

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

**Quarterly Report for the period
January-September 2019**

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

Madrid, 5 November 2019

- **Consolidated Financial Statements for the period January-September 2019.**
- **Consolidated Management Report for the period January-September 2019.**



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

**Consolidated
Financial Statements
for the period
January - September 2019**

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 30 SEPTEMBER 2019 AND 31 DECEMBER 2018

Millions of Euros

	30 September 2019 <small>(1)</small>	31 December 2018 <small>(2)</small>	Difference	% Var.
ASSETS				
NON-CURRENT ASSETS	26,005	26,001	4	0.0
Property, Plant and Equipment	21,469	21,840	(371)	(1.7)
Investment Property	62	62	-	-
Intangible Assets	1,322	1,355	(33)	(2.4)
Goodwill	465	479	(14)	(2.9)
Investments Accounted for using the Equity Method	237	249	(12)	(4.8)
Non-Current Financial Assets	924	858	66	7.7
Deferred Tax Assets	1,526	1,158	368	31.8
CURRENT ASSETS	5,953	5,655	298	5.3
Inventories	1,055	1,473	(418)	(28.4)
Trade and other Receivables	3,037	2,955	82	2.8
Current Financial Assets	1,424	983	441	44.9
Cash and Cash Equivalents	437	244	193	79.1
Non-Current Assets Held for Sale and Discontinued Operations	-	-	-	n/a
TOTAL ASSETS	31,958	31,656	302	1.0
EQUITY AND LIABILITIES				
EQUITY	8,490	9,181	(691)	(7.5)
Of the Parent Company	8,336	9,037	(701)	(7.8)
Of non-Controlling Interests	154	144	10	6.9
NON-CURRENT LIABILITIES	15,825	14,781	1,044	7.1
Deferred Income	4,521	4,587	(66)	(1.4)
Non-Current Provisions	3,808	3,325	483	14.5
Non-Current Interest-Bearing Loans and Borrowings	5,616	4,975	641	12.9
Other non-Current Liabilities	748	757	(9)	(1.2)
Deferred Tax Liabilities	1,132	1,137	(5)	(0.4)
CURRENT LIABILITIES	7,643	7,694	(51)	(0.7)
Current Interest-Bearing Loans and Borrowings	2,054	1,046	1,008	96.4
Current Provisions	474	571	(97)	(17.0)
Trade Payables and other Current Liabilities	5,115	6,077	(962)	(15.8)
Liabilities Associated with non-Current Assets classified as Held for Sale and Discontinued Operations	-	-	-	n/a
TOTAL EQUITY AND LIABILITIES	31,958	31,656	302	1.0

(1) Unaudited

(2) Audited

ENDESA S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE PERIODS JANUARY - SEPTEMBER 2019 AND 2018

Millions of Euros

	January - September 2019 (1)	January - September 2018 (1)	Difference	% Var.
INCOME	14,805	15,353	(548)	(3.6)
Revenue	14,285	14,650	(365)	(2.5)
Other Operating Revenues	520	703	(183)	(26.0)
PROCUREMENTS AND SERVICES	(10,415)	(11,082)	(667)	(6.0)
Energy Purchases	(3,576)	(3,601)	(25)	(0.7)
Fuel Consumption	(1,364)	(1,627)	(263)	(16.2)
Transmission Expenses	(3,989)	(4,156)	(167)	(4.0)
Other Variable Procurements and Services	(1,486)	(1,698)	(212)	(12.5)
CONTRIBUTION MARGIN	4,390	4,271	119	2.8
Self-Constructed Assets	165	145	20	13.8
Personnel Expenses	(759)	(704)	55	7.8
Other Fixed Operating Expenses	(898)	(921)	(23)	(2.5)
GROSS PROFIT FROM OPERATIONS (EBITDA)	2,898	2,791	107	3.8
Depreciation and Amortisation, and Impairment Losses	(2,563)	(1,147)	1,416	123.5
PROFIT FROM OPERATIONS (EBIT)	335	1,644	(1,309)	(79.6)
NET FINANCIAL PROFIT / (LOSS)	(139)	(106)	(33)	31.1
Financial Income	25	29	(4)	(13.8)
Financial Expense	(163)	(133)	30	22.6
Net Exchange Differences	(1)	(2)	1	(50.0)
Net Profit / (Loss) of Companies Accounted for using the Equity Method	16	28	(12)	(42.9)
Gains / (Losses) from other Investments	-	-	-	n/a
Gains / (Losses) on Disposal of Assets	(14)	(27)	13	(48.1)
PROFIT / (LOSS) BEFORE TAX	198	1,539	(1,341)	(87.1)
Income Tax Expense	(14)	(340)	(326)	(95.9)
PROFIT AFTER TAX FOR THE PERIOD FROM CONTINUING OPERATIONS	184	1,199	(1,015)	(84.7)
PROFIT AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS	-	-	-	n/a
PROFIT FOR THE PERIOD	184	1,199	(1,015)	(84.7)
Parent Company	176	1,193	(1,017)	(85.2)
Non-Controlling Interests	8	6	2	33.3

(1) Unaudited

ENDESA S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS JANUARY - SEPTEMBER 2019 AND 2018

Millions of Euros

	January - September 2019 ⁽¹⁾	January - September 2018 ⁽¹⁾
Profit Before Tax	198	1,539
Adjustments for:	2,877	1,257
Depreciation and Amortisation, and Impairment Losses	2,563	1,147
Other Adjustments (Net)	314	110
Changes in Working Capital	(835)	(1,361)
Trade and Other Accounts Receivables	86	(64)
Inventories	(115)	(195)
Current Financial Assets	(361)	(547)
Trade Payables and Other Current Liabilities	(445)	(555)
Other Cash Flows from / (used in) Operating Activities:	(430)	(294)
Interest Received	21	28
Dividends Received	24	24
Interest Paid	(75)	(85)
Income Tax Paid	(177)	(67)
Other Receipts from and Payments for Operating Activities	(223)	(194)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	1,810	1,141
Acquisitions of Property, Plant and Equipment and Intangible Assets	(1,323)	(1,018)
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets	14	5
Purchase of Investments in Group Companies	(2)	(132)
Proceeds from Sale of Investments in Group Companies	-	20
Purchase of other Investments	(179)	(178)
Proceeds from Sale of other Investments	14	28
Cash flows from Changes in the Consolidation Scope	-	-
Grants and other Deferred Income	49	56
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	(1,427)	(1,219)
Cash Flows from Equity Instruments	10	5
Proceeds from Borrowings, non-Current	656	1,221
Repayment of Borrowings, non-Current	(218)	(51)
Net Cash Flows used in Current Borrowings	882	173
Dividends of the Parent Company Paid	(1,511)	(1,463)
Payments to non-Controlling Interests	(9)	(7)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	(190)	(122)
TOTAL NET CASH FLOWS	193	(200)
Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents	-	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	193	(200)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	244	399
CASH AND CASH EQUIVALENTS AT END OF PERIOD	437	199

(1) Unaudited

ENDESA S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE PERIODS JANUARY - SEPTEMBER 2019 AND 2018

Millions of Euros

	January - September 2019 <small>(1)</small>			January - September 2018 <small>(1)</small>		
	Of the Parent Company	Of Non-Controlling Interests	Total	Of the Parent Company	Of Non-Controlling Interests	Total
PROFIT FOR THE PERIOD	176	8	184	1,193	6	1,199
OTHER COMPREHENSIVE INCOME:						
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	(107)	-	(107)	13	(1)	12
Items that Can Be Reclassified to Profit or Loss:	67	-	67	22	(1)	21
Cash Flow Hedges	99	-	99	24	(1)	23
Translation Differences	1	-	1	1	-	1
Companies Accounted for using the Equity Method	(8)	-	(8)	3	-	3
Other Income and Expenses Recognised directly in Equity	-	-	-	-	-	-
Tax Effect	(25)	-	(25)	(6)	-	(6)
Items not to Be Reclassified to Profit or Loss in Subsequent Periods:	(174)	-	(174)	(9)	-	(9)
From Revaluation / (Reversal of Revaluation) of Property, Plant and Equipment and Intangible Assets	-	-	-	-	-	-
From Measurement of Financial Instruments	-	-	-	-	-	-
Financial Assets at Fair Value	-	-	-	-	-	-
Other Income / (Expenses)	-	-	-	-	-	-
From Actuarial Gains and Losses and other Adjustments	(219)	-	(219)	(11)	-	(11)
Tax Effect	45	-	45	2	-	2
AMOUNTS TRANSFERRED TO INCOME STATEMENT AND/OR INVESTMENTS	1	-	1	(39)	-	(39)
Cash Flow Hedges	1	-	1	(52)	-	(52)
Translation Differences	-	-	-	-	-	-
Companies Accounted for using the Equity Method	-	-	-	-	-	-
Other Income and Expenses Recognised directly in Equity	-	-	-	-	-	-
Tax Effect	-	-	-	13	-	13
TOTAL COMPREHENSIVE INCOME	70	8	78	1,167	5	1,172

(1) Unaudited

ENDESA S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD JANUARY - SEPTEMBER 2019

Millions of Euros

	Equity attributable to the Parent Company ⁽¹⁾							Non-Controlling Interests	Total equity
	Capital and reserves						Valuation adjustments		
	Share Capital	Share premium, Reserves and interim dividend	Treasury shares and own equity instruments	Profit for the period	Other equity instruments	-			
BALANCE AT 1 JANUARY 2019	1,271	6,416	-	1,417	-	(68)	144	9,180	
Adjustments due to Changes in Accounting Policies	-	-	-	-	-	-	-	-	
Correction of Errors	-	-	-	-	-	-	-	-	
ADJUSTED BALANCE AT 1 JANUARY 2019	1,271	6,416	-	1,417	-	(68)	144	9,180	
TOTAL COMPREHENSIVE INCOME	-	(174)	-	176	-	68	8	78	
TRANSACTIONS WITH SHAREHOLDERS OR OWNERS	-	(770)	-	-	-	-	2	(768)	
Capital Increases / (Reductions)	-	-	-	-	-	-	10	10	
Conversion of Liabilities into Equity	-	-	-	-	-	-	-	-	
Dividends Paid	-	(770)	-	-	-	-	(8)	(778)	
Transactions with Treasury Shares or Own Equity Instruments (Net)	-	-	-	-	-	-	-	-	
Increases / (Reductions) due to Business Combinations	-	-	-	-	-	-	-	-	
Other Transactions with Shareholders and Owners	-	-	-	-	-	-	-	-	
OTHER CHANGES IN EQUITY	-	1,417	-	(1,417)	-	-	-	-	
Share-Based Payments	-	-	-	-	-	-	-	-	
Transfers between Equity Items	-	1,417	-	(1,417)	-	-	-	-	
Other Changes	-	-	-	-	-	-	-	-	
BALANCE AT 30 SEPTEMBER 2019	1,271	6,889	-	176	-	-	154	8,490	

(1) Unaudited

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

Millions of Euros

	Equity attributable to the Parent Company ⁽¹⁾						Non-Controlling Interests	Total equity
	Capital and reserves							
	Share Capital	Share premium, Reserves and interim dividend	Treasury shares and own equity instruments	Profit for the period	Other equity instruments	Valuation adjustments		
BALANCE AT 1 JANUARY 2018	1,271	6,414	-	1,463	-	(52)	137	9,233
Adjustments due to Changes in Accounting Policies	-	31	-	-	-	-	-	31
Correction of Errors	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT 1 JANUARY 2018	1,271	6,445	-	1,463	-	(52)	137	9,264
TOTAL COMPREHENSIVE INCOME	-	(9)	-	1,193	-	(17)	5	1,172
TRANSACTIONS WITH SHAREHOLDERS OR OWNERS	-	(722)	-	-	-	-	2	(720)
Capital Increases / (Reductions)	-	-	-	-	-	-	(1)	(1)
Conversion of Liabilities into Equity	-	-	-	-	-	-	-	-
Dividends Paid	-	(722)	-	-	-	-	(7)	(729)
Transactions with Treasury Shares or Own Equity Instruments (Net)	-	-	-	-	-	-	-	-
Increases / (Reductions) due to Business Combinations	-	-	-	-	-	-	4	4
Other Transactions with Shareholders and Owners	-	-	-	-	-	-	6	6
OTHER CHANGES IN EQUITY	-	1,463	-	(1,463)	-	-	-	-
Share-Based Payments	-	-	-	-	-	-	-	-
Transfers between Equity Items	-	1,463	-	(1,463)	-	-	-	-
Other Changes	-	-	-	-	-	-	-	-
BALANCE AT 30 SEPTEMBER 2018	1,271	7,177	-	1,193	-	(69)	144	9,716

(1) Unaudited

ENDESA S.A. AND SUBSIDIARIES
BREAKDOWN CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2019

