31 December 2022.
Endesa classifies the risks to which it is exposed into six categories: Strategic, Financial, Operational, Compliance, Corporate Governance and Culture, and related to Digital Technologies.



Further information on the main risks and uncertainties associated with Endesa's activity can be found in Section 6.4 of the Consolidated Management Report for the year ended 31 December 2022.

Endesa's activities are carried out against a backdrop in which outside factors may affect the performance of its operations and earnings.

As a result of the ongoing war between Russia and Ukraine, the conflict in the Middle East and the prevailing macroeconomic environment, Endesa must contend with greater uncertainty and its business could be affected by adverse economic conditions in Spain, Portugal, the Eurozone and international markets, as well as by the regulatory environment.

As a result, certain risks are now more of a concern and others have become more volatile (see Sections 5.2 of this Consolidated Management Report).

In an environment of rampant inflation, rising interest rates and financial instability, certain risks are not manageable and of imponderable probability. These include regulatory changes, cybersecurity, and tighter access to credit.

Given this situation, the main risks and uncertainties now facing Endesa over the last three months of 2023 are summarised below:

Category	Risk	Definition	Description	Metric	Materiality(3)
Strategic risks	**Legislative and regulatory developments**	Endesa's activities are heavily regulated, and regulatory changes could have an adverse impact on its business activities, results, financial position and cash flows.	Information on the regulatory framework can be found in Note 6 to the consolidated financial statements for the year ended 31 December 2022 and in Section 9 of this consolidated management report.	Scenarios(1)	High
	Macroeconomic and geopolitical trends	Endesa's business could be affected by adverse economic or political conditions in Spain, Portugal, the Eurozone and in international markets.	A worsening of the economic and financial situation within the economies of Europe and the world, aggravated by the conflict between Russia and Ukraine and tensions in the energy market stemming from the more recent conflict in the Middle East, could have a negative impact on Endesa's business, results, financial position and cash flows (see Section 5.2 of this Consolidated Management Report).		
Financial risks	***Commodities***	Endesa's business is largely dependent on the constant supply of large amounts of fuel to generate electricity; on the supply of electricity and natural gas used for its own consumption and supply; and on the supply of other commodities, the prices of which are subject to market forces that may affect the price and the amount of energy sold by Endesa.	Electricity prices and fuel prices in the wholesale market and commodity prices, largely for coal, gas and CO_2 emission allowances, have an impact on business costs and selling prices. To mitigate this impact, Endesa hedges commodity price risk through financial instruments arranged in organised European markets and over the counter (OTC). The transactions arranged in organised markets, through clearing with daily cash collateral associated with changes in the mark-to-market price (MtM), could have a direct impact on liquidity risk at Endesa (see Note 41.3 and 41.4 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2022 and section 7.2 of this Consolidated Management Report).	Stochastic(2)	High
	Interest rates	Endesa is exposed to interest rate risk.	In a bid to keep a lid on prices, the main central banks have responded resolutely by hiking interest rates across the board from the first half of 2022 onward. How long this policy will continue now depends on how growth and employment indicators pan out across different economies worldwide. In order to cushion this impact, Endesa pursues a policy of hedging interest rate risk through derivatives (see Note 42.1 to the Consolidated Financial Statements for the year ended 31 December 2022 and Section 7.2 of this Consolidated Management Report).	Stochastic(2)	High

Category	Risk	Definition	Description	Metric	Materiality[3]
Financial risks	Capital adequacy and access to finance	Endesa's business depends on its ability to obtain the funds necessary to refinance its debt and finance its capital expenses.	The current instability within the international financial markets caused by rising interest rates as the authorities attempt to control inflation has been having an impact on international credit markets, as has the uncertainty surrounding growth indicators and economic performance in general. Endesa controls its liquidity risk by holding sufficient resources with no conditions or constraints affecting their availability, including cash and short-term deposits, long-term credit facilities with banks and Enel Group companies and a portfolio of highly liquid assets. Endesa's liquidity policy consists of maintaining sufficient cash on hand at all times to meet projected needs for a certain period of time, which will depend on the situation and expectations of the debt and capital markets (see Section 7.2 of this Consolidated Management Report). Endesa's financial and capital management policy is described in Notes 35.1.12, 41.3 and 41.4 to the consolidated financial statements for the year ended 31 December 2022.	Stochastic[2]	High
	Liquidity				
	Credit and counterparty	Endesa is exposed to credit and counterparty risk. Credit risk is generated when a counterparty does not meet its obligations under a financial or commercial contract, giving rise to financial losses.	Endesa closely monitors the credit risk of its commodity, financial and commercial counterparties. Against an inflationary backdrop, and with interest rates rising sharply, affected by the energy crisis dragging on from previous months, exposure to default with commercial counterparties has risen considerably, although the collection management carried out by the Company has helped to slow the trend in overdue debt (see Section 5.2 of this Consolidated Management Report).	Stochastic[2]	High
Risks associated with digital technologies	Cybersecurity	Endesa is exposed to cybersecurity risks.	The Cybersecurity Unit is keeping close track of the situation to identify any cyber event or anomaly at Endesa.	—	(4)
Operational risks	Procurement, logistics and supply chain	Endesa's business could be adversely affected by a possible inability to maintain its relations with suppliers or because the available supplier offering is insufficient in terms of quantity and/or quality, as well as supplier failures to maintain the conditions of the service provided, limiting the possibilities of operability and business continuity.	Any deterioration in the ongoing conflict between Russia and Ukraine and sharp financial tensions on a global level may cause delays in supplies and breach of contracts at the supply chain level. Endesa, in developing new capacity, is exposed to financial needs, the inflationary environment, interruptions in the availability of materials and a shortage of qualified labour. In addition, there are also risks of technical faults and accidents that could temporarily interrupt the operation of its plants and service to customers. The occurrence of any of these events could adversely affect Endesa's businesses, results, financial position and cash flows.	Stochastic[2]	Low

Category	Risk	Definition	Description	Metric	Materiality[3]
Operational risks	**Business interruption**	Endesa is exposed to risks associated with the construction of new electricity generation and distribution facilities.		Scenarios[1]	Moderate
		Endesa's activity may be affected by failures, breakdowns, problems in carrying out planned work or other problems that cause unscheduled non-availability and other operational risks.		Scenarios[1]	Moderate
Compliance risks	**Compliance with other laws and regulations**	Endesa is involved in various court and arbitration proceedings.	Endesa is subject to certain legal proceedings, the resolution of which could have an impact on the Consolidated Financial Statements (see Note 51 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2022 and Section 10.6 of this Consolidated Management Report).		(4)

(1) Scenario: calculated as the loss arising from the hypothetical situations.
(2) Stochastic: calculated as the loss that could be incurred with a certain degree of probability or confidence.
(3) The significance of the risks is measured based on the expected potential loss: High (exceeding Euro 75 million), Moderate (between Euro 10 million and Euro 75 million) and Low (less than Euro 10 million).
(4) They relate to risks whose impact may be difficult to quantify economically (in general, high impact and probability, following the mitigation mechanisms implemented, very low or very difficult to determine).

10.4. Related parties

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, steer and control Endesa's business, either directly or indirectly, including any member of the Board of Directors.
Transactions between the Company and its subsidiaries and jointly operated 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.

For the purposes of the information included in this section, all companies comprising the Enel Group not included in Endesa's consolidated financial statements are considered to be significant shareholders of the Company.
The amount of the transactions carried out with other parties related to certain members of the Board of Directors corresponds to the Company's normal business activities which were, in all cases, carried out on an arm's length basis.
All transactions with related parties are performed on an arm's length basis.