Millions of Euros

	30 September 2019 ⁽¹⁾				
	Generation and Supply	Distribution	Structure and Services	Consolidation Adjustments and Eliminations	Total
ASSETS					
NON-CURRENT ASSETS	13,244	13,300	29,706	(30,245)	26,005
Property, Plant and Equipment	9,509	11,842	118	-	21,469
Investment Property	-	56	6	-	62
Intangible Assets	966	220	136	-	1,322
Goodwill	364	97	4	-	465
Investments Accounted for using the Equity Method	214	19	4	-	237
Non-Current Financial Assets	1,156	734	29,291	(30,257)	924
Deferred Tax Assets	1,035	332	147	12	1,526
CURRENT ASSETS	4,627	1,401	788	(863)	5,953
Inventories	924	131	-	-	1,055
Trade and other Receivables	2,579	744	539	(825)	3,037
Current Financial Assets	898	515	49	(38)	1,424
Cash and Cash Equivalents	226	11	200	-	437
Non-Current Assets Held for Sale and Discontinued Operations	-	-	-	-	-
TOTAL ASSETS	17,871	14,701	30,494	(31,108)	31,958
EQUITY AND LIABILITIES					
EQUITY	6,628	3,863	16,874	(18,875)	8,490
Of the Parent Company	6,481	3,856	16,874	(18,875)	8,336
Of non-Controlling Interests	147	7	-	-	154
NON-CURRENT LIABILITIES	7,432	8,776	11,007	(11,390)	15,825
Deferred Income	42	4,496	-	(17)	4,521
Non-Current Provisions	2,492	949	312	55	3,808
Non-Current Interest-Bearing Loans and Borrowings	3,889	2,529	10,575	(11,377)	5,616
Other non-Current Liabilities	270	475	56	(53)	748
Deferred Tax Liabilities	739	327	64	2	1,132
CURRENT LIABILITIES	3,811	2,062	2,613	(843)	7,643
Current Interest-Bearing Loans and Borrowings	83	8	1,990	(27)	2,054
Current Provisions	355	65	54	-	474
Trade Payables and other Current Liabilities	3,373	1,989	569	(816)	5,115
Liabilities Associated with non-Current Assets classified as Held for Sale and Discontinued Operations	-	-	-	-	-
TOTAL EQUITY AND LIABILITIES	17,871	14,701	30,494	(31,108)	31,958

(1) Unaudited

ENDESA S.A. AND SUBSIDIARIES
BREAKDOWN CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

Millions of Euros

	31 December 2018 ⁽¹⁾				
	Generation and Supply	Distribution	Structure and Services	Consolidation Adjustments and Eliminations	Total
ASSETS					
NON-CURRENT ASSETS	13,235	13,349	29,981	(30,564)	26,001
Property, Plant and Equipment	9,856	11,916	68	-	21,840
Investment Property	-	56	6	-	62
Intangible Assets	991	223	141	-	1,355
Goodwill	378	97	4	-	479
Investments Accounted for using the Equity Method	229	18	2	-	249
Non-Current Financial Assets	1,093	718	29,623	(30,576)	858
Deferred Tax Assets	688	321	137	12	1,158
CURRENT ASSETS	5,083	1,106	2,910	(3,444)	5,655
Inventories	1,348	125	-	-	1,473
Trade and other Receivables	2,622	671	1,941	(2,279)	2,955
Current Financial Assets	889	304	955	(1,165)	983
Cash and Cash Equivalents	224	6	14	-	244
Non-Current Assets Held for Sale and Discontinued Operations	-	-	-	-	-
TOTAL ASSETS	18,318	14,455	32,891	(34,008)	31,656
EQUITY AND LIABILITIES					
EQUITY	7,194	3,472	17,388	(18,873)	9,181
Of the Parent Company	7,057	3,465	17,388	(18,873)	9,037
Of non-Controlling Interests	137	7	-	-	144
NON-CURRENT LIABILITIES	6,079	8,522	12,111	(11,931)	14,781
Deferred Income	44	4,562	-	(19)	4,587
Non-Current Provisions	1,995	954	323	53	3,325
Non-Current Interest-Bearing Loans and Borrowings	3,022	2,197	11,707	(11,951)	4,975
Other non-Current Liabilities	281	474	19	(17)	757
Deferred Tax Liabilities	737	335	62	3	1,137
CURRENT LIABILITIES	5,045	2,461	3,392	(3,204)	7,694
Current Interest-Bearing Loans and Borrowings	59	4	1,916	(933)	1,046
Current Provisions	444	65	62	-	571
Trade Payables and other Current Liabilities	4,542	2,392	1,414	(2,271)	6,077
Liabilities Associated with non-Current Assets classified as Held for Sale and Discontinued Operations	-	-	-	-	-
TOTAL EQUITY AND LIABILITIES	18,318	14,455	32,891	(34,008)	31,656

(1) Audited

ENDESA S.A. AND SUBSIDIARIES
BREAKDOWN CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD JANUARY - SEPTEMBER 2019

Millions of Euros

	30 September 2019 ⁽¹⁾				
	Generation and Supply	Distribution	Structure and Services	Consolidation Adjustments and Eliminations	Total
INCOME	12,905	2,057	434	(591)	14,805
Revenue	12,539	1,862	421	(537)	14,285
Other Operating Revenues	366	195	13	(54)	520
PROCUREMENTS AND SERVICES	(10,392)	(126)	(28)	131	(10,415)
Energy Purchases	(3,569)	(7)	-	-	(3,576)
Fuel Consumption	(1,364)	-	-	-	(1,364)
Transmission Expenses	(3,979)	(10)	-	-	(3,989)
Other Variable Procurements and Services	(1,480)	(109)	(28)	131	(1,486)
CONTRIBUTION MARGIN	2,513	1,931	406	(460)	4,390
Self-Constructed Assets	50	102	13	-	165
Personnel Expenses	(404)	(211)	(157)	13	(759)
Other Fixed Operating Expenses	(791)	(296)	(253)	442	(898)
GROSS PROFIT FROM OPERATIONS (EBITDA)	1,368	1,526	9	(5)	2,898
Depreciation and Amortisation, and Impairment Losses	(2,064)	(454)	(45)	-	(2,563)
PROFIT FROM OPERATIONS (EBIT)	(696)	1,072	(36)	(5)	335
NET FINANCIAL PROFIT / (LOSS)	(82)	(51)	(6)	-	(139)
Financial Income	21	4	419	(419)	25
Financial Expense	(96)	(55)	(431)	419	(163)
Net Exchange Differences	(7)	-	6	-	(1)
Net Profit / (Loss) of Companies Accounted for using the Equity Method	13	3	-	-	16
Gains / (Losses) from other Investments	-	-	327	(327)	-
Gains / (Losses) on Disposal of Assets	(15)	1	-	-	(14)
PROFIT / (LOSS) BEFORE TAX	(780)	1,025	285	(332)	198
Income Tax Expense	222	(240)	3	1	(14)
PROFIT AFTER TAX FOR THE PERIOD FROM CONTINUING OPERATIONS	(558)	785	288	(331)	184
PROFIT AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS	-	-	-	-	-
PROFIT FOR THE PERIOD	(558)	785	288	(331)	184
Parent Company	(565)	784	288	(331)	176
Non-Controlling Interests	7	1	-	-	8

(1) Unaudited

ENDESA S.A. AND SUBSIDIARIES
BREAKDOWN CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD JANUARY - SEPTEMBER 2018

Millions of Euros

	30 September 2018 ⁽¹⁾				
	Generation and Supply	Distribution	Structure and Services	Consolidation Adjustments and Eliminations	Total
INCOME	13,442	2,069	431	(589)	15,353
Revenue	12,896	1,874	417	(537)	14,650
Other Operating Revenues	546	195	14	(52)	703
PROCUREMENTS AND SERVICES	(11,010)	(145)	(60)	133	(11,082)
Energy Purchases	(3,599)	(2)	-	-	(3,601)
Fuel Consumption	(1,627)	-	-	-	(1,627)
Transmission Expenses	(4,154)	(2)	-	-	(4,156)
Other Variable Procurements and Services	(1,630)	(141)	(60)	133	(1,698)
CONTRIBUTION MARGIN	2,432	1,924	371	(456)	4,271
Self-Constructed Assets	33	102	10	-	145
Personnel Expenses	(396)	(191)	(129)	12	(704)
Other Fixed Operating Expenses	(789)	(315)	(258)	441	(921)
GROSS PROFIT FROM OPERATIONS (EBITDA)	1,280	1,520	(6)	(3)	2,791
Depreciation and Amortisation, and Impairment Losses	(653)	(461)	(33)	-	(1,147)
PROFIT FROM OPERATIONS (EBIT)	627	1,059	(39)	(3)	1,644
NET FINANCIAL PROFIT / (LOSS)	(124)	(59)	77	-	(106)
Financial Income	19	5	327	(322)	29
Financial Expense	(140)	(64)	(251)	322	(133)
Net Exchange Differences	(3)	-	1	-	(2)
Net Profit / (Loss) of Companies Accounted for using the Equity Method	21	4	3	-	28
Gains / (Losses) from other Investments	-	-	324	(324)	-
Gains / (Losses) on Disposal of Assets	(27)	3	(3)	-	(27)
PROFIT / (LOSS) BEFORE TAX	497	1,007	362	(327)	1,539
Income Tax Expense	(97)	(237)	(7)	1	(340)
PROFIT AFTER TAX FOR THE PERIOD FROM CONTINUING OPERATIONS	400	770	355	(326)	1,199
PROFIT AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS	-	-	-	-	-
PROFIT FOR THE PERIOD	400	770	355	(326)	1,199
Parent Company	394	770	355	(326)	1,193
Non-Controlling Interests	6	-	-	-	6

(1) Unaudited

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

**Consolidated Management Report
for the period
January-September 2019**

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

Madrid, 5 November 2019

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE PERIOD

JANUARY-SEPTEMBER 2019

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ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT FOR THE PERIOD

JANUARY-SEPTEMBER 2019

1. Business Trends and Results in the period January-September 2019.

1.1. Consolidated Results.

ENDESA reported net income of Euros 176 million (-85.2%) for the nine-month period ended 30 September 2019.

ENDESA obtained net income of Euros 176 million in the period January-September 2019, a decrease of 85.2% from the Euros 1,193 million obtained in the period January-September 2018.

The decrease in ENDESA's net income in the period January-September 2019 is due to the recognition of a net impairment of Euros 1,052 million corresponding to the total net book value of the company's coal-fired thermal generation assets in mainland Spain (see Section 1.3.2. Operating Costs in this Consolidated Management Report).

Without the non-recurring effect described in the foregoing paragraph, net ordinary income attributable to the Parent Company in the period January-September 2019 has increased by 2.9%.

The breakdown of net income and net ordinary income for the period January to September 2019 among ENDESA's businesses and their variation relative to the same period of the previous year is presented hereunder (see Section 1.4. Results by Segment in this Consolidated Management Report):

Millions of Euros

	Net Income ⁽²⁾				Net Ordinary Income ⁽³⁾			
	January - September 2019	January - September 2018	% Var.	% contribution to total	January - September 2019	January - September 2018	% Var.	% contribution to total
Generation and Supply	(565)	394	N/A	(321.0)	487	394	23.6	39.7
Distribution	784	770	1.8	445.5	784	770	1.8	63.8
Structure and Others ⁽¹⁾	(43)	29	N/A	(24.5)	(43)	29	N/A	(3.5)
TOTAL	176	1,193	(85.2)	100.0	1,228	1,193	2.9	100.0

(1) Structure, Services and Adjustments.

(2) Net Income = Net Income of the Parent Company.

(3) Net Ordinary Income = Net Income of the Parent Company - Net Gain/(Loss) on Disposals of Non-Financial Assets (over Euros 10 million) - Net Impairment Losses on Non-Financial Assets (over Euros 10 million).

1.2. Changes in Accounting Principles.

The accounting policies used to prepare this Consolidated Management Report are the same as those applied in the consolidated financial statements for the year ended 31 December 2018, except for the following new standards, amendments and interpretations adopted by the European Union (EU) applicable to financial years from 1 January 2019 onwards:

Standards, Amendments and Interpretations	Mandatory application: annual periods beginning on
IFRS 16 Leases	1 January 2019
Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments.	1 January 2019
Amendments to IAS 28 Investments in Associates and Joint Ventures: Long Term Interests in Associates and Joint Ventures.	1 January 2019
Amendment to IAS 19 Employee Benefits: Amendment, Reduction or Settlement of the Plan.	1 January 2019
Annual Improvements to IFRS 2015-2017 Cycle. The improvements are designed to address areas of inconsistency in IFRSs or where clarification in wording is required, with amendments to the following standards: - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: Previously Held Interest in a Joint Operation. IAS 12 Income Taxes: Income Tax Consequences of Payments on Financial Instruments Classified as Equity. IAS 23 Borrowing Costs.	1 January 2019

The impact of applying the aforementioned accounting standards, amendments and interpretations was not significant, except for IFRS 16 Leases, as described below:

IFRS 16 Leases.

IFRS 16 Leases establishes that a lessee must recognise an asset according to right of use, which is the right to use an underlying asset, and a lease liability, which reflects the obligation to make lease payments during its term. This standard introduces no significant changes in regard to the lessor, who shall continue to classify contracts as financial leases or operating leases.

ENDESA has opted for retroactive application of this standard, with the accumulated impact of the initial application, whereby comparative information is not restated but the cumulative effect of initially applying the standard is presented at 1 January 2019, recognising the asset at the same value as the liability.

In relation to the practical solutions that the Standard allows at the date of first application, ENDESA has chosen not to apply this Standard to those leases whose term ends within 12 months from the date of first application or where the underlying asset has an individual value that is lower than USD 5,000, and, in these cases, recognises the payments associated with the leases as an expense on a straight-line basis over the term of the lease in Other fixed operating expenses section of the Consolidated Income Statement.

Appendix III of the Consolidated Management Report includes the impact on the Consolidated Statement of Financial Position at 1 January 2019 of the changes in the accounting principles due to the application of IFRS 16 Leases.

During the period January-September 2019, the impact of application of IFRS 16 Leases on the Consolidated Income Statement was as follows:

Millions of Euros

Consolidated Income Statement	Sections	January - September 2019			
		Generation and Supply	Distribution	Structure and Others (1)	Total
INCOME		-	-	-	-
PROCUREMENTS AND SERVICES		-	-	-	-
CONTRIBUTION MARGIN		-	-	-	-
Other fixed operating expenses	1.3.2	12	3	12	27
GROSS PROFIT FROM OPERATIONS (EBITDA)		12	3	12	27
Depreciation and amortisation, and impairment losses	1.3.2	(9)	(3)	(11)	(23)
PROFIT FROM OPERATIONS (EBIT)		3	-	1	4
NET FINANCIAL RESULT - PROFIT/(LOSS)	1.3.3	(3)	-	(1)	(4)
PROFIT/(LOSS) BEFORE TAX		-	-	-	-
Income tax		-	-	-	-
PROFIT/(LOSS) FOR THE PERIOD		-	-	-	-
Parent		-	-	-	-
Non-controlling interests		-	-	-	-

(1) Structure, services and adjustments.

At 30 September 2019, due to the application of IFRS 16 Leases, net financial debt was recognised for the payment obligation deriving from rights of use contracts for the amount of Euros 271 million (see Section 4.1. Financial Management of this Consolidated Management Report).

As a result of the entry into force of IFRS 16 Leases, from 1 January 2019, payments derived from operating lease contracts that were previously considered cash flows from operating activities are now recognised as cash flows from financing activities. During the period January-September 2019 the amount recognised for this concept was Euros 26 million (see Section 4.2. Cash Flows of this Consolidated Management Report).

1.3. Analysis of Results.

The table below presents the details of the most significant figures in ENDESA's Consolidated Income Statement for the period January-September 2019 and changes in them compared with the same period of the previous year:

Millions of Euros

	Most Significant Figures		
	January - September 2019	January - September 2018	% Var.
INCOME	14,805	15,353	(3.6)
Procurements and Services	(10,415)	(11,082)	(6.0)
Contribution Margin ⁽¹⁾	4,390	4,271	2.8
Self-constructed assets	165	145	13.8
Personnel expenses	(759)	(704)	7.8
Other fixed operating expenses	(898)	(921)	(2.5)
EBITDA ⁽²⁾	2,898	2,791	3.8
Depreciation and amortisation, and impairment losses	(2,563)	(1,147)	123.5
EBIT ⁽³⁾	335	1,644	(79.6)
Net Financial Result ⁽⁴⁾	(139)	(106)	31.1
Income before tax	198	1,539	(87.1)
Net Income ⁽⁵⁾	176	1,193	(85.2)
Net Ordinary Income ⁽⁶⁾	1,228	1,193	2.9

(1) Contribution margin = Income - Procurements and Services.

(2) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel expenses - Other fixed operating expenses.

(3) EBIT = EBITDA - Depreciation and Amortisation, and Impairment Losses.

(4) Net Financial Result = Financial income - Financial Expense + Net Exchange Differences.

(5) Net Income = Net Income of the Parent Company.

(6) Net Ordinary Income = Net Income of the Parent Company - Net Gain/(Loss) on Disposals of Non-Financial Assets (over Euros 10 million) - Net Impairment Losses on Non-Financial Assets (over Euros 10 million).

1.3.1. Income.

Income in the period January-September 2019 totalled Euros 14,805 million, Euros 548 million less (-3.6%) than income posted in the same period of the previous year.

The table below presents the detail of income in the period January-September 2019 and its variation compared with the same period of the previous year:

Millions of Euros

	Income			
	January - September 2019 ⁽¹⁾	January - September 2018 ⁽¹⁾	Difference	% Var.
Revenue from sales	14,285	14,650	(365)	(2.5)
Other operating income	520	703	(183)	(26.0)
TOTAL	14,805	15,353	(548)	(3.6)

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2019 and 2018.

Market Situation.

In the period January-September 2019, electricity demand trends were as follows:

- Total accumulated mainland electricity demand fell by 2.0% year-on-year (-3.0% adjusted for the effect of working days and temperature).
- The accumulated electricity demand in Non-mainland Territories (TNP) closed out the period January-September 2019 with increases of 0.6% in the Balearic Islands and 0.1% in the Canary Islands compared with the same period of the previous year (+1.0% and -0.5% respectively, adjusted for the effect of working days and temperature).

The period January-September 2019 was characterised by lower prices, with the arithmetic average price on the wholesale electricity market at Euros 49.92/MWh (-9.9%) as a consequence, mainly, of the evolution of raw material prices, especially the natural gas, as well as the greater share of renewable energy, in spite of the increase in the price of carbon dioxide (CO₂) emission rights.

During the period January-September 2019, the price of the carbon dioxide (CO₂) emission rights increased to an average of Euros 24.86 per metric ton and, in the framework of the European Union (EU) objectives for reducing emissions of the Electricity Sector, since 1 January 2019 the establishment of the Market Stability Reserve (MSR) mechanism has ensured that the price of these emission rights are kept at appropriate levels for this purpose.

During the period January-September 2019, there was also a narrowing of the thermal gap due to the weakness in electricity demand, the increase in imports and the increase in renewable production. In this regard the contribution of renewable energies to total mainland production in the period was 41.1% (39.1% in the period January-September 2018).

In this market context, and also taking into account the fall in the price of natural gas and the exemption of combined cycle power plants from the Special Hydrocarbons Tax (known as the "green cent"), together with the different tax treatment of imports, the cost of producing electricity with coal technology increased, amplifying the effect of loss of competitiveness against other technologies.

Looking ahead, in view of the EU objectives for CO₂ emissions in 2030 and 2050, the expected support for maintaining current prices of CO₂ emission rights and the foreseeable greater narrowing of the thermal gap with the expected growth in renewable energy production plants, coal-fired thermal power plants are likely to continue to become less competitive.

In this context:

- ENDESA's mainland electricity production for the period January-September 2019 was 37,541 GWh, 18.2% less than in the same period of the previous year, as per the following details:

GWh			
Mainland Electricity Production ⁽¹⁾	January - September 2019	January - September 2018	% Var.
Coal	4,814	13,972	(65.5)
Hydroelectric	3,898	6,864	(43.2)
Renewables and cogeneration	2,865	2,711	5.7
Nuclear	20,245	18,458	9.7
Combined cycle (CCGT)	5,719	3,907	46.4
TOTAL	37,541	45,912	(18.2)

(1) In power plant busbars.

- Production in the Non-mainland Territories (TNP) in the period January-September 2019 was 9,047 GWh (-6.1%).
- Nuclear and renewable technologies, including hydroelectric, accounted for 58.2% of ENDESA's generation mix, compared with 74.0% for the rest of the sector (50.5% and 81.7% respectively in the period January-September 2018).

At 30 September 2019, ENDESA held the following electricity market shares:

- 18.8% in mainland electricity generation.
- 44.4% in electricity distribution.
- 32.8% in electricity supply (sale).

In the period January-September 2019, conventional gas demand was up by 0.2% year-on-year, and at 30 September 2019, ENDESA had a market share of 15.6% in gas sales to customers in the deregulated market.

Sales.

The table below presents the breakdown of ENDESA's revenue from sales in the period January-September 2019 and the variation compared with the same period in the previous year:

Millions of Euros

	Sales			
	January - September 2019 ⁽¹⁾	January - September 2018 ⁽¹⁾	Difference	% Var.
Electricity sales	10,404	10,684	(280)	(2.6)
Deregulated market sales	7,028	7,004	24	0.3
Deregulated market sales - Spain	6,254	6,255	(1)	(0.0)
Deregulated market sales – outside Spain	774	749	25	3.3
Sales at regulated prices	1,567	1,761	(194)	(11.0)
Wholesale market sales	698	850	(152)	(17.9)
Non-mainland Territories (TNP) compensations	1,020	989	31	3.1
Remuneration for Renewable Energy Investment	77	67	10	14.9
Other electricity sales	14	13	1	7.7
Gas sales	1,714	1,825	(111)	(6.1)
Deregulated market sales	1,658	1,767	(109)	(6.2)
Regulated price sales	56	58	(2)	(3.4)
Regulated revenue from electricity distribution	1,653	1,650	3	0.2
Other sales and services rendered	514	491	23	4.7
TOTAL	14,285	14,650	(365)	(2.5)

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2019 and 2018.

Electricity sales to customers on the deregulated market.

At 30 September 2019, ENDESA had 5,825,091 electricity customers in the deregulated market, a 1.7% increase on numbers at 31 December 2018, as per the following breakdown:

- 4,641,002 (+0.3%) in the Spanish mainland market.
- 853,969 (+3.5%) in the Non-mainland Territories (TNP) market.
- 330,120 (+20.9%) in deregulated markets outside Spain.

ENDESA sold a net total of 58,497 GWh to these customers in the period January-September 2019, a 0.3% decrease on the same period in 2018, as per the following breakdown:

- 50,949 GWh (-0.7%) in the Spanish deregulated market.
- 7,548 GWh (+2.6%) in deregulated markets outside Spain.

In economic terms, sales on the deregulated market in the period January-September 2019 totalled Euros 7,028 million (+0.3%), with the following breakdown:

- Sales in the Spanish deregulated market were Euros 6,254 million, similar to those of the same period of the previous year, mainly, because the higher selling price offset the decrease in physical units sold.
- Revenue from sales to customers in deregulated markets outside Spain totalled Euros 774 million, up by Euros 25 million (+3.3%) year on year, mainly due to the higher number of customers and the higher physical units sold in Portugal.

Sales of electricity at regulated prices.

In the period January-September 2019 ENDESA sold 8,521 GWh to customers to which the regulated price is applied, via its Supplier of Reference company, 8.7% less than in the period January-September 2018.

These sales entailed revenue of Euros 1,567 million, which was 11.0% lower than the figure for the period January-September 2018, mainly as a result of the decline in the number of physical units sold.

Gas sales.

At 30 September 2019, ENDESA had 1,636,100 gas customers, 2.0% more than at 31 December 2018, as per the following breakdown:

- 230,070 (-1.3%) in the regulated market.
- 1,406,030 (+2.6%) in the deregulated market.

In the January-September 2019 period ENDESA sold 55,529 GWh to customers in the natural gas market, which represents a decrease of 9.6% compared with the January-September 2018 period.

Revenue from gas sales totalled Euros 1.714 million in the period January-September 2019, down by Euros 111 million (-6.1%) on the same period of 2018, as per the following details:

- Sales of gas in the deregulated market totalled Euros 1,658 million, down by Euros 109 million (-6.2%) on the figure for the period January-September 2018, due, basically, to the lower number of physical units sold.
- In economic terms, revenue from gas sales to customers at regulated price amounted to Euros 56 million (-3.4%), similar to that of the January-September 2018 period.

Compensations for generation in Non-mainland Territories (TNP)

In the January-September 2019, compensations for the extra-costs in Non-mainland Territories (TNP) was Euros 1,020 million, representing an increase of Euros 31 million (+3.1%) compared to the same period of the previous year, mainly due to higher fuel costs caused by the performance of commodity prices and CO₂ emission rights.

Electricity distribution.

ENDESA distributed 88,237 GWh in the Spanish market in the period January-September 2019, a year-on-year decrease of 0.4%.

In the period January-September 2019, regulated revenue from the distribution activity amounted to Euros 1,653 million (+0.2%), similar to that registered in the same period of the previous year.

Other Operating Income.

The table below shows the details of other operating income in the period January-September 2019 and its variation compared with the same period in the previous year:

Millions of Euros

	Other Operating Income			
	January - September 2019 ⁽¹⁾	January - September 2018 ⁽¹⁾	Difference	% Var.
Changes in energy stocks derivatives	273	455	(182)	(40.0)
Recognition of liabilities from contracts with customers in profit or loss	117	112	5	4.5
Trading rights	43	30	13	43.3
Grants released to income	15	15	-	-
Third Party Indemnities	9	21	(12)	(57.1)
Rendering of services at facilities	1	3	(2)	(66.7)
Others	62	67	(5)	(7.5)
TOTAL	520	703	(183)	(26.0)

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2019 and 2018.

In January-September 2019, other operating income amounted to Euros 520 million, representing a decrease of Euros 183 million (-26.0%) compared with the same period of the previous year, basically as a result of the decrease of Euros 182 million (-40.0%) in income from the valuation and settlement of energy derivatives due to changes in the valuation and settlement of gas and electricity derivatives and CO₂ emission rights, partly offset by the Euros 43 million decrease (-12.5%) in expenses for the same item recognised under Other Variable Procurements and Services in the Consolidated Income Statement.

1.3.2. Operating Costs.

Operating costs in January-September 2019 amounted to Euros 14,470 million, up by 5.6% compared with the same period in the previous year.

The table below shows the details of operating costs in the period January-September 2019 and their variation compared with the same period the previous year:

Millions of Euros

	Operating Costs			
	January - September 2019 ⁽¹⁾	January - September 2018 ⁽¹⁾	Difference	% Var.
Procurements and Services	10,415	11,082	(667)	(6.0)
Energy purchases	3,576	3,601	(25)	(0.7)
Fuel consumption	1,364	1,627	(263)	(16.2)
Transmission expenses	3,989	4,156	(167)	(4.0)
Other variable procurements and services	1,486	1,698	(212)	(12.5)
Self-constructed assets	(165)	(145)	(20)	13.8
Personnel expenses	759	704	55	7.8
Other fixed operating expenses	898	921	(23)	(2.5)
Depreciation and amortisation, and impairment losses	2,563	1,147	1,416	123.5
TOTAL	14,470	13,709	761	5.6

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2019 and 2018.

Procurements and Services (variable costs).

Procurements and services (variable costs) totalled Euros 10,415 million in the period January-September 2019, 6.0% less than in the same period of last year.