10.4.1. Expenses and income and other transactions with significant shareholders

Expenses and income with significant shareholders

Millions of Euro

	January–September 2023	January–September 2022
Financial expense	148	106
Leases	–	–
Services received	37	40
Purchases of inventories	82	212
Other expenses	1,345	10,722
Expenses on energy commodity derivatives[1]	1,279	10,626
Power purchases	14	47
Management or cooperation agreements	52	49
TOTAL EXPENSES	**1,612**	**11,080**
Financial income	3	41
Dividends received	–	–
Rendering of services	4	7
Sales of inventories	196	288
Other revenue	821	8,860
Revenue on energy stock derivative financial instruments[1]	815	8,729
Power sales	3	7
Management or cooperation agreements	2	2
Leases	1	1
Other	–	121[2]
TOTAL REVENUE	**1,024**	**9,196**

[1] The periods from January to September 2023 and 2022 included a negative Euro 255 million and a negative Euro 1,686 million, respectively, recognised in the Consolidated Statement of Other Comprehensive Income.
[2] Includes Euro 121 million of gross gains on the sale of the 51% stake in Endesa X Way, S.L. to Enel X Way, S.r.l.

Other transactions with significant shareholders

Millions of Euro

	January–September 2023	January–September 2022
Financing agreements: Loans and capital contributions (lender)	–	–
Financing agreements: Loans and capital contributions (Borrower)	10,139	8,254
Balance of Loans and Credit Lines Formalized and Drawn with Enel Finance International, N.V.	6,525	6,350
Undrawn Committed and Irrevocable Credit Facilities with Enel Finance International, N.V.	3,525	700
Balance of "Credit Support Annex" Formalized with Enel Global Trading S.p.A.	89	1,204
Guarantees provided	–	–
Guarantees received[1]	129	140
Commitments acquired[2]	91	114
Dividends and other distributions	1,177	1,067
Other transactions[3]	21	163[4]

[1] Includes the guarantee received from Enel, S.p.A. to comply with the agreement to purchase liquefied natural gas (LNG) from Corpus Christi Liquefaction, LLC.
[2] Relates to commitments acquired with Group companies. Includes, among others, the commitment acquired with Enel Global Infrastructure and Networks S.r.l (EGIN) relating to the licence to use the Blue Sky Grid Platform for Euro 80 million (30 September 2022: Euro 77 million).
[3] Corresponds to purchases of property, plant and equipment, intangible assets or other assets. Includes, among others, investments made in the January-September 2023 and 2022 periods relating to the License to use the Blue Sky Grid Platform with Enel Global Infrastructure and Networks, S.r.l (EGIN) in the amount of Euro 9 million and Euro 29 million, respectively.
[4] In the first nine months of 2022, it included a total of Euro 122 million as the price paid for the sale of the 51% stake in Endesa X Way, S.L. to Enel X Way, S.r.l.

Balances with significant shareholders at the end of the period

At 30 September 2023 and 31 December 2022, balances with related parties were as follows:

Millions of Euro

	30 September 2023		
	Enel Iberia, S.L.U.	Other significant shareholders	Total
Customers and trade receivables	104	213	317
Loans and credits granted	—	—	—
Other receivables[1]	313	6	319
TOTAL RECEIVABLES	**417**	**219**	**636**
Suppliers and trade payables	18	413	431
Loans and credits received	12	6,608	6,620
Other payables[1]	575	1	576
TOTAL PAYABLES	**605**	**7,022**	**7,627**

[1] Includes the receivables and payables, respectively, of the Endesa companies that make up the consolidated tax group with number 572/10, whose parent company is Enel, S.p.A. and its representative in Spain is Enel Iberia, S.L.U.

Millions of Euro

	31 December 2022		
	Enel Iberia, S.L.U.	Other significant shareholders	Total
Customers and trade receivables	132	1,165	1,297
Loans and credits granted	1	—	1
Other receivables[1]	47	42	89
TOTAL RECEIVABLES	**180**	**1,207**	**1,387**
Suppliers and trade payables	43	1,629	1,672
Loans and credits received	—	5,613	5,613
Other payables[1]	398	10	408
TOTAL PAYABLES	**441**	**7,252**	**7,693**

[1] Includes the receivables and payables, respectively, of the Endesa companies that make up consolidated tax group number 572/10, whose Parent is Enel, S.p.A. and whose representative in Spain is Enel Iberia, S.L.U.

10.4.2. Associates, joint ventures and jointly controlled entities

At 30 September 2023 and 31 December 2022, the breakdown of customer receivables for sales and services, loans and guarantees to associates, joint ventures and jointly-controlled entities was as follows:

Millions of Euro

	Associates		Joint Ventures		Joint Operation	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022
Trade receivables for sales and services	4	6	1	7	—	—
Loans	62	60	—	1	7	6
Guarantees issued	—	—	—	—	—	—

Durante el tercer trimestre de 2023 y 2022 las transacciones realizadas con Empresas Asociadas, Negocios Conjuntos y sociedades de Operación Conjunta, no eliminadas en el proceso de consolidación, han sido las siguientes:

Millions of Euro

	Associates		Joint Ventures		Joint Operation	
	January–September 2023	January–September 2022	January–September 2023	January–September 2022	January–September 2023	January–September 2022
Revenue	3	3	1	1	—	—
Expenses	(20)	(16)	(20)	(19)	(28)	(19)

10.5. Purchase commitments and third-party guarantees

At 30 September 2023 and 31 December 2022, guarantees provided to third parties and future purchase commitments were as follows:

Millions of Euro

	30 September 2023	31 December 2022
Guarantees provided to third parties:		
Derivative financial instruments transactions in energy markets	—	2,000[1]
Property, plant and equipment as a guarantee for financing received	42	70
Short- and long-term gas contracts	363	445
Energy contracts	69	62
Lease agreement for methane tanker	104	161
Contracts to trade in financial markets	40	40
Supply contracts for other inventories	40	23
Associates, joint ventures and jointly controlled entities	3	3
TOTAL[2]	**661**	**2,804**
Future purchase commitments:		
Property, plant and equipment	1,455	1,100
Intangible assets	174	102
Financial investments	—	—
Rendering of services	10	18
Purchases of energy stocks and others	19,257	22,942
Energy stocks	18,838	22,583
Electricity	16	—
Carbon dioxide (CO_2) emission allowances	345	296
Other inventories	58	63
TOTAL	**20,896**	**24,162**

[1] Relates to the counter-guarantee provided by Endesa, S.A. to Enel, S.p.A. to secure the guarantee previously provided by Enel, S.p.A. to Endesa Generación, S.A.U. (for the fulfilment of the latter's obligations to third parties derived from the operating rules of the national or international organised gas and electricity markets in which it participates), for an amount of up to Euro 2,000 million, with a duration until 30 June 2023.
[2] Does not include bank guarantees against third parties.

10.6. Contingent assets and liabilities

In the quarterly period ended 30 September 2023, significant changes took place in the following litigation and arbitration proceedings involving Endesa companies, as described in Note 51 to the consolidated financial statements for the year ended 31 December 2022:

- The Supreme Court delivered judgment number 212/2022 on 21 February, in the appeal lodged by Endesa, S.A., Endesa Energía, S.A.U. and Energía XXI Comercializadora de Referencia, S.L.U. (Endesa), and in the appeals filed by other electricity sector companies against the obligation set out in Article 45.4 of Electricity Sector Law 24/2013, of 26 December, Royal Decree Law 7/2016, of 23 December, and Royal Decree 897/2017, of 6 October, to finance the cost of the Social Bonus, and to co-finance, alongside the government, the supply of electricity to severely vulnerable consumers subject to the Last Resort Tariffs (LRTs) and who are at risk of social exclusion. It is an appeal filed against the third system to finance the Social Bonus, whereby the obligation was imposed to finance the parents of company groups that carry out electricity supply activities, or the companies themselves that do so if they do not form part of a corporate group. In particular, the Supreme Court partially upheld the appeal declaring (i) inapplicable the Social Bonus financing system and the cofinancing system with the administrations for the supply of severely vulnerable consumers that avail themselves of the Last Resort Tariff (LRT) and that are at risk of social exclusion; (ii) articles 12 to 17 of Royal Decree 897/2017, of 6 October, to be inapplicable and null and void. In turn, the following is acknowledged, (iii) the right of the claimant to be compensated for the amounts paid to finance and co-finance (alongside the government) the Social Bonus, so that all amounts paid in this regard are refunded, less any amounts that may have been passed on to customers. Lastly, the following is declared: (iv) the right of the complainant to be compensated for the amounts invested to implement the procedure to request, check and manage the Social Bonus, together with the amounts paid to apply this procedure, discounting those amounts that, where appropriate, would have been passed on to the customers. The Supreme Court issued a ruling on 24 March 2022 dismissing the request to rectify or complement the judgment proposed by the State Legal Service, so that the government can continue to charge the relevant parties for the corresponding financing cost, as the financing system has been removed from the system. However, the Supreme Court confirms that: *"despite the declaration of inapplicability and annulment of the legal rules and regulations governing the system to finance the Social Bonus, the prevalence of the discount obligation in the price of electricity supplied to the vulnerable consumers will continue to generate for certain companies, even after the ruling, payments whose processing and compensation must be addressed in the new legal system to finance the Social Bonus which is established, to substitute that currently declared inapplicable, or a specific rule approved for this purpose"*. By Order of 24 May 2022, the judgment was deemed to have been received by the responsible body, indicating that the ruling must be honoured by the Sub-Directorate General for Electricity. In view of the inactivity of the administration, on 10 November 2022, a writ of enforcement was filed. Subsequently, via an Order of 9 January 2023, a report was received from the Ministry of Ecological Transition and the Demographic Challenge ("MITECO") on the state of enforcement of the Ruling, and companies were given notice to state, within 10 days, whether the Administration has set the amounts to be paid in compensation. On 24 January 2023, a written statement of allegations was submitted, together with the corresponding reports, and requested access to the report prepared by the Spanish Markets and Competition Commission ("CNMC") on which the Ministry of Ecological Transition and the Demographic Challenge ("MITECO") based its report on the state of enforcement of the ruling, while reserving the right to make further pleadings in view of the aforementioned report. On 29 March 2023, a new written submission was filed with the Supreme Court, requesting (i) the immediate payment of the undisputed amount of compensation claimed, (ii) effective delivery of the report of the Spanish National Markets and Competition Commission ("CNMC") on which the Ministry for the Ecological Transition and the Demographic Challenge ("MITECO") used to prepare its report on the state of enforcement of the judgment (as repeatedly requested), and (iii) that the State Lawyer be summoned to make pleadings and proceed to the ratification of the expert reports presented. On 26 May 2023, the Supreme Court handed down a ruling agreeing, , the following: (i) to initiate enforcement of the ruling, (ii) to order the Ministry for the Ecological Transition and the Demographic Challenge ("MITECO") to submit the report of the Spanish Markets and Competition Commission ("CNMC") dated 24 March 2022 as requested, (iii) to partially uphold the motion filed by Endesa declaring Energía XXI Comercializadora de Referencia, S.L.U.'s entitlement to be paid an amount of Euro 152 million, plus legal interest calculated from the date of payment until the date of reimbursement, in connection with reference provided for in section four of the operative part of the ruling; (iv) to order the Ministry for the Ecological Transition and the Demographic Challenge ("MITECO") to quantify, within a maximum period of one month, the amount payable to the appellant as compensation for the share of Endesa's free supplier of the cost of financing the Social Bonus after deducting any applicable amount that would have been passed on to customers, (v) to order the Ministry for the Ecological Transition and the Demographic Challenge ("MITECO") to quantify, as quickly as possible, the amount to be paid to the appellant for amounts invested to implement the procedure to request, check and manage the Social Bonus application and, within a maximum period of two months, pay the appellant the appropriate amount plus legal interest in the terms specified in the verification and management procedure for the Social Subsidy and to pay the appellant the appropriate amount for this item within a maximum period of 2 months, plus legal interest in the terms indicated in the operative part of the ruling. On 28 July 2023, the Secretary of State for Energy served notice of a Resolution acknowledging Endesa's right to (i) compensation totalling Euro 172 million (including the corresponding legal interest) for the financing costs associated with customers in the regulated segment of the market; and (ii) compensation of Euro 7 million (including the corresponding legal interest) for the costs of implementing and processing the Social Bonus. However, the same Resolution of the Secretary of State for Energy does not recognise any compensation whatsoever as regards the cost of financing associated with customers in the unregulated segment of the supply market. On 18 September 2023, Endesa submitted a written pleading to the Supreme Court, accompanied by the corresponding expert reports, to reliably show that Endesa has not passed on the cost of financing the associated Social Bonus to customers in the unregulated segment of the market and that, consequently, it is entitled to full compensation.

- On 13 April 2018, Endesa Generación S.A.U., in its capacity as a third party involved in the proceedings, sent a statement of pleadings to defend that the incentive for environmental investment is not tantamount to State aid and, in the alternative, in the hypothetical assumption that the European Commission reached the opposite conclusion, that it is compatible with the internal market. Subsequently, in July 2018, Gas Natural SDG, S.A. filed an appeal before the General Court against the Decision of the European Commission to open a formal investigation procedure, which is currently pending a decision. On 8 September 2021, the General Court published a judgment rejecting the appeal filed by Naturgy Energy Group, S.A. Naturgy Energy Group, S.A. and EDP España, S.A. has since appealed this judgment before the Court of Justice of the European Union (CJEU). Endesa Generación S.A.U. has appeared as an intervener in both appeals, which were ultimately joindered. In relation to these appeals, on 13 July 2023, Advocate General G. Pitruzzella delivered his opinion, proposing that the Court of Justice of the European Union (CJEU) should set aside the judgment of the General Court under appeal and annul the decision of the European Commission to initiate the formal investigation procedure. The judgment of the Court of Justice is currently pending.
- On 14 December 2020, the Competition Directorate of the Spanish Markets and Competition Commission ("CNMC") notified Enel Green Power España, S.L.U. (EGPE) and its parent, Endesa Generación, S.A.U. of the filing of disciplinary proceedings for the alleged abuse of dominant position by Enel Green Power España, S.L.U. (EGPE) in the market to access and connect to the transmission grid at certain hubs with effects on the related electricity generation market. According to the Spanish Markets and Competition Commission ("CNMC"), Enel Green Power España, S.L.U. (EGPE) allegedly used its status as a Single Hub Partner ("IUN") to favour companies in its own Group to the detriment of third-party generators.
  Enel Green Power España, S.L.U. (EGPE) put forward arguments stating that it had no position of dominance in the access and connection transmission grid market, nor had the figure of Single Hub Partner been granted decision-making powers, or any discretion in the processing of access to the grid, as recognised by the Spanish Markets and Competition Commission ("CNMC") itself in many cases, and it is thus included in the sectoral regulations providing the System Operator with exclusive power to respond to and analyse requests for connection to the transmission grid. Enel Green Power España, S.L.U. (EGPE) considers that there has been no exclusionary effect, nor any market closure, and the alleged abusive practice must be dismissed outright, as it does not fall within the scope of Article 2 of Spanish Law 15/2007, of 3 July, on the defence of competition. Following the investigation into the sanctioning proceedings, delivery of the Proposed Ruling and submission of the corresponding allegations by Enel Green Power España, S.L.U. (EGPE). On 10 June 2022, the Spanish Markets and Competition Commission ("CNMC") issued a decision, ordering Enel Green Power España, S.L.U. (EGPE) and, jointly and severally, its parent company Endesa Generación, S.A.U., to pay a total fine of Euro 5 million for having committed two very serious infringements of Article 2 of Law 15/2007 of 3 July, on the defence of competition

("LDC"), involving an alleged abuse of a dominant position by Enel Green Power España, S.L.U. (EGPE), in its capacity as Single Hub Partner (SHP), in the market for access and connection to the transmission grid at the Tajo de la Encantada and Lastras substation hubs. On 29 July 2022, Enel Green Power España, S.L.U. (EGPE) and Endesa Generación S.A.U. lodged an appeal with the National Court ("Audiencia Nacional") against the aforementioned sanctioning resolution of 10 June 2022 and, in turn, requested the precautionary suspension of section three of the ruling relating to payment of the fines imposed. By virtue of Court Order dated 13 December 2022, the Spanish National Court agreed to suspend enforcement of the fine, subject to the posting of sufficient security by the appellants. A statement of claim was filed on 20 April 2023 and is currently pending a response by the State Lawyer.