The evolution of these costs in the period January-September 2019 was as follows:

- Energy purchases decreased by Euros 25 million (-0.7%) to Euros 3,576 million as a consequence, mainly, of the decrease in the arithmetic average price in the wholesale electricity market (Euros 49.92/MWh, -9.9%). This heading includes an amount equal to Euros 21 million corresponding to the deterioration of inventories related to mainland coal-fired power plants.
- Fuel consumption amounted to Euros 1,364 million, with a decrease of Euros 263 million (-16.2%) due to the lower thermal production of the period (-29.1%) despite the increase in fuel prices.
- Other Variable Procurements and Services heading in the Consolidated Income Statement totalled Euros 1,486 million, down by Euros 212 million (-12.5%) on the period January-September 2018. This change can be attributed in large part to:

Millions of Euros

	Other Variable Procurements and Services			
	January - September 2019 ⁽¹⁾	January - September 2018 ⁽¹⁾	Difference	% Var.
Changes in energy stocks derivatives	300	343	(43)	(12.5)
CO ₂ Emission Rights	283	203	80	39.4
Tax on Electricity Production	153	301	(148)	(49.2)
Water Tax	25	47	(22)	(46.8)
Catalan Nuclear Tax	(27)	6	(33)	(550.0)
"Social Bonus" discount	34	65	(31)	(47.7)
Others	718	733	(15)	(2.0)
TOTAL	1,486	1,698	(212)	(12.5)

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2019 and 2018.

This amount includes a decrease of Euros 33 million in the Catalan nuclear tax as a result of the declaration of unconstitutionality according to the Judgment of the Constitutional Court of 12 April 2019, for which there has been a reversal of the amount accrued in 2017 and 2018 for Euros 27 million.

Fixed operating costs.

The table below presents the details of fixed costs in the period January-September 2019 and their variation compared with the same period of the previous year:

Millions of Euros

	Fixed Operating Costs			
	January - September 2019 ⁽¹⁾	January - September 2018 ⁽¹⁾	Difference	% Var.
Self-constructed assets	(165)	(145)	(20)	13.8
Personnel expenses	759	704	55	7.8
Other fixed operating expenses	898	921	(23)	(2.5)
TOTAL	1,492	1,480	12	0.8

(2) See the Consolidated Income Statements for the nine-month periods ended 30 September 2019 and 2018.

Fixed operating costs amounted to Euros 1,492 million in the period January-September 2019, a year-on-year increase of Euros 12 million (+0.8%). This amount includes:

- The decrease of Euros 27 million under the heading Other Fixed Operating Expenses of the Consolidated Income Statement as a result of the capitalisation, from 1 January 2019, of the right of use leased assets in application of IFRS 16 Leases (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).
- The expense related to disciplinary proceedings of Euros 21 million (income of Euros 2 million in the period January-September 2018).
- The deterioration of other materials related to mainland coal-fired power plants amounting to Euros 21 million and the charge of provisions to deal with plans related to the discontinuity of these facilities for Euros 18 million (Euros 16 million in the period January-September 2018).
- The update of the provisions for workforce restructuring plans in place (Euros 3 million, negative, in the period January-September 2019 and Euros 3 million, positive, in the period January-September 2018).

Excluding the effects described in the foregoing paragraphs, fixed costs in the period January-September 2019 would have decreased by Euros 13 million (-0.9%) compared with the same period of the previous year.

Depreciation and amortisation, and impairment losses

The table below shows the breakdown of depreciation and amortisation, and impairment losses in the period January-September 2019 and their variation compared with the same period in the previous year:

Millions of Euros

	Sections	Depreciation and amortisation, and impairment losses			
		January - September 2019 ⁽¹⁾	January - September 2018 ⁽¹⁾	Difference	% Var.
DEPRECIATION AND AMORTISATION		1,146	1,069	77	7.2
Depreciation charge for the of property, plant and equipment		976	909	67	7.4
Depreciation charge for Right-of-Use Assets in application of IFRS 16 Leases	1.2	23	-	23	N/A
Other depreciation charges for property, plant and equipment		953	909	44	4.8
Depreciation charge of intangible assets		170	160	10	6.3
IMPAIRMENT LOSSES		1,417	78	1,339	1,716.7
Non-Financial Assets		1,358	(1)	1,359	N/A
Charge for impairment losses of property, plant and equipment and investment		1,344	-	1,344	N/A
Other Property, Plant and Equipment and Investment Property		1,344	-	1,344	N/A
Charge for impairment losses on intangible assets		-	(1)	1	N/A
Other Intangible Assets		-	(1)	1	N/A
Charge for impairment losses on Goodwill		14	-	14	N/A
Financial Assets		59	79	(20)	(25.3)
Charge for impairment losses on receivables from contracts with customers		57	78	(21)	(26.9)
Charge for impairment losses on other financial assets		2	1	1	100.0
TOTAL		2,563	1,147	1,416	123.5

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2019 and 2018.

Depreciation and amortisation, and impairment losses in the period January-September 2019 amounted to Euros 2,563 million, representing an increase of Euros 1,416 million (+123.5%) on the same period the previous year.

During 2019, there has been a profound change in the market conditions affecting coal-fired thermal power plants, deriving basically from international commodity prices and the effectiveness of the new mechanisms for regulating the market for carbon dioxide emission rights (CO₂), which displaces the plants with the highest volume of emissions in favour of other technologies. As a result of this structural situation mainland coal-fired thermal power plants are no longer competitive, and therefore their operation in the electricity generation market is not possible, as the evolution itself has proven (See Section 1.3.1 Income in this Consolidated Management Report).

In this context, on 27 September 2019, ENDESA resolved to promote the discontinuation of these facilities, in accordance with the established administrative and legal procedures. This decision has entailed:

- Bringing forward the planned closing date of the thermal power plants involved, the economic useful life of which had previously been projected until 2035.
- Recognising a provision for the dismantling, removal or rehabilitation of the fixed assets concerned, including the expected costs of carrying out these operations until closing date, which, at 30 September 2019, are estimated at Euros 460 million.
- Re-evaluating whether to go ahead with certain investments committed to in these plants to meet the emission limits established by the Industrial Emissions Directive (IED) (Directive 2010/75/EU of 24 November).
- Developing a specific management model for these assets, geared to different objectives from those of other mainland generation assets.
- Evaluating the recoverability of these assets, the carrying amount of which at 30 September 2019 amounted to Euros 1,356 million.
- Recognising, as a result of this decision and of the analysis of the recoverable value of these assets, an impairment loss of Euros 1,356 million, equivalent to the total carrying amount of these assets at 30 September 2019, including the amount of the provision for dismantling and taking account of the fact that the cash flows of these plants is expected to be negative for the remainder of their lives, both as a whole and on an annual basis.

Also, as a result of the application of IFRS 16 Leases, in the period January-September 2019 the heading Depreciation and Amortisation, and Impairment Losses in the Consolidated Income Statement includes an increase of Euros 23 million in the depreciation charge relating to these assets (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

1.3.3. Net financial result.

The net financial result for the period January-September 2019 and 2018 was negative in the amount of Euros 139 million and Euros 106 million respectively.

The table below presents the details of net financial result in the period January-September 2019 and its variation compared with the same period of the previous year:

Millions of Euros					
	Net Financial Result ⁽¹⁾				
	January - September 2019 ⁽²⁾	January - September 2018 ⁽²⁾	Difference	% Var.	
Net Financial Expense ⁽³⁾	(138)	(104)	(34)	32.7	
Financial income	25	29	(4)	(13.8)	
Financial expense	(163)	(133)	(30)	22.6	
Net Exchange Differences	(1)	(2)	1	(50.0)	
TOTAL	(139)	(106)	(33)	31.1	

(1) Net Financial Result = Financial income - Financial Expense + Net Exchange Differences.

(2) See the Consolidated Income Statements for the nine-month periods ended 30 September 2019 and 2018.

(3) Net Financial Expense = Financial income - Financial expense.

In the period January-September 2019, net financial expense totalled Euros 138 million, Euros 34 million (+32.7%) more than in the same period of the previous year.

In considering the evolution of net financial expense in the period January-September 2019, the following factors need to be taken into account:

Millions of Euros	Net Financial Expense ⁽¹⁾			
	January - September 2019 ⁽²⁾	January - September 2018 ⁽²⁾	Difference	% Var.
Expenses in respect of Financial Liabilities at Amortised Cost	(96)	(97)	1	(1.0)
Income from Financial Assets at Amortised Cost	1	10	(9)	(90.0)
Update of Provisions for Workforce Restructuring Plans, Dismantling of Facilities and Impairment of Financial Assets in accordance with IFRS 9 Financial Instruments	(43)	(10)	(33)	330.0
Expense relating to Right-of-Use Contracts in Application of IFRS 16 Leases ⁽³⁾	(4)	-	(4)	N/A
Others	4	(7)	11	(157.1)
TOTAL	(138)	(104)	(34)	32.7

(1) Net Financial Expense = Financial Income - Financial Expense.

(2) See the Consolidated Income Statements for the nine-month periods ended 30 September 2019 and 2018.

(3) See Section 1.2. Changes in Accounting Principles of this Consolidated Management Report.

Without taking account of the impacts indicated in the foregoing table of the update of provisions, the impairment loss on financial assets in accordance with IFRS 9 Financial Instruments and the application of IFRS 16 Leases, net finance expense for the period January -September 2019 would have decreased by Euros 3 million (-3.2%) due to the combination of the following effects (see Section 4.1. Financial Management of this Consolidated Management Report):

- The lower average cost of gross financial debt, which fell from 1.9% in January-September 2018 to 1.8% in January-September 2019;
- The increase in average gross debt, which rose from Euros 6,666 million in January-September 2018 to Euros 7,610 million in January-September 2019.

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

In the period January-September 2019 and 2018 net income of companies accounted for using the equity method was Euros 16 million and Euros 28 million respectively, the breakdown being as follows:

Millions of Euros	Net Income of Companies accounted for using the Equity Method	
	January - September 2019 ⁽¹⁾	January - September 2018 ⁽¹⁾
Associates	6	6
Tecnatom, S.A.	2	-
Gorona del Viento El Hierro, S.A.	1	-
Others	3	6
Joint Ventures	10	22
Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.	(3)	7
Énergie Électrique de Tahaddart, S.A.	2	1
Suministradora Eléctrica de Cádiz, S.A.	3	2
Elecgas, S.A.	6	6
Pegop - Energía Eléctrica, S.A.	2	2
Others	-	4
TOTAL	16	28

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2019 and 2018.

1.3.5. Gains/(losses) on disposal of assets.

In the period January-September 2019, losses on disposals of assets amounted to Euros 14 million compared with Euros 27 million in the same period of 2018, details being as follows:

Millions of Euros

	Gains/(losses) on Disposal of Assets	
	January - September 2019 ⁽¹⁾	January - September 2018 ⁽¹⁾
Non-Financial Assets	11	(2)
Disposals of Investments in Group Companies and Others	1 ⁽²⁾	-
Disposals of Property, Plant and Equipment	10	(2)
Financial Assets	(25)	(25)
Factoring transaction fees	(25)	(25)
TOTAL	(14)	(27)

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2019 and 2018.

(2) Corresponds to the gross result generated by the divestment of Eólica del Noroeste, S.L. and Ufeyfs, S.L. (in Liquidation) (see Section 2.2. Consolidation Scope of this Consolidated Management Report).

1.3.6. Income Tax.

In the period January-September 2019, Income Tax expense amounted to Euros 14 million, representing a decrease of Euros 326 million (-95.9%) compared with the amount recognised in the same period of the previous year as a consequence, mainly, of the impairment loss recognised related to the mainland coal-fired thermal power plants for a total amount of Euros 1,398 million which had a tax effect of Euros 346 million.

Without taking into account the effect described in the foregoing paragraph, Income Tax expense in the period January-September 2019 would have increased by Euros 20 million (+5.9%) compared with the same period of the previous year and the effective tax rate in the period January-September 2019 would have been 22.6% (22.1% in January-September 2018).

1.3.7. Net Income.

Net income attributable to the parent company in the period January-September 2019 came to Euros 176 million, representing a decline of Euros 1,017 million (-85.2%) relative to the same period of the previous year.

Net ordinary income attributable to the Parent Company in the period January-September 2019 amounted to Euros 1,228 million (+2.9%). This amount does not take into account the net impairment loss recognised in respect of the mainland coal-fired thermal power plants, amounting to Euros 1,052 million in accordance with the following details:

Millions of Euros

	January – September 2019 ⁽¹⁾	January - September 2018 ⁽¹⁾	Difference	% Var.
Net Income ⁽²⁾	176	1,193	(1,017)	(85.2)
Net Gain/(Loss) on Disposal of Non-Financial Assets ⁽³⁾	-	-	-	N/A
Net Impairment Losses on Non-Financial Assets ⁽³⁾	1,052	-	1,052	N/A
Net Ordinary Income ⁽⁴⁾	1,228	1,193	35	2.9

(1) See the Consolidated Income Statements for the nine-month periods ended 30 September 2019 and 2018.

(2) Net Income = Net Income of the Parent Company.

(3) Greater than Euros 10 million.

(4) Net Ordinary Income = Net Income of the Parent Company – Net Gain/(Loss) on Disposals of Non-Financial Assets (over Euros 10 million) - Net Impairment Losses on Non-Financial Assets (over Euros 10 million).

1.4. Results by Segment.

The following is a breakdown of the most significant figures in the Consolidated Income Statement among ENDESA's Businesses in the period January-September 2019 and 2018:

Millions of Euros

	January - September 2019						Total
	Generation and Supply			Distribution	Structure and Others ⁽¹⁾	Total	
	Non-mainland Territories (TNP) generation	Other Generation and Supply	Adjustments				
Income	1,530	12,089	(714)	12,905	2,057	(157)	14,805
Revenue from sales	1,527	11,725	(713)	12,539	1,862	(116)	14,285
Other Operating Income	3	364	(1)	366	195	(41)	520
Procurements and Services	(1,114)	(9,987)	709	(10,392)	(126)	103	(10,415)
Contribution Margin ⁽²⁾	416	2,102	(5)	2,513	1,931	(54)	4,390
Self-constructed Assets	2	48	-	50	102	13	165
Personnel Expenses	(68)	(336)	-	(404)	(211)	(144)	(759)
Other Fixed Operating Expenses	(138)	(658)	5	(791)	(296)	189	(898)
EBITDA ⁽³⁾	212	1,156	-	1,368	1,526	4	2,898
Depreciation and Amortisation, and Impairment Losses	(103)	(1,961)	-	(2,064)	(454)	(45)	(2,563)
EBIT ⁽⁴⁾	109	(805)	-	(696)	1,072	(41)	335
Net Financial Result ⁽⁵⁾	(18)	(64)	-	(82)	(51)	(6)	(139)
Income before Tax	91	(854)	(17)	(780)	1,025	(47)	198
Net Income ⁽⁶⁾	90	(638)	(17)	(565)	784	(43)	176
Net Ordinary Income ⁽⁷⁾	90	414	(17)	487	784	(43)	1,228

(1) Structure, Services and Adjustments.

(2) Contribution margin = Income - Procurements and Services.

(3) EBITDA = Income - Procurements and Services + Self-constructed Assets - Personnel Expenses - Other fixed Operating Expenses.

(4) EBIT = EBITDA - Depreciation and Amortisation, and Impairment Losses.

(5) Net Financial Result = Financial Income - Financial Expense + Net Exchange Differences.

(6) Net Income = Net Income of the Parent Company.

(7) Net Ordinary Income = Net Income of the Parent Company - Net Gain/(Loss) on Disposals of Non-Financial Assets (over Euros 10 million) - Net Impairment Losses on Non-Financial Assets (over Euros 10 million).

Millions of Euros

	January - September 2018						Total
	Generation and Supply			Distribution	Structure and Others ⁽¹⁾	Total	
	Non-mainland Territories (TNP) generation	Other Generation and Supply	Adjustments				
Income	1,602	12,635	(795)	13,442	2,069	(158)	15,353
Revenue from sales	1,597	12,094	(795)	12,896	1,874	(120)	14,650
Other Operating Income	5	541	-	546	195	(38)	703
Procurements and Services	(1,125)	(10,676)	791	(11,010)	(145)	73	(11,082)
Contribution Margin ⁽²⁾	477	1,959	(4)	2,432	1,924	(85)	4,271
Self-constructed Assets	1	32	-	33	102	10	145
Personnel Expenses	(60)	(336)	-	(396)	(191)	(117)	(704)
Other Fixed Operating Expenses	(132)	(661)	4	(789)	(315)	183	(921)
EBITDA ⁽³⁾	286	994	-	1,280	1,520	(9)	2,791
Depreciation and Amortisation, and Impairment Losses	(122)	(531)	-	(653)	(461)	(33)	(1,147)
EBIT ⁽⁴⁾	164	463	-	627	1,059	(42)	1,644
Net Financial Result ⁽⁵⁾	(11)	(113)	-	(124)	(59)	77	(106)
Income before Tax	153	344	-	497	1,007	35	1,539
Net Income ⁽⁶⁾	143	251	-	394	770	29	1,193
Net Ordinary Income ⁽⁷⁾	143	251	-	394	770	29	1,193

(1) Structure, Services and Adjustments.

(2) Contribution margin = Income - Procurements and Services.

(3) EBITDA = Income - Procurements and Services + Self-constructed Assets - Personnel Expenses - Other fixed Operating Expenses.

(4) EBIT = EBITDA - Depreciation and Amortisation, and Impairment Losses.

(5) Net Financial Result = Financial Income - Financial Expense + Net Exchange Differences.

(6) Net Income = Net Income of the Parent Company.

(7) Net Ordinary Income = Net Income of the Parent Company - Net Gain/(Loss) on Disposals of Non-Financial Assets (over Euros 10 million) - Net Impairment Losses on Non-Financial Assets (over Euros 10 million).

1.4.1. Contribution Margin.

Generation and Supply.

The contribution margin in the Generation and Supply segment in the period January-September 2019 totalled Euros 2,513 million, up by Euros 81 million year on year (+3.3%), due mainly to the following factors:

- The decrease of energy purchases (-0.8%) as a consequence, mainly, of the decrease in the arithmetic average price in the wholesale electricity market (Euros 49.92/MWh, -9.9%). This heading also includes the deterioration of inventories related to mainland coal-fired power plants (Euros 21 million).
- The decrease in fuel consumption (-16.2%), mainly due to the lower thermal production of the period (-29.1%).
- The reduction in the other variable procurements and services (-9.2%), which includes, among other aspects, the reversal of Euros 27 million of the amount accrued in 2017 and 2018 for the Catalan nuclear tax after this tax was declared unconstitutional according to the Judgment of the Constitutional Court of 12 April 2019.

Distribution.

In the January-September 2019 period, the contribution margin amounted to Euros 1,931 million, representing an increase of Euros 7 million (+0.4%) compared with the same period of the previous year, mainly due to the incorporation into the consolidation perimeter of Empresa de Alumbrado Eléctrico de Ceuta, S.A. (Euros 12 million in the period January-September 2019 and Euros 2 million from its takeover date until 30 September 2018).

Structure and Others.

In the period January-September 2019, the contribution margin improved by Euros 31 million, mainly due to the evolution of the Social Bonus in the periods January-September 2019 and 2018, in accordance with Royal Decree 897/2017 of 6 October (see Section 3. Regulatory Framework of this Consolidated Management Report).

1.4.2. Gross Profit from Operations (EBITDA).

Generation and Supply.

In the period January-September 2019, the gross profit from operations (EBITDA) came to Euros 1,368 million (+6.9%). To analyse the performance during the period, the following factors must be taken into account:

- The 3.3% increase in the contribution margin.
- The decrease of Euros 7 million (-0.6%) in fixed operating costs, mainly due mainly to the increase in self-constructed assets of Euros 17 million (+51.5%).
- These fixed operating costs include a deterioration of other materials related to mainland coal-fired power plants (Euros 21 million) and the charge of provisions to deal with plans related to the discontinuity of these facilities (Euros 18 million and Euros 16 million in the periods January-September 2019 and 2018, respectively).

Distribution.

In the period January-September 2019, EBITDA came to Euros 1,526 million (+0.4%) and included, among other things:

- The evolution of the contribution margin (+0.4%).
- The trend in fixed operating costs, which remained similar to those of the same period of the previous year. This evolution includes, on the one hand, an increase of Euros 20 million (+10.5%) in personnel expenses as a result, among other aspects, of the higher average workforce during the period (19 employees) and of the evolution of the update of the provisions for workforce restructuring plans (Euros 1 million, negative, in the period January-September 2019 and Euros 4 million, positive, in the period

January-September 2018), and, on the other, a decrease in other fixed operating expenses amounting to Euros 19 million (-6.0%) as a consequence, mainly, of lower expenses in respect of breakdowns.

Structure and Others.

In the period January-September 2019, EBITDA improved by Euros 13 million compared with the same period of the previous year.

In this regard, the improvement in the contribution margin amounting to Euros 31 million was offset by the increase in personnel expenses (+23.1%) as a consequence, mainly, of the evolution of the update of provisions for workforce restructuring plans (Euros 4 million in the January-September 2019 period and Euros 4 million in the January-September 2018 period, both positive), and the additions to provisions for indemnities and other risks of a tax and labour nature (Euros 13 million, negative, in the period January-September 2019 and Euros 5 million, positive, in the period January-September 2018).

1.4.3. Profit from Operations EBIT.

Generation and Supply.

For the period January-September 2019, EBIT of this segment came to a negative Euros 696 million (-211.0%), including:

- The 6.9% increase in EBITDA.
- The 216.1% increase in the heading Depreciation and Amortisation, and Impairment Losses of the Consolidated Income Statement as a consequence, mainly, of the recognition of the impairment loss related to the mainland coal-fired thermal power plants in an amount of Euros 1,356 million and the application of IFRS 16 Leases amounting to Euros 9 million (see Sections 1.3.2. Operating Costs and 1.2. Changes in Accounting Principles of this Consolidated Management Report, respectively).

Distribution.

EBIT of the Distribution segment in the period January-September 2019 grew by Euros 13 million year on year (+1.2%), mainly as a result of the 0.4% rise in EBITDA.

Structure and Others.

The profit from operations (EBIT) for the period January-September 2019 improved by Euros 1 million as a result of the combination of the following aspects:

- The improvement in the gross profit from operations (EBITDA) by Euros 13 million.
- The increase in depreciation of Euros 12 million (+36.4%), basically due to the application of IFRS 16 Leases for Euros 11 million (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

2. Other Information.

2.1. Risk Management Policy.

In the period January-September 2019, ENDESA applied the same general risk management policy as that described in its Consolidated Financial Statements for the year ended 31 December 2018. For this period, the financial instruments and types of hedges had the same characteristics as those described in the previously mentioned Consolidated Financial Statements.

The risks to which ENDESA's operations are exposed were also the same as those described in the Consolidated Management Report for the year ended 31 December 2018.

2.2. Scope of Consolidation.

During the period January-September 2019, the following transactions were concluded:

Transaction	Date	Activity	Stake at 30 September 2019 (%)		Stake at 31 December 2018 (%)		
			Control	Economic	Control	Economic	
Eólica del Noroeste, S.L. (1)	Sale	5 February 2019	Wind	-	-	51.00	51.00
Energía Neta Sa Caseta Lluçmajor, S.L.U. (2)	Acquisition	5 March 2019	Photovoltaic	100.00	100.00	-	-
ENDESA Energía Renovable, S.L.U. (3)	Incorporation	11 March 2019	Supply	100.00	100.00	-	-
ENEL Green Power Granadilla, S.L.U. (4)	Acquisition	25 March 2019	Wind	100.00	100.00	65.00	65.00
Erecosalz, S.L. (in Liquidation)	Final winding	14 March 2019	Cogeneration	-	-	33.00	33.00
Ufefys, S.L. (in Liquidation) (5)	Sale	15 April 2019	Renewable energy	-	-	40.00	40.00
Baleares Energy, S.L.U. (2)	Acquisition	28 May 2019	Photovoltaic	100.00	100.00	-	-
Baikal Enterprise, S.L.U. (2)	Acquisition	28 May 2019	Photovoltaic	100.00	100.00	-	-

(1) The gross gain generated by the divestment transaction amounted to less than Euros 1 million (see Section 1.3.5. Gains/(Losses) on Disposal of Assets of this Consolidated Management Report).

(2) Companies acquired by ENEL Green Power España, S.L.U. (EGPE) for a total amount of Euros 2 million, of which an amount of less than Euros 1 million was pending payment at 30 September 2019 (see Section 4.2. Cash Flows of this Consolidated Management Report).

(3) Company established by ENDESA Energía, S.A.U.

(4) Stake acquired by ENEL Green Power España, S.L.U. (EGPE) for an amount of less than Euros 1 million (see Section 4.2. Cash Flows of this Consolidated Management Report).

(5) The gross gain generated by the divestment transaction amounted to less than Euros 1 million (see Section 1.3.5. Gains/(Losses) on Disposal of Assets of this Consolidated Management Report).

ENDESA has recognised the acquisition of Energía Neta Sa Caseta Lluçmajor, S.L.U., Baleares Energy, S.L.U. and Baikal Enterprise, S.L.U. as a business combination, and in application of the acquisition method, it has recognised definitively, on the date of acquisition, the assets acquired and liabilities assumed (Net Assets Acquired) of these companies at their fair value under the following headings in the consolidated financial statements:

Millions of Euros	Fair Value
Non-current assets	3
Property, plant and equipment	3
TOTAL ASSETS	3
Non-current liabilities	1
Deferred tax liabilities	1
TOTAL LIABILITIES	1
Fair Value of Net Assets Acquired	2

The companies acquired are currently waiting for permits and licences to carry out their projects, so construction of the renewable energy facilities has not yet started and no ordinary revenue has been generated since their respective acquisition dates.

3. Regulatory framework.

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

2019 electricity tariff.

Ministerial Order TEC/1366/2018, of 20 December 2018, establishing access tariffs for 2019, was published in the Official State Gazette on 22 December 2018. Electricity access tariffs remained unchanged in the Order. This Order repealed the incentive for availability of Order ITC/3127/2011, of 17 November 2011, until the capacity mechanisms are reviewed for adaptation to European regulations and the energy transition process.

Natural gas tariff for 2019.

On 22 December 2018, Order TEC/1367/2018, of 20 December 2018, establishing access tariffs for gas for 2019, which remained unchanged, and on 28 December 2018, the Resolution of 26 December, publishing the Last Resort Tariffs (LRT) for natural gas applicable from 1 January 2019, implying an average reduction of approximately 4% due to lower raw material costs, were published in the Official State Gazette (BOE).

On 30 March 2019, the Official State Gazette published the Resolution of the Directorate General of Energy Policy and Mines of 22 March 2019, establishing the last resort tariff (LRT) for natural gas applicable from 1 April 2019. Depending on whether this is Last Resort Tariff 1 (LRT1) or Last Resort Tariff 2 (LRT2), this will

decrease by an average of 5.2% and 6.6% respectively compared to the previous quarter due to lower raw material costs.

Energy efficiency.

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

Order TEC/332/2019 of 20 March 2019, entailed a contribution by ENDESA to the Energy Efficiency National Fund of Euros 29 million, corresponding to its 2019 obligations.

Royal Decree regulating self-consumption.

On 6 April 2019, the Official State Gazette published Royal Decree 244/2019, of 5 April 2019, regulating the administrative, technical and economic conditions of the self-consumption of electricity, in compliance with Royal Decree Law 15/2018, of 5 October 2018, on urgent measures for energy transition and consumer protection.