- In the course of arbitration proceedings brought by Endesa Generación, S.A.U. to review the price of a long-term liquefied natural gas supply contract, the respondent —a liquefied natural gas producer— has filed a counterclaim requesting payment of approximately USD 1,283 million at 30 September 2023. This amount may be reviewed depending on market developments and until such time as the arbitration proceedings conclude, which is expected to occur in the fourth quarter of 2023. The Company considers this counterclaim to be unfounded and moreover to have been brought outside the legal period, and its external legal advisors are of the opinion that the likelihood of the counterclaim being upheld is remote.
- In the course of the price review proceedings in respect of a long-term supply contract for liquefied natural gas, the counterparty —a liquefied natural gas producer company— initiated, in March 2023, arbitration proceedings against Endesa Generación, S.A.U., requesting a payment of approximately US$ 598 million at 30 September 2023. This amount could be reviewed, depending on prevailing market conditions over the coming months and until such time as the arbitration proceedings conclude, which is expected to take place in the second half of 2024 at the latest. The Company believes that this claim is not fully founded.
- In relation to the inspection process for 2011–2014, definitive income tax and VAT settlement agreements from the Income Tax and VAT tax consolidation Groups to which Endesa, S.A. belongs and for personal income tax withholdings of each of the inspected companies were received on 9 July 2018 and have been under appeal before the National Court since 3 June 2022.

The items under dispute stem mainly from the difference in criteria regarding the deductibility of plant decommissioning expenses, certain financial expenses and certain losses arising from the transfer of holdings in the period inspected and the deductibility of VAT under the pro rata rule. The contingency associated with the process is Euro 41 million. A guarantee was available to secure suspension of both debts. However, once the request for precautionary suspension of the VAT settlement agreement was rejected on 5 June 2023, the amount was paid. The guarantee securing suspension of the debt for the income tax settlement agreement still remains in place.

Endesa's Directors believe that the provisions recognised in the consolidated financial statements for the first nine months of 2023 adequately cover the risks relating to litigation, arbitration and claims, and do not expect these issues to give rise to any liability not already registered.

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

In the first nine months of 2023, payments made for dispute resolution purposes amounted to Euro 17 million.

11. Events after the reporting period

No other significant events beyond those addressed herein have taken place between 30 September 2023 and the date of approval of this Consolidated Management Report.

12. Alternative Performance Measures (APMs)

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs)		Relevance of use
			January–September 2023	January–September 2022[(1)]	
Gross operating income (EBITDA)	€M	Income - Procurements and Services +- Income and Expenses for Energy Commodity Derivatives + Self-constructed assets - Personnel Expenses - Other Fixed Operating Expenses + Other gains and losses	3,353 €M = 19,211 €M - 11,938 €M - 2,375 €M + 210 €M - 756 €M - 1,010 €M + 11 €M	3,710 €M = 24,620 €M - 17,999 €M - 1,642 €M + 219 €M - 722 €M - 1,007 €M + 241 €M	Measure of operating return excluding interest, taxes, provisions and amortisation
Gross operating income (EBITDA) from low-carbon products, services and technologies	€M	Gross Operating Income (EBITDA) – Gross Operating Income (EBITDA) from Conventional Generation, except Nuclear Generation – Gross Operating Income (EBITDA) from Gas for commercialization	2,800 €M= 3,353 €M - 996 €M + 398 €M + 45 €M	2,582 €M = 3,710 €M – 1,734 €M + 534 €M + 72 €M	Measure of operating return on low-carbon products, services and technologies, excluding interest, taxes, provisions, depreciation and amortisation
Operating Income (EBIT)	€M	EBITDA - Depreciation and amortisation, and impairment losses.	1,903 €M = 3,353 €M - 1,450 €M	2,388 €M = 3,710 €M – 1,322 €M	Measure of operating profit excluding interest and taxes
Net income	€M	Net income of the Parent	1,059 €M	1,651 €M	Measure of profit for the period
Ordinary net income	€M	Net ordinary income = Net income of the Parent - Net gain/(loss) on disposal of non-financial assets (exceeding €10 million) - Net impairment losses on non-financial assets (exceeding €10 million) - Initial net expenses of personnel expenses as a result of workforce restructuring plans relating to the Decarbonisation Plan and the digitalisation of processes - Net expenses corresponding to the Public Responsibility Plan for the COVID-19 health crisis.	1,059 €M = 1,059 €M - 0 €M - 0 €M - 0 €M - 0 €M	1,469 €M = 1,651 €M - 182 €M - 0 €M - 0 €M - 0 €M	Measure of profit for the period stripping out extraordinary items in excess of Euro 10 million
Contribution margin	€M	Revenue - Procurements and Services +- Income and Expenses for Energy Commodity Derivatives	4,898 €M = 19,211 €M – 11,938 €M – 2,375 €M	4,979 €M = 24,620 €M - 17,999 €M - 1,642 €M	Measure of operating profit considering direct variable production costs
Procurements and services	€M	Power purchases + Fuel consumption + Transmission expenses + Other variable procurements and services	11,938 €M = 5,115 €M + 1,985 €M + 2,454 €M + 2,384 €M	17,999 €M = 10,436 €M + 3,187 €M + 2,812 €M + 1,564 €M	Goods and services for production
Net financial profit/ (loss)	€M	Financial Income - Financial Expense +- Income and Expenses on Derivative Financial Instruments +- Net Exchange Differences	(410) €M= 34 €M - 486 €M + 28 €M + 14 €M	(131) €M = 212 €M - 211 €M - 88 €M - 44 €M	Measure of financial cost
Net financial expense	€M	Financial Income - Financial Expense +- Income and Expenses on Derivative Financial Instruments	(424) €M = 34 €M - 486 €M + 28 €M	(87) €M = 212 €M - 211 €M - 88 €M	Measure of financial cost
Ordinary Return on Equity	%	Net ordinary income attributable to the Parent in the last 12 months / ((Equity of the Parent (n) + Equity of the Parent (n-1)) / 2)	31.03% = 1,988 €M / ((7,255 + 5,557) / 2) €M	53.64% = 1,912 €M / ((1,751 + 5,378) / 2) €M	Measure of the capacity to generate profits on shareholder investments

€M = millions of Euro; € = Euro.
n = 30 September of the year being calculated.
n-1 = 31 December of the year before the year being calculated.
[(1)] See Section 2 of this Consolidated Management Report.