Royal Decree 244/2019, of 5 April 2019, addresses the following points, among others:

- In addition to the individual self-consumption connected to an internal grid, it includes the concept of collective self-consumption, whereby a group of consumers can be associated with the same generation facility (for example, homeowners' associations or companies/industries located in the same area).
- It also defines the concept of “installing production facilities close to consumption facilities and associated with them”, thereby enabling self-consumption using generation facilities located in the same building (the current situation) and other facilities nearby.
- It introduces a simplified mechanism to compensate surpluses (energy generated by self-consumption facilities that is not immediately used by the customer) for installations with capacity of less than 100 kW and provided that electricity is produced using renewable sources. In this case, to obtain compensation it will not be necessary to set up as an energy producer, as the supply company will compensate the user for any surplus energy through its monthly invoice. This compensation could be as much as 100% of the power consumed during the month.
- For collective and communal self-consumption, the energy will be shared among associated consumers in proportion to their contracted power and the Royal Decree permits the development of dynamic sharing ratios so that the consumer can take advantage of the surplus produced by another associated consumer if it is not consuming its allocated share.
- Administrative procedures for all consumers will be simplified, particularly for small self-consumers (installation of up to 15kW or 100kW, for self-consumption without surpluses). Measurement configurations have been simplified such that in most cases a single meter at the distribution network border will be sufficient.
- Lastly, a monitoring system has been established for these installations to supervise their impact on System operations and allow them to be integrated gradually and securely.

Renewable auctions in Non-mainland Territories (TNP) electricity systems.

Order TEC/1380/2018, of 20 December 2018, was published in the Official State Gazette (“BOE”) on 25 December 2018. This Order establishes the regulatory terms for concession of support for investment in wind and solar power generation facilities located in Non-mainland Territories (TNP), co-financed with funds from the European Regional Development Fund (ERDF).

On 27 December 2018, the Institute for Energy Diversification and Savings (“IDAE”) passed a Resolution, convening auctions of subsidies for investment in wind facilities in the Canary Islands, with an allocation of Euros 80 million and maximum power of 217 MW. On 27 June 2019, the final resolution was published, and ENDESA was awarded wind power of 16.1 MW.

Further, on 27 March 2019, the Institute for Energy Diversification and Savings ("IDAE") passed a Resolution, convening auctions of subsidies for investment in photovoltaic facilities in the Balearic Islands, with an allocation of Euros 40 million. The bidding period has finished, pending final resolution of the auction.

Strategic energy and climate framework.

The European Union (EU) has made a clear commitment to fight against global warming, setting a target to reduce greenhouse gas emissions by 80% from 1990 to 2050, and defining ambitious goals and objectives for all member states. It also signed the Paris Agreement, the aim of which is to prevent the planet from warming by more than 2°C compared to pre-industrial levels, in addition to other efforts to ensure the global rise in temperature does not exceed 1.5°C.

These targets are currently being transposed into Spanish law and on 22 February 2019, the Ministry for the Ecological Transition opened a public consultation on the Strategic Energy and Climate Framework, containing mainly the following documents:

- Draft Law on climate change and energy transition: This sets out the regulatory and institutional framework to introduce the Union European's (EU) commitment to decarbonising the economy through to 2050, and the global commitment of the Paris Agreement. Specifically, it would set two time frames: for 2030, a target to reduce greenhouse gas (GHG) emissions by at least 20% compared to 1990, a target to generate 70% of electricity using renewable sources and a target to improve energy efficiency by at least 35% compared to the baseline scenario; and for 2050, a target to reduce greenhouse gas emissions by at least 90% compared to 1990 and an Electricity System that is 100% based on renewable sources. The Draft law also sets out specific measures to help achieve these targets. These include: measures to promote renewable energies; limits on the use of hydrocarbons, cutbacks on subsidies for fossil fuels and revising their tax treatment; promotion of electric mobility; definition of impact indicators and indicators to measure adaptation to climate change; or the introduction of a framework for the mobilisation of economic resources for the transition.
- Draft National Integrated Energy and Climate Plan ("PNIEC") 2021-2030: The framework for the national strategic plan to integrate the energy and climate policy, reflecting Spain's contribution to achieving the targets set by the European Union (EU). The draft National Integrated Energy and Climate Plan ("PNIEC") also establishes the milestones and steps in the transition towards modernising the whole economy and includes: a 31% reduction in greenhouse gas (GHG) emissions vs 1990, roll-out of renewable energies to account for 42% of total energy produced in the country (74% for electricity generation) and a 39.6% improvement in energy efficiency. It also establishes the effort required from all sectors (energy, industrial, transport, agriculture, residential, waste, and natural supplies) through to 2030. The Ministry for the Ecological Transition has submitted the Draft National Integrated Energy and Climate Plan ("PNIEC") 2021-2030 to the European Commission, as have the other EU member states, starting a structured dialogue which will conclude with the Plan being approved at the end of 2019.
- A fair transition strategy: The objective is to increase job opportunities in areas that will be affected by the transition to a low-carbon economy.

Spanish National Strategy to Combat Energy Poverty.

On 5 April 2019, the Council of Ministers approved the National Strategy to Combat Energy Poverty 2019-2024, in response to the mandate set out in Royal Decree Law 15/2018, of 5 October 2018, on urgent measures for energy transition and consumer protection.

The instrument defines the concepts of energy poverty and vulnerable consumers, providing a diagnosis of the current status of energy poverty, including the impact on health, personal and social development and equality, and establishes lines of action and reduction targets.

The National Strategy to Combat Energy Poverty is the result of the need to maintain and improve benefit systems (electric and thermal Social Bonus) as transition tools that will give increased importance to structural measures to find long-term solutions for the root cause.

To properly analyse and monitor the different types of energy poverty, the indicators established by the European Energy Poverty Observatory are used as the official primary indicators (high share of energy expenditure in income, hidden energy poverty, inability to keep home adequately warm and arrears on utility bills). In order to improve the lowest value in the series of these indicators in 2008-2017, and raise the European Union (EU) average, the Strategy establishes a minimum reduction objective of 25% in 2025 (vs 2017), with a target of 50%.

The National Strategy to Combat Energy Poverty will have a duration of five years (2019-2024), and a series of operating plans are expected to be developed for its implementation. It will be managed and monitored by the Institute for Energy Diversification and Savings ("IDAE").

The National Strategy to Combat Energy Poverty establishes four lines of action, comprising 19 concrete measures:

- Improve the awareness of energy poverty through a detailed study of the energy expenditure of consumers according to the climate zone they live in, considering among other factors, the presence of minors in the household. The indicators will be updated by the government on an annual basis.
- Improve the response to the current energy poverty situation. Among other aspects, a new Social Bonus is considered to be necessary; the main lines of which are as follows: it will be an energy Social Bonus (for all types of energy supply), that should be directly granted by the Authorities (automation) and management mechanisms should be implemented in concert with the Public Administrations involved. Extraordinary responses are also defined, such as not allowing supply to be cut off, in extreme weather conditions.
- Facilitate structural change through short, medium and long-term measures for the energy rehabilitation of housing and replacement of old appliances and machinery with efficient apparatus.
- Protection measures for consumers and social awareness. Among other actions, a protocol will be established to detect vulnerability through family doctors and the management of information on public benefits will be standardised to ensure this information is included in the existing universal social card. To raise public awareness, communication actions will be rolled out on the use of smart meters, consumption habits, energy savings and efficiency improvements, and a permanent communication channel set up for individuals and groups.

Social Bonus (or Social Tariff)

The Order TEC/1080/2019, of 23 October, has established the distribution percentage of the financing of the 2019 Social Bonus, being the percentage corresponding to ENDESA, S.A. 36.26%, compared to the current 37.15%.

Public consultation on the draft Royal Decree establishing the methodology for calculating Electricity and Gas System charges.

Royal Decree Law 1/2019, of 11 January 2019, establishes, among other points, that the government must approve the calculation methodology for Electricity and Gas System charges before 1 January 2020. Therefore, in May 2019 the Ministry for the Ecological Transition opened a public consultation prior to drawing up the Royal Decree establishing the calculation methodology for Electricity and Gas System charges and its structure, in order to obtain the opinions of all agents and parties involved.

This methodology must establish the variables used to distribute the costs that have to be covered by the charges, in a way that is not discriminatory and that is aligned with the government's energy policies, i.e. that fosters efficiency, the electrification of the economy and a fair energy transition.

Spanish Markets and Competition Commission (“CNMC”) Circulars.

Pursuant to Royal Decree Law 1/2019, of 11 January 2019, the Spanish Markets and Competition Commission (“CNMC”) has an area of responsibility that includes approving and setting certain regulatory aspects via circulars.

In this regard, the Spanish Markets and Competition Commission (“CNMC”) has initiated a process of public consultation on a number of Circulars, among which are the following:

- Circular on the methodology and access conditions, in addition to the connection to the transmission and distribution grids of electricity production facilities, with the goal of regulating the procedures, periods and criteria for assessing access capacity and granting permits, improving the transparency of the process, and other aspects relating to controlling the progress of the projects to ensure they are properly completed.
- Circular on the methodologies regulating the operation of the wholesale electricity generation market and the management of the system, in order to establish energy market regulations for different time horizons (forward, day-ahead, intraday markets, balancing and Resolutions of congestion in the Electricity System) and set the methodologies for technical aspects of system operations to ensure the progressive harmonisation and convergence of the European electricity markets.
- Circular on the financial rate of remuneration for the second regulatory period (2020-2025), for which the Spanish Markets and Competition Commission (“CNMC”) proposes a figure of 5.58% (6.003% for 2020) for the transmission and distribution of electricity activities.
- Circular on the remuneration methodology for the electricity distribution activity to establish the parameters, criteria and remuneration method for this activity in the next regulatory period. The draft circular contains a new remuneration formula that regroups certain items included in Royal Decree 1048/2013, of 27 December, and creates new ones. Also, certain aspects of the incentives are modified.
- Circular on the methodology for calculating tolls for access to electricity transmission and distribution networks, which must cover the remuneration of these networks.

The Ministry for the Ecological Transition has issued its mandatory reports on some of these proposals, invoking the constitution of the Cooperation Commission to analyse and assess some issues that arise in relation to them and the appropriateness of the proposals to the energy policy guidelines previously adopted. There are also other draft circulars addressing the remuneration methodology for the other Electricity and Gas Sector regulated activities.

After the analysis of the Cooperation Commission in those cases in which it has been required, the proposals of Circulars continue their processing in the State Council, prior to their final approval.

Hearing on regulatory proposals for Non-mainland Territories (TNP).

The Ministry for the Ecological Transition has initiated the processing of two proposals for provisions relating to generation in the Non-mainland Territories (TNP):

- Proposal for an Order establishing the remuneration parameters in the second regulatory period (2020-2025).
- Proposed Resolution for definitive costs for the year 2015.

Communication from the Spanish Markets and Competition Commission (“CNMC”) on the level of indebtedness and financial capacity of companies that carry out regulated activities.

On 23 October, the Spanish Markets and Competition Commission (“CNMC”) has approved Communication 1/2019, which defines a set of financial ratios to assess the level of indebtedness and financial capacity of the regulated companies, proposing recommended values for these ratios, and creating a global index of ratios that would have an impact on the remuneration below certain values.

4. Liquidity and Capital Resources.

4.1. Financial Management.

Financial debt.

At 30 September 2019, ENDESA had net financial debt of Euros 7,225 million, an increase of Euros 1,455 million (+25.2%) compared with 31 December 2018.

The reconciliation of ENDESA's gross and net financial debt at 30 September 2019 and 31 December 2018, breaking down the effect of applying IFRS 16 Leases, is as follows:

Millions of Euros	Reconciliation of Financial Debt			
	30 September 2019	31 December 2018	Difference	% Var.
Non-current financial debt	5,616	4,975	641	12.9
Non-Current Financial Debt in Application of IFRS 16 Leases ⁽¹⁾	234	-	234	N/A
Other non-current financial debt	5,382	4,975	407	8.2
Current financial debt	2,054	1,046	1,008	96.4
Current Financial Debt in Application of IFRS 16 Leases ⁽¹⁾	37	-	37	N/A
Other current financial debt	2,017	1,046	971	92.8
Gross Financial Debt ⁽²⁾	7,670	6,021	1,649	27.4
Gross Financial Debt in Application of IFRS 16 Leases ⁽¹⁾	271	-	271	N/A
Other Gross Financial Debt	7,399	6,021	1,378	22.9
Cash and cash equivalents	(437)	(244)	(193)	79.1
Financial derivatives recognised in Financial Assets	(8)	(7)	(1)	14.3
Net Financial Debt	7,225	5,770	1,455	25.2
Net Financial Debt in Application of IFRS 16 Leases ⁽¹⁾	271	-	271	N/A
Other Net Financial Debt	6,954	5,770	1,184	20.5

(1) See Section 1.2. Changes in Accounting Principles of this Consolidated Management Report.

(2) At 30 September 2019, this includes Euros 36 million corresponding to financial derivatives recognised under financial liabilities (Euros 6 million at 31 December 2018).

The following factors must be taken into account when examining net financial debt:

- During the period January-September 2019, ENDESA, S.A. paid dividends to its shareholders in an amount of Euros 1.427 gross per share, which involved a disbursement of Euros 1,511 million (see Sections 4.2. Cash flows and 4.4. Dividends of this Consolidated Management Report).
- At 30 September 2019, as a result of the entry into force of IFRS 16 Leases, net financial debt includes an amount of Euros 271 million under this heading (see Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

The structure of ENDESA's gross financial debt at 30 September 2019 and 31 December 2018 was as follows:

Millions of Euros	Structure of Gross Financial Debt					
	30 September 2019			31 December 2018	Difference	% Var.
Gross Financial Debt without the Effect of the Application of IFRS 16 Leases	Gross Financial Debt due to the Effect of the Application of IFRS 16 Leases	Total Gross Financial Debt				
Euros	7,399	150	7,549	6,021	1,528	25.4
U.S. Dollar (USD)	-	121	121	-	121	N/A
TOTAL	7,399	271	7,670	6,021	1,649	27.4
Fixed rate	4,386	271	4,657	3,550	1,107	31.2
Floating rate	3,013	-	3,013	2,471	542	21.9
TOTAL	7,399	271	7,670	6,021	1,649	27.4
Average life (years) ⁽¹⁾	5.0	4.8	5.0	5.3	-	-
Average cost ⁽²⁾	1.7	2.5	1.8	1.9	-	-

(1) Average Life of the Gross Financial Debt (number of years) = (Principal * Number of Days of Validity) / (Principal Outstanding at the Close of the Period * Number of Days in the Period).

(2) Average Cost of Gross Financial Debt (%) = Cost of Gross Financial Debt / Average Gross Financial Debt.

At 30 September 2019, gross financial debt at fixed rates was 61% while the remaining 39% corresponded to variable rates. At this date, the gross financial debt nominated in Euros was 98%.

Main Financial Transactions.

In the January-September period of 2019, ENDESA extended the credit facilities arranged with various financial institutions maturing in March 2022, and increased the limit of several of these, for a total amount of Euros 2,125 million.

In this period, the Euro Commercial Paper (ECP) issuance programme through International ENDESA B.V. was completed and new Euro Commercial Paper (ECP) issuance programme through ENDESA, S.A. was registered, the outstanding balance of this programme, at 30 September 2019 was Euros 1,891 million and their renewal is backed by irrevocable credit facilities.

As part of the financial transaction arranged through a green loan taken out with the European Investment Bank (EIB) in 2018, on 19 March 2019, Euros 335 million was drawn down. This draw down bears a floating interest rate, with a 15-year maturity depreciable as of March 2023 (see Section 4.2. Cash Flows of this Consolidated Management Report).

ENDESA, S.A. took out a green loan with "Instituto de Crédito Oficial" ("ICO") for the amount of Euros 300 million, which was drawn down on 20 May 2019. This draw down bears a variable rate of interest and matures in 12 years, depreciable as of May 2022 (see section 4.2 Cash Flows of this Consolidated Management Report).

On 30 June 2019, ENDESA, S.A. signed the extension of the intercompany credit facility with ENEL Finance International, N.V., for Euros 1,000 million, extending its maturity to 30 June 2022.

With the entry into force, as from 1 January 2019, of IFRS 16 Leases, the net financial debt includes a liability for the recognition of the payment obligation for the right of use contracts in which ENDESA acts as lessee, the main contracts being the following (see Section 1.2. Changes in accounting principles in this Consolidated Management Report):

- Lease contracts corresponding to the right of use of lands on which some of the generation facilities of ENEL Green Power España, S.L.U. (EGPE) are located. These are long-term contracts, with automatic renewal clauses and expiry dates between 2019 and 2065. The prices in these contracts are calculated in accordance with the capacity installed (MW) and the production (GWh).
- Charter contracts for the transport of liquefied natural gas (LNG).
- Certain buildings where different offices are located.
- Contracts for technical equipment to cover one-off services according to operating requirements.

At 30 September 2019, the amount of this financial liability was Euros 271 million (Euros 186 million at 1 January 2019) (see Section 1.2. Changes in accounting principles of this Consolidated Management Report).

Liquidity.

At 30 September 2019, ENDESA's liquidity stood at Euros 3,562 million (Euros 3,040 million at 31 December 2018) as detailed below:

Millions of Euros

	Liquidity			
	30 September 2019	31 December 2018	Difference	% Var.
Cash and cash equivalents	437	244	193	79.1
Unconditional availability in credit facilities ⁽¹⁾	3,125	2,796	329	11.8
TOTAL	3,562	3,040	522	17.2
Debt Maturity Coverage (number of months) ⁽²⁾	29	26	-	-

(1) At 30 September 2019 and 31 December 2018, Euros 1,000 million corresponded to the credit facility available with ENEL Finance International, N.V.

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

Treasury investments considered as Cash and cash equivalents are highly liquid and entail no risk of changes in value, mature within three months from their contract date and accrue interest at the market rates for such instruments.

At 30 September 2019, the breakdown nominal value of gross financial debt without derivatives by maturity was as follows:

Millions of Euros

	Carrying amount at 30 September 2019	Nominal value		Maturities				
		Current	Non-current	2019	2020	2021	2022	Subsequent
Bonds and other negotiable securities	1,927	1,906	12	1,755	151	-	-	12
Debts to credit institutions	1,953	66	1,889	25	51	90	188	1,601
Other financial liabilities	3,754	81	3,673	27	75	79	64	3,509
Financial Debts Associated with Rights of Use	711	61	649	13	66	64	64	503
Leases in Application of IFRS 16 Leases	271	36	235	7	43	40	40	141
Other Leases	440	25	414	6	23	24	24	362
Others	3,043	20	3,024	14	9	15	-	3,006
TOTAL	7,634	2,053	5,574	1,807	277	169	252	5,122

Leverage Ratio.

Details of the consolidated leverage ratio at 30 September 2019 and 31 December 2018 are as follows:

Millions of Euros

	Leverage Ratio				31 December 2018
	30 September 2019			Total	
	Without the Effect of Application of IFRS 16 Leases	Effect of Application of IFRS 16 Leases (2)	Total		
Net financial debt:	6,954	271	7,225	5,770	
Non-current financial debt	5,382	234	5,616	4,975	
Current financial debt	2,017	37	2,054	1,046	
Cash and cash equivalents	(437)	-	(437)	(244)	
Financial derivatives recognised in Financial Assets	(8)	-	(8)	(7)	
Equity:	8,490	-	8,490	9,181	
Of the Parent	8,336	-	8,336	9,037	
Of non-controlling interests	154	-	154	144	
Leverage Ratio (%) (1)	81.91	N/A	85.10	62.85	

(1) Leverage Ratio = Net financial Debt / Equity.

(2) See Section 1.2. Changes in Accounting Principles of this Consolidated Management Report).

Credit Rating.

ENDESA's credit ratings are as follows:

	Credit Rating					
	30 September 2019 (1)			31 December 2018 (1)		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Standard & Poor's	BBB+	A-2	Stable	BBB+	A-2	Stable
Moody's	Baa2	P-2	Positive	Baa2	P-2	Stable
Fitch Ratings	A-	F2	Stable	A-	F2	Stable

(1) At the respective dates of approval of the Consolidated Management Report.

ENDESA's credit rating is conditioned to the rating of its parent company ENEL according to the methods employed by rating agencies and, on the date of approval of this consolidated management report, has been classified as Investment grade by all the rating agencies.

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

4.2. Cash flows.

At 30 September 2019 and 31 December 2018, the amount of cash and cash equivalents breaks down as follows:

Millions of Euros				
	Cash and Cash Equivalents			
	30 September 2019	31 December 2018	Difference	% Var.
Cash in Hand and Banks	437	244	193	79.1
Other Cash Equivalents	-	-	-	-
TOTAL	437	244	193	79.1

ENDESA's net cash flows in the period January-September 2019 and 2018, classified by activities (operating, investing and financing) were as follows:

Millions of Euros				
	Statement of Cash Flows			
	January - September 2019 ⁽¹⁾	January - September 2018 ⁽¹⁾	Difference	% Var.
Net cash flows from operating activities	1,810	1,141	669	58.6
Net cash flows used in investing activities	(1,427)	(1,219)	(208)	17.1
Net cash flows used in financing activities	(190)	(122)	(68)	55.7

(1) See the Consolidated Statements of Cash Flows for the nine-month periods ended 30 September 2019 and 2018.

Net Cash Flows from Operating Activities.

In the period January-September 2019, net cash flows from operating activities amounted to Euros 1,810 million, 58.6% more than in the same period of the previous year (Euros 1,141 million in the period January-September 2018), as follows:

Millions of Euros				
	January - September 2019	January - September 2018	Difference	% Var.
Profit before tax and non-controlling interests	198	1,539	(1,341)	(87.1)
Adjustments for:	2,877	1,257	1,620	128.9
Depreciation and amortisation, and impairment losses	2,563	1,147	1,416	123.5
Other adjustments (net)	314	110	204	185.5
Changes in working capital:	(835)	(1,361)	526	(38.6)
Trade and other accounts receivable	86	(64)	150	(234.4)
Inventories	(115)	(195)	80	(41.0)
Current financial assets	(361)	(547)	186	(34.0)
Trade payables and other current liabilities	(445)	(555)	110	(19.8)
Other cash flows from/(used in) operating activities:	(430)	(294)	(136)	46.3
Interest received	21	28	(7)	(25.0)
Dividends received	24	24	-	-
Interest paid	(75) ⁽¹⁾	(85)	10	(11.8)
Income tax paid	(177)	(67)	(110)	164.2
Other receipts and payments of operating activities ⁽²⁾	(223)	(194)	(29)	14.9
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,810	1,141	669	58.6

(1) Includes interest paid on borrowing for rights of use (IFRS 16 Leases) for Euros 1 million.

(2) Includes provision payments.

The changes in the various items determining the net cash flows from operating activities include:

- The higher profit before tax and non-controlling interests net of depreciation and amortisation, and other adjustments for the period (Euros 279 million).
- Changes in working capital between the two periods amounting to Euros 526 million, mainly as a result of the decrease in payments to trade creditors (Euros 110 million), the fall in payments for inventories (Euro 80 million), the increase in trade and other receivables (Euros 150 million) and the greater receipts of compensations for the extra-costs in Non-mainland Territories (TNP) generation (Euros 298 million).

- The variation in the payment of Income Tax in the two periods amounting to Euros 110 million.

In the January-September period of 2019, the Company has also continued with its active management policy for current assets and liabilities, focusing on, among other aspects, the improvement of processes, the factoring of receivables and agreements extending payment periods with suppliers.

At 30 September 2019, 31 December 2018 and 30 September 2018, working capital comprised the following items:

Millions of Euros

	Working Capital		
	30 September 2019	31 December 2018	30 September 2018
Current Assets ⁽¹⁾	5,516	5,410	5,994
Inventories	1,055	1,473	1,269
Trade and other accounts receivable	3,037	2,955	3,469
Current financial assets	1,424	982	1,256
Compensation for Extra Costs of Generation in Non-mainland Territories (TNP)	824	609	778
Collection Rights for the Financing of the Deficit of Regulated Activities	400	236	313
Remuneration of Distribution Activity	142	83	107
Others	58	54	58
Current Liabilities ⁽²⁾	5,588	6,648	5,538
Current provisions	474	571	392
Trade payables and other current liabilities	5,114	6,077	5,146
Parent Company Dividend	-	741	-
Others	5,114	5,336	5,146

- (1) Excluding Cash and cash equivalents and financial derivative assets corresponding to financial debt.
(2) Excluding Current Financial Debt and Financial derivative liabilities corresponding to financial debt.

Net Cash Flows used in Investing Activities

In the period January-September 2019, net cash flows used in investment activities amounted to Euros 1,427 million (Euros 1,219 million in the period January-September 2018) and included, among other aspects:

- Net cash payments used to acquire property, plant and equipment and intangible assets:

Millions of Euros

	Sections	January – September 2019	January – September 2018
Acquisitions of property, plant and equipment and intangible assets		(1,323)	(1,018)
Acquisitions of property, plant and equipment	4.3	(1,208)	(711)
Acquisitions of intangible assets	4.3	(136)	(125)
Facilities transferred from customers		20	45
Suppliers of property, plant and equipment		1	(227)
Proceeds from sales of property, plant and equipment and intangible assets		14	5
Grants and other deferred income		49	56
TOTAL		(1,260)	(957)

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

Millions of Euros

	Sections	January – September 2019	January - September 2018
Acquisitions of investments in group companies		(2)	(132)
Companies acquired by ENEL Green Power España, S.L.U. (EGPE)	2.2	(2)	(4)
Parques Eólicos Gestinver, S.L.U.		-	(45)
Eólica del Principado, S.A.U.		-	(1)
Empresa de Alumbrado Eléctrico de Ceuta, S.A.		-	(81)
Eléctrica del Ebro, S.A.U.		-	(1)
Proceeds from the sale of investments in group companies		-	20
Nueva Marina Real Estate, S.L. ⁽¹⁾		-	20
TOTAL		(2)	(112)

- (1) Sale transaction formalised in 2017.