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs)		Relevance of use
			January–September 2023	January–September 2022[1]	
Economic profitability	%	Operating Income (EBIT) for the last 12 months / ((PP&E (n) + PP&E (n-1)) / 2)	14.30% = 3,202 €M / ((22,444 + 22,338) / 2) €M	10.86% = 2,399 €M / ((22,086 + 22,097) / 2) €M	Measure of the capacity to generate income from invested assets or capital
Ordinary return on assets	%	Net ordinary income of the Parent for the last 12 months / (Total Assets (n) + Total Assets (n-1) / 2)	4.36% = 1,988 €M / ((41,095 + 50,067) / 2) €M	3.79% = 1,912 €M / ((60,781 + 40,097) / 2) €M	Measure of business profitability
Return on capital employed (ROCE)	%	Profit from operations after tax for the last 12 months / ((Non-current assets (n) + Non-current assets (n-1)) / 2) + ((Current assets (n) + Current assets (n-1)) / 2)	5.11% = 2,328 €M / ((28,524 + 30,142) / 2 + (12,571 + 19,925) / 2) €M	3.53% = 1,778 €M / ((32,666 + 28,445) / 2 + (28,114 + 11,652) / 2) €M	Measure of the return on capital employed
Return on Invested Capital (ROIC)	%	Profit from operations after tax for the last 12 months / (Equity of the Parent + Net financial debt)	12.38% = 2,328 €M / (7,255 €M + 11,551 €M)	13.78% = 1,778 €M / (1,751 €M + 11,149 €M)	Measure of the return on invested capital
Gross investment	€M	Gross investments in property, plant and equipment + Investments in intangible assets	1,580 €M = 1,301 €M + 279 €M	1,500 €M = 1,157 €M + 343 €M	Measure of investing activity
Gross investments in low-carbon products, services and technologies	€M	Gross Investments - Gross investments made in coal/fuel and combined cycle power plants	1,541 €M = 1,580 €M - 39 €M	1,461 €M = 1,500 €M - 39 €M	Measurement of investment activity without counting investments in coal/fuel and combined cycle power plants
Net investments	€M	Gross Investments - Facilities Transferred and Capital Grants	1,458 €M = 1,580 €M - 122 €M	1,376 €M = 1,500 €M - 124 €M	Measure of investing activity net of grants received

€M = millions of Euro; € = Euro.
n = 30 September of the year being calculated.
n-1 = 31 December of the year before the year being calculated.
[1] See Section 2 of this Consolidated Management Report.

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs)		Relevance of use
			January–September 2023	January–September 2022	
Funds from Operations	€M	Cash Flows from Operating Activities - Changes in Working Capital - Self-constructed Assets	2,933 €M = 2,839 €M + 304 €M - 210 €M	3,044 €M = 586 €M + 2,677 €M - 219 €M	Measure of the cash generated by the company's business available to make investments, repay debt and distribute dividends to shareholders
Interest Expenses	€M	Interest paid	295 €M	108 €M	Measure of interest paid
Net ordinary earnings per share	€	Net ordinary income of the Parent / Number of shares at the end of the reporting period	€1.000 = 1,059 €M / 1,058,752,117 shares	€1.388 = 1,469 €M / 1,058,752,117 shares	Measure of the portion of ordinary net income corresponding to each share outstanding
Net earnings per share	€	Net Income of the Parent / Number of Shares at the end of the Reporting Period	€1.000 = 1,059 €M / 1,058,752,117 shares	€1.559 = 1,651 €M / 1,058,752,117 shares	Measure of the portion of net income corresponding to each share outstanding
Cash flow per share	€	Net cash flow from operating activities / Number of shares at the close of the period	€2.681 = 2,839 €M / 1,058,752,117 shares	€0.553 = 586 €M / 1,058,752,117 shares	Measure of the portion of funds corresponding to each share outstanding

€M = millions of Euro; € = Euro.

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs)		Relevance of use
			30 September 2023	31 December 2022[1]	
Net financial debt	€M	Non-current borrowings + Current borrowings + Debt derivatives recognised in liabilities - Cash and cash equivalents - Debt derivatives recognised in assets - Financial guarantees recognised in assets	11,551 €M = 12,401 €M + 1,694 €M + 74 €M - 330 €M - 92 €M - 2,196 €M	10,869 €M = 11,704 €M + 6,784 €M + 87 €M - 871 €M - 111 €M - 6,724 €M	Current and non-current borrowings, less cash and financial investments equivalent to cash and financial guarantees recognised in assets
Gross sustainable financial debt	€M	Gross financial debt subject to the fulfilment of certain sustainability targets	9,088 €M	11,817 €M	Gross financial debt subject to the fulfilment of certain sustainability targets
Sustainable financing	%	Sustainable gross financial debt / Gross financial debt	64% = 9,088 €M / 14,095 €M	64% = 11,817 €M / 18,488 €M	Measure of the weight of gross financial debt with sustainability clauses as a share of total gross financial debt
Leverage	%	Net financial debt / Equity	155.32% = 11,551 €M / 7,437 €M	188.76% = 10,869 €M / 5,758 €M	Measure of the weighting of external funds in the financing of business activities
Debt ratio	%	Net financial debt / (Equity + Net financial debt)	60.83% = 11,551 €M / (7,437 + 11,551) €M	65.37% = 10,869 €M / (5,758 + 10,869) €M	Measure of the weighting of external funds in the financing of business activities
Average life of gross financial debt	Number of years	(Principal * Number of Valid Days) / (Valid Principal at the end of the Reporting Period * Number of Days in the Period)	3.6 years = 51,088 / 14,179	3.2 years = 59,961 / 18,588	Measure of the duration of borrowings to maturity
Average gross financial debt	€M	(Total Drawdowns or Debt Positions * Number of Days in force of each Provision or Position) / (Cumulative Number of Days in Force)	15,780 €M	16,442 €M	Measure of average gross financial debt in the period to calculate the average cost of gross financial debt.
Average cost of gross financial debt	%	Cost of gross financial debt/ Average gross financial debt	3.0% = (354 €M * (365 days / 273 days)) / 15,780 €M	1.4% = 224 €M / 16,442 €M	Measure of the effective rate of borrowings
Debt coverage ratio	Number of months	Maturity period (no. of months) for vegetative debt and financial expense that could be covered with available liquidity	17 months	10 months	Measure of the capacity to meet debt maturities and related financial expenses
Liquidity ratio	N/A	Current assets / Current liabilities.	1.10 = 12,571 €M / 11,467 €M	0.96 = 19,925 €M / 20,682 €M	Measure of the capacity to meet short term commitments
Solvency ratio	N/A	(Equity + Non-Current liabilities) / Non-current assets	1.04 = (7,437 €M + 22,191 €M) / 28,524 €M	0.97 = (5,758 €M + 23,627 €M) / 30,142 €M	Measure of the capacity to meet obligations
Debt coverage ratio	N/A	Net Financial Debt = / Gross Operating Income (EBITDA), last 12 months	2.22 = 11,551 €M / 5,208 €M	1.95 = 10,869 €M / 5,565 €M	Measure of the amount of available cash flow to meet payments of principal on borrowings
Fixed assets	€M	Property, Plant and Equipment + Investment Property + Intangible Assets + Goodwill	24,638 €M= 22,444 €M + 59 €M + 1,673 €M + 462 €M	24,495 €M = 22,338 €M + 59 €M + 1,636 €M + 462 €M	Tangible or intangible assets of the Company, not convertible into liquid assets at short term, necessary for the functioning of the Company and not earmarked for sale

€M = millions of Euro; € = Euro.
[1] See Section 2 of this Consolidated Management Report.

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs)		Relevance of use
			30 September 2023	31 December 2022[1]	
Total net non-current assets	€M	Property, plant and equipment + Intangible assets + Goodwill + Investments accounted for using the equity method + Investment property + Other non-current financial assets + Non-current derivative financial instruments + Other non-current assets - Grants - Non-current liabilities from contracts with customers - Non-current derivative financial instruments - Other non-current financial liabilities - Other non-current liabilities - Financial guarantees recognised in Non-current assets - Debt derivatives recognised under non-current financial assets and liabilities	20,726 €M = 22,444 €M + 1,673 €M + 462 €M + 285 €M + 59 €M + 691 €M + 746 €M + 365 €M - 229 €M - 4,297 €M - 794 €M - 0 €M - 579 €M - 82 €M - 18 €M	19,256 €M = 22,338 €M + 1,636 €M + 462 €M + 274 €M + 59 €M + 1,160 €M + 1,249 €M + 304 €M - 238 €M - 4,300 €M - 2,408 €M - 0 €M - 588 €M - 668 €M - 24 €M	Measure of non-current assets excluding deferred tax assets, less the value of deferred income and other non-current liabilities
Total net working capital	€M	Trade receivables for sales and services and other receivables + Inventories + Other current financial assets + Current derivative financial instruments + Current income tax assets + Other tax assets + Current assets from contracts with customers - Current income tax liabilities - Other tax liabilities - Current derivative financial instruments - Other current financial liabilities - Current liabilities from contracts with customers - Financial guarantees recognised in current assets - Debt derivatives recognised under current financial assets and liabilities - Suppliers and other payables	1,430 €M = 5,042 €M + 1,325 €M + 4,066 €M + 1,240 €M + 324 €M+ 211 €M + 6 €M - 712 €M - 562 €M - 2,151 €M - 153 €M - 317 €M - 2,114 €M - 0 €M - 4,775 €M	309 €M = 5,472 €M + 2,122 €M + 8,677 €M + 2,533 €M + 49 €M+ 166 €M + 8 €M - 544 €M - 564 €M - 4,990 €M - 51 €M - 294 €M - 6,056 €M - 0 €M - 6,219 €M	Measure of current assets excluding cash and financial investments equivalent to cash, less suppliers and other payables and current income tax liabilities
Gross invested capital	€M	Total net non-current assets + Total net working capital	22,156 €M = 20,726 €M + 1,430 €M	19,565 €M = 19,256 €M + 309 €M	Total net non-current assets plus total net working capital

€M = millions of Euro; € = Euro.
[1] See Section 2 of this Consolidated Management Report.

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs)		Relevance of use
			30 September 2023	31 December 2022[1]	
Total deferred tax assets and liabilities and provisions	€M	- Provisions for pensions and similar obligations - Other non-current provisions - Current provisions + Deferred tax assets - Deferred tax liabilities	(3,195) €M = - 260 €M - 2,409 €M - 1,103 €M + 1,799 €M - 1,222 €M	(2,965) €M = - 278 €M - 2,686 €M - 1,236 €M + 2,660 €M - 1,425 €M	Measure of deferred tax assets and liabilities and provisions
Net Invested Capital	€M	Gross capital invested - Total deferred tax assets and liabilities and provisions + Net non-current assets held for sale and discontinued operations	18,988 €M = 22,156 €M - 3,195 €M + 27 €M	16,627 €M = 19,565 €M - 2,965 €M + 27 €M	Measure of gross capital invested plus total provisions and deferred tax assets and liabilities and non-current assets held for sale and discontinued operations
Book value per share	€	Equity of the Parent / Number of shares at the end of the reporting period	6.852 € = 7.255 €M / 1,058,752,117 shares	5.249 € = 5,557 €M / 1,058,752,117 shares	Measure of the portion of own funds corresponding to each share outstanding

€M = millions of Euro; € = Euro.
[1] See Section 2 of this Consolidated Management Report.

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs)		Relevance of use
			30 September 2023	31 December 2022[1]	
Market cap	€M	Number of Shares at the end of the Reporting Period * Price at the end of the Reporting Period	20,407 €M = 1,058,752,117 shares * 19.275 €	18,671 €M = 1,058,752,117 shares * 17.635 €	Measure of the Company's market value according to the share price
Price to Earnings Ratio (P.E.R.) Ordinary	N/A	Price at the end of the reporting period / Net ordinary earnings per share for the last 12 months	10.27 = 19.275 € / 1.88 €	7.79 = 17.635 € / 2.265 €	Measure indicating the number of times net ordinary earnings per share can be divided into the market price of the shares
Price to Earnings Ratio (P.E.R.)	N/A	Price at the end of the reporting period / Net earnings per share for the last 12 months	10.47 = 19.275 € / 1.84 €	7.35 = 17.635 € / 2.400 €	Measure indicating the number of times net earnings per share can be divided into the market price of the shares
Price / Carrying amount	N/A	Market cap / Equity of the Parent	2.81 = 20,407 €M / 7,255 €M	3.36 = 18,671 €M / 5,557 €M	Measure comparing the Company's market value according to the share price with the carrying amount.

€M = millions of Euro; € = Euro.
[1] See Section 2 of this Consolidated Management Report.

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs)		Relevance of use
			2022	2021	
Shareholder return	%	Stock market return + Dividend yield	(5.59%) = (12.70%) + 7.11%	(0.61%) = (9.62%) + 9.01%	Measure of the relationship between the amount invested in a share and the economic result delivered, which includes the effect of the change in price of the share in the year and of the gross dividend received in cash (without considering reinvestment)
Stock market return	%	(Share price at the close of the period - Share price at the beginning of the period / Share price at the beginning of the period	(12.70%) = (17.635 € - 20.200 €) / 20.200 €	(9.62%) = (20.200 € - 22.350 €) / 22.350 €	Measure of the relationship between the amount invested in a share and the effect of the change in the share price during the year.
Dividend yield	%	(Gross dividend paid in the year) / Share price at the beginning of the period	7.11% = 1.4372 € / 20.200 €	9.01% = 2.0136 € / 22.350 €	Measure of the relationship between the amount invested in a share and the gross dividend received in cash (without considering any reinvestment).
Consolidated ordinary pay-out	%	(Gross dividend per share * Number of shares at the end of the reporting period) / Net ordinary income of the Parent.	70.0% = (1.5854 € * 1,058,752,117 shares) / 2,398 €M	80.0% = (1.4372 € * 1,058,752,117 shares) / 1,902 €M	Measure of the part of ordinary income obtained used to remunerate shareholders through the payment of dividends (consolidated Group)
Consolidated Pay-Out	%	(Gross dividend per share * Number of shares at the end of the reporting period) / Profit of the Parent for the year	66.1% = (1.5854 € * 1,058,752,117 shares) / 2,541 €M	106.0% = (1.4372 € * 1,058,752,117 shares) / 1,435 €M	Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (consolidated Group)
Individual Pay-Out	%	(Gross dividend per share * Number of shares at the end of the reporting period / Profit of Endesa, S.A. for the year	240.8% = (1.5854 € * 1,058,752,117 shares) / 697 €M	261.9% = (1.4372 € * 1,058,752,117 shares) / 581 €M	Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (individual company)

€M = millions of Euro; € = Euro.

13. Foreseeable management evolution

The electricity sector faces some major challenges in the coming years related to the energy transition towards a more sustainable, efficient and decarbonised model. In this context, the economic and regulatory environment in which the electricity sector operates is of huge importance, as it strongly influences the investment, financing and operating decisions of the various agents involved in the market.

Evolution of the macroeconomic environment

The European economy continued to show signs of frailty in the third quarter, with industry turning in a weaker performance, heavily affected by the cycle of interest rate hikes, the new rise in energy prices, the contraction of international trade and the credit crisis unleashed in China.

Against a likely backdrop of further macro deterioration, the European Commission downgraded its growth outlook for the EU economy in 2023 to 0.8%, compared to 1% previously, and to 1.4% in 2024 rather than 1.7%. Overall, the slower pace of growth in the European Union is expected to last until 2024 and until then the effects of tight monetary policy will probably continue to dampen economic activity.

On the inflation front, the latest data in Europe point to a slight improvement as inflationary pressures in food and industrial goods ease. In the Euro area, the Consumer Price Index (CPI) stood at 5.3% in July, half of the record 10.6% figure recorded in October 2022, and remaining stable in August.

In September, Eurostat preliminary data showed a reduction to 4.3%, the lowest rate since October 2021. Core inflation, which excludes the effect of energy, fresh food, alcohol and tobacco prices and is used as a yardstick by the European Central Bank when setting monetary policy, stood at 4.5%, eight tenths of a percentage point lower than in August.

Undeterred by this improvement, the European Central Bank hiked interest rates in September for the tenth time running, bringing them to 4.5%, the highest level since 2021. In doing so, it argued that inflation is still well above its 2% target, which would signal price stability but which will not be seen 2025 at the earliest. On the positive side, the European Central Bank suggested after the meeting that this hike could be the last, although rates would remain at this level for a long time until inflation is finally brought under control.

Evolution of sectorial regulation

During the first nine months of 2023, and following in the wake of 2022, we witnessed certain notable changes in the regulatory environment, both at national and European level, which have implications for the electricity sector. The aim of all the measures put in place is to reduce costs for consumers, increase competition, champion the integration of renewable energies and enable the energy transition.

In Europe, and taking advantage of the fact that Spain holds the presidency of the Council of the European Union during the second half of this year, further progress has been made in the negotiations to reach an agreement on the electricity market reform proposal presented in March 2023 by the European Commission following a public consultation process. The reform must now be discussed and approved by the European Parliament and the European Council before it becomes law, which is expected to take place in 2024.

The aim of this reform process is to optimise electricity market design by supporting the spot and short-term

markets by giving a bigger role to longer-term instruments, thus allowing consumers to benefit from fixed price contracts and enabling investments in clean technologies.
At the national level, the law and regulations enacted in the first 9 months of the year also focused on keeping a lid on energy prices for all citizens and companies, supporting the most heavily hit sectors and the most vulnerable segments of society, and making prices more stable.
Information on the sector-wide law and regulations can be found in Section 9 of this Consolidated Management Report.

Evolution of the Strategic Plan 2023-2025

During the period January–September 2023, and within this market context, Endesa made further progress towards the objectives set out in the Strategic Plan for the 2023–2025 horizon, which was presented to the market on 23 November 2022.
This Plan accelerates the decarbonisation of the Company's generating mix, the diversification of its value-added products for deregulated customers, and development of its distribution grid as an integrating element.
Further information on the 2023–2025 Strategic Plan can be found in Section 4.2 of the Consolidated Management Report for the year ended 31 December 2022.
In view of the financial results achieved in January–September 2023, Endesa has upheld its EBITDA and ordinary net profit guidance for 2023. More precisely, the current Strategic Plan foresees EBITDA of Euro 4,400–4,700 million and ordinary net profit of between Euro 1,400 and 1,500 million for 2023.
At the date of approval of this Consolidated Management Report, the Company is in the process of preparing an update of its Strategic Plan and associated financial targets for the period 2024-2026. The new Plan will be made public on 23 November 2023.

2.

Appendix

Appendix I. Consolidated Financial Statements for the nine-month period ended 30 September 2023

Endesa, S.A. and Subsidiaries

Consolidated Income Statements for the nine-month periods ended 30 September 2023 and 2022

Millions of Euro

	January–September 2023[1]	January–September 2022[1]
REVENUE	**19,211**	**24,620**
Revenue from sales and services	18,893	24,388
Other operating income	318	232
PROCUREMENTS AND SERVICES	**(11,938)**	**(17,999)**
Power purchases	(5,115)	(10,436)
Fuel consumption	(1,985)	(3,187)
Transmission expenses	(2,454)	(2,812)
Other variable procurements and services	(2,384)	(1,564)
INCOME AND EXPENSES FROM ENERGY COMMODITY DERIVATIVES	**(2,375)**	**(1,642)**
CONTRIBUTION MARGIN	**4,898**	**4,979**
Self-constructed assets	210	219
Personnel expenses	(756)	(722)
Other fixed operating expenses	(1,010)	(1,007)
Other gains and losses	11	241
GROSS OPERATING INCOME (EBITDA)	**3,353**	**3,710**
Depreciation and amortisation, and impairment losses on non-financial assets	(1,282)	(1,200)
Impairment losses on financial assets.	(168)	(122)
OPERATING INCOME (EBIT)	**1,903**	**2,388**
FINANCIAL PROFIT/(LOSS)	**(410)**	**(131)**
Financial income	34	212
Financial expense	(486)	(211)
Income and expenses on derivative financial instruments	28	(88)
Net exchange differences	14	(44)
Net profit/(loss) of companies accounted for using the equity method	13	18
PROFIT BEFORE TAX	**1,506**	**2,275**
Income tax	(433)	(582)
PROFIT AFTER TAX FROM CONTINUING OPERATIONS	**1,073**	**1,693**
PROFIT/(LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	**–**	**–**
PROFIT FOR THE PERIOD	**1,073**	**1,693**
Parent	1,059	1,651
Non-controlling interests	14	42
BASIC NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS (in Euro)	**1.00**	**1.56**
DILUTED NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS (in Euro)	**1.00**	**1.56**
BASIC NET EARNINGS PER SHARE (in Euro)	**1.00**	**1.56**
DILUTED NET EARNINGS PER SHARE (in Euro)	**1.00**	**1.56**

[1] Unaudited.

Endesa, S.A. and Subsidiaries

Consolidated Statements of Other Comprehensive Income for the nine-month periods ended 30 september 2023 and 2022

Millions of Euro

	January-September 2023[1]	January-September 2022[1]
CONSOLIDATED PROFIT FOR THE PERIOD	**1,073**	**1,693**
OTHER COMPREHENSIVE INCOME:		
ITEMS THAT CANNOT BE RECLASSIFIED TO PROFIT AND LOSS	**–**	**219**
From revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets	–	–
Actuarial gains and losses	–	273
Share of other comprehensive income recognised on investments in joint ventures and associates	–	–
Equity instruments through other comprehensive income	–	–
Other income and expenses not reclassified to profit or loss for the period	–	–
Tax effect	–	(54)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	**2,316**	**(4,501)**
Hedging transactions	**3,082**	**(6,032)**
Valuation gains/(losses)	1,760	(7,174)
Amounts transferred to income statement	1,322	1,142
Other Reclassifications	–	–
Translation differences	**–**	**(1)**
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other Reclassifications	–	(1)
Share of other comprehensive income recognised on investments in joint ventures and associates	**4**	**24**
Valuation gains/(losses)	4	24
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Debt instruments at fair value through other comprehensive income	**–**	**–**
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other Reclassifications	–	–
Other income and expenses that may be reclassified to profit or loss for the period	**–**	**–**
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other Reclassifications	–	–
Tax effect	**(770)**	**1,508**
TOTAL COMPREHENSIVE INCOME	**3,389**	**(2,589)**
Of the Parent	**3,375**	**(2,631)**
Non-controlling interests	**14**	**42**

[1] Unaudited data.

Endesa, S.A. and Subsidiaries
Consolidated Statements of Financial Position at 30 September 2023 and 31 December 2022

Millions of Euro

	30 September 2023[1]	31 December 2022[2]
ASSETS		
NON-CURRENT ASSETS	**28,524**	**30,142**
Property, plant and equipment	22,444	22,338
Investment property	59	59
Intangible assets	1,673	1,636
Goodwill	462	462
Investments accounted for using the equity method	285	274
Non-current assets under contracts with customers	–	–
Other non-current financial assets	691	1,160
Non-current derivative financial instruments	746	1,249
Other non-current assets	365	304
Deferred tax assets	1,799	2,660
CURRENT ASSETS	**12,571**	**19,925**
Inventories	1,325	2,122
Trade and other receivables	5,577	5,687
Trade receivables for sales and services and other receivables	5,042	5,472
Current income tax assets	324	49
Other tax assets	211	166
Current assets under contracts with customers	6	8
Other current financial assets	4,066	8,677
Current derivative financial instruments	1,240	2,533
Cash and cash equivalents	330	871
Non-current assets held for sale and discontinued operations	27	27
TOTAL ASSETS	**41,095**	**50,067**
EQUITY AND LIABILITIES		
EQUITY	**7,437**	**5,758**
Of the Parent	7,255	5,557
Non-controlling interests	182	201
NON-CURRENT LIABILITIES	**22,191**	**23,627**
Grants	229	238
Non-current liabilities under contracts with customers	4,297	4,300
Non-current provisions	2,669	2,964
Provisions for employee benefits	260	278
Other non-current provisions	2,409	2,686
Non-current borrowings	12,401	11,704
Non-current derivative financial instruments	794	2,408
Other non-current financial liabilities	–	–
Other non-current liabilities	579	588
Deferred tax liabilities	1,222	1,425
CURRENT LIABILITIES	**11,467**	**20,682**
Current liabilities under contracts with customers	317	294
Current provisions	1,103	1,236
Provisions for employee benefits	–	–
Other current provisions	1,103	1,236
Current borrowings	1,694	6,784
Current derivative financial instruments	2,151	4,990
Other current financial liabilities	153	51
Trade and other payables	6,049	7,327
Suppliers and other payables	4,775	6,219
Current income tax liabilities	712	544
Other tax liabilities	562	564
Liabilities associated with non-current assets classified as held for sale and discontinued operations	–	–
TOTAL EQUITY AND LIABILITIES	**41,095**	**50,067**

(1) Unaudited.
(2) See Section 2 of this Consolidated Management Report.

Endesa, S.A. and Subsidiaries
Consolidated Statement of Changes in Equity for the nine-month period ended 30 September 2023

Millions of Euro

	Equity attributable to the Parent[1]							
	Capital and reserves							
	Capital	Share premium, reserves and interim dividend	Treasury shares	Profit(loss) for the period	Other equity instruments	Adjustments due to changes in value	Non-controlling interests	Total Equity
Opening balance at 1 January 2023	**1,271**	**4,937**	**(5)**	**2,541**	**4**	**(3,188)**	**201**	**5,761**
Adjustments due to changes in accounting policies[2]	–	(3)	–	–	–	–	–	(3)
Corrections of errors	–	–	–	–	–	–	–	–
Adjusted opening balance	**1,271**	**4,934**	**(5)**	**2,541**	**4**	**(3,188)**	**201**	**5,758**
Total comprehensive income	**–**	**–**	**–**	**1,059**	**–**	**2,316**	**14**	**3,389**
Transactions with shareholders or owners	**–**	**(1,678)**	**–**	**–**	**–**	**–**	**(33)**	**(1,711)**
Capital increases/(decreases)	–	–	–	–	–	–	(7)	(7)
Conversion of liabilities into equity	–	–	–	–	–	–	–	–
Dividends paid	–	(1,678)	–	–	–	–	(26)	(1,704)
Transactions with Treasury Shares (net)	–	–	–	–	–	–	–	–
Increases/(decreases) due to business combinations	–	–	–	–	–	–	–	–
Other transactions with shareholders or owners	–	–	–	–	–	–	–	–
Other changes in Equity	**–**	**2,541**	**–**	**(2,541)**	**1**	**–**	**–**	**1**
Share-based payments	–	–	–	–	1	–	–	1
Transfers between equity items	–	2,541	–	(2,541)	–	–	–	–
Other changes	–	–	–	–	–	–	–	–
Closing balance at 30 September 2023	**1,271**	**5,797**	**(5)**	**1,059**	**5**	**(872)**	**182**	**7,437**

(1) Unaudited.
(2) See Section 2 of this Consolidated Management Report.

Endesa, S.A. and Subsidiaries

Consolidated Statement of Changes in Equity for the nine-month period ended 30 September 2022

Millions of Euro

	Equity attributable to the Parent[1]							
	Capital and reserves							
	Capital	Share premium, reserves and interim dividend	Treasury shares	Profit(loss) for the period	Other equity instruments	Adjustments due to changes in value	Non-controlling interests	Total equity
Opening balance at 1 January 2022	**1,271**	**4,232**	**(3)**	**1,435**	**2**	**(1,557)**	**164**	**5,544**
Adjustments due to changes in accounting policies[2]	–	(2)	–	–	–	–	–	(2)
Corrections of errors	–	–	–	–	–	–	–	–
Adjusted opening balance	**1,271**	**4,230**	**(3)**	**1,435**	**2**	**(1,557)**	**164**	**5,542**
Total comprehensive income	**–**	**219**	**–**	**1,651**	**–**	**(4,501)**	**42**	**(2,589)**
Transactions with shareholders or owners	**–**	**(996)**	**(1)**	**–**	**–**	**–**	**(16)**	**(1,013)**
Capital increases/(decreases)	–	–	–	–	–	–	2	2
Conversion of liabilities into equity	–	–	–	–	–	–	–	–
Dividends paid	–	(992)	–	–	–	–	(15)	(1,007)
Transactions with Treasure Shares (net)	–	–	(1)	–	–	–	–	(1)
Increases/(decreases) due to business combinations	–	(4)	–	–	–	–	(3)	(7)
Other transactions with shareholders or owners	–	–	–	–	–	–	–	–
Other changes in equity	**–**	**1,435**	**–**	**(1,435)**	**1**	**–**	**–**	**1**
Share-based payments	–	–	–	–	1	–	–	1
Transfers between equity items	–	1,435	–	(1,435)	–	–	–	–
Other changes	–	–	–	–	–	–	–	–
Closing balance at 30 September 2022	**1,271**	**4,888**	**(4)**	**1,651**	**3**	**(6,058)**	**190**	**1,941**

[1] Unaudited.
[2] See Section 2 of this Consolidated Management Report.

Endesa, S.A. and Subsidiaries
Consolidated Statements of Cash Flows for the nine-month periods ended 30 September 2023 and 2022

Millions of Euro

	January-September 2023[1]	Enero-septiembre 2022[1]
Gross profit before tax	**1,506**	**2,275**
Adjustments for:	**2,740**	**1,635**
Depreciation and amortisation and impairment losses	1,450	1,322
Other adjustments (net)	1,290	313
Changes in working capital:	**(304)**	**(2,677)**
Trade and other receivables	369	(3,167)
Inventories	(148)	(730)
Current financial assets	414	(1,178)
Trade payables and other current liabilities	(939)	2,398
Other cash flows from operating activities:	**(1,103)**	**(647)**
Interest received	57	25
Dividends received	24	35
Interest paid	(295)	(108)
Income tax paid	(650)	(306)
Other proceeds from and payments for operating activities	(239)	(293)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**2,839**	**586**
Payments for investments	**(1,977)**	**(10,094)**
Acquisitions of property, plant and equipment and intangible assets	(1,680)	(1,503)
Investments in Group companies	—	—
Purchase of other investments	(297)	(8,591)
Proceeds from sale of investments	**4,725**	**162**
Proceeds from sale of property, plant and equipment and intangible assets	13	5
Disposals of investments in Group companies	—	136
Proceeds from sale of other investments	4,712	21
Other cash flows from investing activities	**57**	**60**
Other receipts from and payments for investing activities	57	60
NET CASH FLOWS FROM INVESTING ACTIVITIES	**2,805**	**(9,872)**
Cash flows from equity instruments	(22)	(18)
Drawdowns of non-current borrowings	2,869	5,021
Repayment of non-current borrowings	(1,141)	(4)
Net cash flows from current borrowings	(6,184)	5,678
Dividends of the Parent paid	(1,678)	(1,521)
Dividends paid to non-controlling interests	(29)	(10)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(6,185)**	**9,146**
TOTAL NET CASH FLOWS	**(541)**	**(140)**
Effect of exchange rate fluctuations on cash and cash equivalents	—	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(541)**	**(140)**
OPENING CASH AND CASH EQUIVALENTS	**871**	**703**
Cash in hand and at banks	871	703
Other cash equivalents	—	—
ENDING CASH AND CASH EQUIVALENTS	**330**	**563**
Cash in hand and at banks	330	563
Other cash equivalents	—	—

[1] Unaudited data.

Legal Notice

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

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

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

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

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