Net Cash Flows used in Financing Activities

In the period January-September 2019, net cash flows used in financing activities amounted to Euros 190 million (Euros 122 million in the period January-September 2018), including mainly:

- Cash flows in respect of equity instruments:

Millions of Euros

	January – September 2019	January – September 2018
Capital contribution, Bosa del Ebro, S.L.	10	3
Capital contribution, Tauste Energía Distribuida, S.L.	-	3
Capital reduction, Eólica Valle del Ebro, S.A.	-	(1)
TOTAL	10	5

- Drawdowns of non-current financial debt:

Millions of Euros

	Sections	January – September 2019	January – September 2018
Drawdowns of the European Investment Bank (EIB) Green Loan	4.1	335	500
Drawdowns of the Official Credit Institute ("ICO") Green Loan	4.1	300	-
Drawdowns from credit facilities		19	713
Others		2	8
TOTAL		656	1,221

- Reimbursements from non-current financial debt:

Millions of Euros

	January – September 2019	January – September 2018
Repayment of credit facilities	(208)	-
Repayment of Productor Regional de Energía Renovable, S.A.U.'s bank loan	-	(44)
Others	(10)	(7)
TOTAL	(218)	(51)

- Amortisations and drawdowns of current financial debt:

Millions of Euros

	Sections	January – September 2019	January – September 2018
Drawdowns			
Issues of ECP		8,622	5,754
Drawdowns of ENEL Finance International N.V. credit facilities		-	4,800
Others		43	54
Amortisations			
Amortisation of ECP		(7,636)	(5,443)
Repayments of ENEL Finance International N.V. credit facilities		-	(4,800)
Payments under Rights-of-Use Contracts in Application of IFRS 16 Leases	1.2	(26)	-
Amortisation of Parque Eólico Gestinver, S.L.U.'s bank loan		-	(116)
Others		(121)	(76)
TOTAL		882	173

- Dividends paid:

Millions of Euros

	Sections	January – September 2019	January – September 2018
Parent company dividends paid	4.4	(1,511)	(1,463)
Dividends paid to non-controlling interests ⁽¹⁾		(9)	(7)
TOTAL		(1,520)	(1,470)

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

4.3. Investments.

In the period January-September 2019, ENDESA made gross investments of Euros 1,502 million. Of this amount, Euros 1,465 million related to investments in property, plant and equipment and intangible assets, and the remaining Euros 37 million to financial investments, as per the following details:

Millions of Euros

	Investments ⁽¹⁾		
	January – September 2019	January – September 2018	% Var.
Generation and Supply	988 ⁽²⁾	284	247.9
Distribution	334	423	(21.0)
Structure and Others ⁽³⁾	7	4	75.0
TOTAL PROPERTY, PLANT AND EQUIPMENT	1,329	711	86.9
Generation and Supply	89	77	15.6
Distribution	27	29	(6.9)
Structure and Others ⁽³⁾	20	19	5.3
TOTAL INTANGIBLE ASSETS	136	125	8.8
FINANCIAL INVESTMENTS	37	30	23.3
TOTAL GROSS INVESTMENTS	1,502	866	73.4
TOTAL NET INVESTMENTS ⁽⁴⁾	1,440	765	88.2

(1) Does not include business combinations made during the period (see Section 2.2. Consolidation Scope of this Consolidated Management Report).

(2) Includes first-time right-of-use recognition amounting to Euros 121 million (see Section 4.1. Financial Management in this Consolidated Management Report):

(3) Structure, Services and Adjustments.

(4) Net investments = Gross investments - Capital grants and transferred facilities.

Investments in Property Plant and Equipment.

Gross investments in generation in the period January-September 2019 related largely to investments for the construction of the wind and photovoltaic power capacity awarded in the auctions held in 2017 for the amount of Euros 503 million.

Gross supply investments corresponded mainly to the development of the activity related to new products and services. They also include recognition of a right-of-use asset, corresponding to the charter contract of a methane vessel for the transport of liquefied natural gas (LNG), for an amount of Euros 121 million (see Section 4.1. Financial Management in this Consolidated Management Report):

Gross distribution investments relate to grid extensions and capital expenditure aimed at optimising its functioning, with a view to improving efficiency and quality of service.

Investments in Intangible Assets.

Gross investments in intangible assets in the period January-September 2019 correspond mainly to IT applications and ongoing investments in systems and telecommunications activity (ICT) for the sum of Euros 80 million, prominent among which are those associated with the strategic objective of digitalisation and the capitalisation of the incremental costs incurred in obtaining customer contracts for an amount of Euros 49 million.

Financial Investments.

Gross investments for the January-September period of 2019 mainly include guarantees and deposits amounting to Euros 17 million and the contribution of funds to Nuclenor, S.A. for Euros 13 million.

4.4. Dividends.

At the meeting held on 20 November 2018, the Board of Directors of ENDESA, S.A. approved the following shareholder remuneration policy for 2018-2021:

- 2018 to 2020: the ordinary dividend per share to be distributed in these years will be the equivalent to 100% of net ordinary income attributable to the Parent set down in the consolidated financial statements of the Group headed by this company.
- 2021: the ordinary dividend per share to be distributed in this year will be the equivalent to 80% of net ordinary income attributable to the Parent set down in the consolidated financial statements of the Group headed by this company.
- The intention of the Board of Directors of ENDESA, S.A. is that the ordinary dividend will be paid solely in cash in two instalments (January and July) on a given date to be determined in each case, which will be duly disclosed.

However, ENDESA, S.A.'s capacity to pay out dividends to its shareholders depends on numerous factors, including the generation of profit and the availability of unrestricted reserves, and, therefore, the Company cannot ensure that dividends will be paid out in future years or the amount of such dividends if paid.

Approval was given at ENDESA, S.A.'s General Shareholders' Meeting of 12 April 2019 to pay shareholders a total dividend charged against 2018 profit for a gross amount of Euros 1.427 per share (Euros 1,511 million in total). The breakdown of these dividends is as follows:

Millions of Euros					
	Sections	Approval date	Euros per share, gross	Amount	Payment Date
	Interim dividend	20 November 2018	0.70	741	2 January 2019
	Final dividend	12 April 2019	0.727	770	2 July 2019
	Total dividend paid against 2018 profit		1.427	1,511	

APPENDIX I

Statistical Appendix

Industrial Data.

GWh

Electricity Generation ⁽¹⁾	January – September 2019	January – September 2018	% Var.
Mainland	37,541	45,912	(18.2)
Nuclear	20,245	18,458	9.7
Coal	4,814	13,972	(65.5)
Hydroelectric	3,898	6,864	(43.2)
Combined cycle (CCGT)	5,719	3,907	46.4
Renewables and cogeneration	2,865	2,711	5.7
Non-mainland territories (TNP)	9,047	9,636	(6.1)
Coal	1,539	1,928	(20.2)
Fuel-gas	3,031	5,081	(40.3)
Combined cycle (CCGT)	4,383	2,606	68.2
Renewables and cogeneration	94	21	347.6
TOTAL	46,588	55,548	(16.1)

(1) In power plant busbars.

MW

Gross Installed Capacity	30 September 2019	31 December 2018	% Var.
Hydroelectric	4,764	4,753	0.2
Conventional thermal	7,956	8,077	(1.5)
Nuclear	3,443	3,443	-
Combined cycle (CCGT)	5,682	5,678	0.1
Renewables and cogeneration	1,927	1,815	6.2
TOTAL	23,772	23,766	0.0

MW

Net Installed Capacity	30 September 2019	31 December 2018	% Var.
Hydroelectric	4,710	4,712	(0.0)
Conventional thermal	7,429	7,428	0.0
Nuclear	3,318	3,318	-
Combined cycle (CCGT)	5,481	5,445	0.7
Renewables and cogeneration	1,927	1,815	6.2
TOTAL	22,865	22,718	0.6

GWh

Gross Electricity Sales ⁽¹⁾	January – September 2019	January – September 2018	% Var.
Regulated Price	9,961	10,880	(8.4)
Deregulated market	63,733	63,892	(0.2)
Spain	55,775	56,154	(0.7)
Outside Spain	7,958	7,738	2.8
TOTAL	73,694	74,772	(1.4)

(1) In power plant busbars.

GWh

Net Electricity Sales ⁽¹⁾	January – September 2019	January – September 2018	% Var.
Regulated Price	8,521	9,331	(8.7)
Deregulated market	58,497	58,686	(0.3)
Spain	50,949	51,332	(0.7)
Outside Spain	7,548	7,354	2.6
TOTAL	67,018	68,017	(1.5)

(1) Sales to end customers.

Thousands

Number of Customers (Electricity) ⁽¹⁾⁽²⁾	30 September 2019	31 December 2018	% Var.
Regulated market	4,849	5,029	(3.6)
Mainland Spain	4,105	4,246	(3.3)
Non-mainland Territories (TNP)	744	783	(5.0)
Deregulated market	5,825	5,725	1.7
Mainland Spain	4,641	4,627	0.3
Non-mainland Territories (TNP)	854	825	3.5
Outside Spain	330	273	20.9
TOTAL	10,674	10,754	(0.7)

(1) Supply points.

(2) Customers of the supply companies.

Percentage (%)

Trends in Electricity Demand ⁽¹⁾	January – September 2019	January – September 2018
Mainland ⁽²⁾	(2.0)	0.9
Non-mainland territories (TNP) ⁽³⁾	0.3	0.1

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

(2) Adjusted for working days and temperature: -3.0% in the period January-September 2019 and +1.1% in the same period of 2018.

(3) Adjusted for working days and temperature: +0.6% in the period January-September 2019 and +1.3% in the same period of 2018.

GWh

Energy Distributed ⁽¹⁾	January – September 2019	January – September 2018	% Var.
Spain	88,237	88,620	(0.4)

(1) In power plant busbars.

km

Distribution and Transmission Networks	30 September 2019	31 December 2018	% Var.
Spain	319,815	319,613	0.1

Percentage (%)

Energy Losses ⁽¹⁾	January – September 2019	January – September 2018
Spain	10.5	10.7

(1) Source: In-house.

Minutes

Installed Capacity Equivalent Interruption Time (ICEIT)	January – September 2019	January – September 2018
Spain (Average) ⁽¹⁾	38	47

(1) According to the calculation procedure set down by Royal Decree 1995/2000 of 1 December.

Percentage (%)

Market Share (Electricity) ⁽¹⁾	30 September 2019	31 December 2018
Mainland Generation	18.8	22.5
Distribution	44.4	43.6
Supply	32.8	33.4

(1) Source: In-house.

GWh

Gas Sales	January – September 2019	January – September 2018	% Var.
Deregulated market	33,386	34,446	(3.1)
Regulated market	848	994	(14.7)
International market	14,512	18,293	(20.7)
Wholesale business	6,783	7,700	(11.9)
TOTAL ⁽¹⁾	55,529	61,433	(9.6)

(1) Excluding own generation consumption.

Thousands

Number of Customers (Gas) ⁽¹⁾	30 September 2019	31 December 2018	% Var.
Regulated market	230	233	(1.3)
Mainland Spain	206	208	(1.0)
Non-mainland territories (TNP)	24	25	(4.0)
Deregulated market	1,406	1,371	2.6
Mainland Spain	1,249	1,230	1.5
Non-mainland territories (TNP)	70	68	2.9
Outside Spain	87	73	19.2
TOTAL	1,636	1,604	2.0

(1) Supply points.

Percentage (%)

Trend in Demand for Gas ⁽¹⁾	January – September 2019	January – September 2018
Domestic market	16.9	1.7
Domestic - conventional	0.2	6.0
Electricity sector	98.8	(15.4)

(1) Source: Enagás, S.A.

Percentage (%)

Market Share (Gas) ⁽¹⁾	30 September 2019	31 December 2018
Deregulated market	15.6	16.3

(1) Source: In-house.

Workforce.

Number of Employees

	Final Headcount						% Var.
	30 September 2019			31 December 2018			
	Men	Women	Total	Men	Women	Total	
Generation and Supply	4,149	1,126	5,275	4,082	1,073	5,155	2.3
Distribution	2,526	442	2,968	2,535	443	2,978	(0.3)
Structure and Others ⁽¹⁾	887	793	1,680	867	763	1,630	3.1
TOTAL	7,562	2,361	9,923	7,484	2,279	9,763	1.6

(1) Structure and services.

Number of Employees

	Average Headcount ⁽²⁾						% Var.
	January – September 2019			January – September 2018			
	Men	Women	Total	Men	Women	Total	
Generation and Supply	4,089	1,074	5,163	4,072	1,049	5,121	0.8
Distribution	2,504	436	2,940	2,491	430	2,921	0.7
Structure and Others ⁽¹⁾	870	767	1,637	862	763	1,625	0.7
TOTAL	7,463	2,277	9,740	7,425	2,242	9,667	0.8

(1) Structure and services.

(2) Includes the average headcount of Empresa de Alumbrado Eléctrico de Ceuta, S.A. (64 employees in the January-September 2019 period and 15 employees in the January-September 2018 period).

Financial Data.

Millions of Euros

	Consolidated Income Statement		
	January – September 2019	January – September 2018	% Var.
Revenue from sales	14,285	14,650	(2.5)
Procurements and Services	(10,415)	(11,082)	(6.0)
Contribution margin ⁽¹⁾	4,390	4,271	2.8
EBITDA ⁽²⁾	2,898	2,791	3.8
EBIT ⁽³⁾	335	1,644	(79.6)
Net Financial Result ⁽⁴⁾	(139)	(106)	31.1
Income before Tax	198	1,539	(87.1)
Net Income ⁽⁵⁾	176	1,193	(85.2)
Net Ordinary Income ⁽⁶⁾	1,228	1,193	2.9

(1) Contribution margin = Income - Procurements and Services.

(2) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel expenses - Other fixed operating expenses.

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

(4) Net financial result= Financial income - Financial expense + Net exchange differences.

(5) Net Income = Net Income of the Parent Company.

(6) Net Ordinary Income = Net Income of the Parent Company - Net Gain/(Loss) on Disposals of Non-Financial Assets (over Euros 10 million) - Net Losses due to Impairment of Non-Financial Assets (over Euros 10 million).

Euros

Valuation Key Figures	January – September 2019	January – September 2018	% Var.
Net earnings per share ⁽¹⁾	0.166	1.127	(85.2)
Net Ordinary Earnings per Share ⁽²⁾	1.160	1.127	2.9
Cash Flow per Share ⁽³⁾	1.710	1.078	58.6
Book Value per Share ⁽⁴⁾	7.873 ⁽⁵⁾	8.536 ⁽⁶⁾	(7.8)

(1) Net Earnings per Share = Net Income of the Parent / Number of shares at the end of the period.

(2) Net Ordinary Earnings per Share = Net Income of the Parent / Number of shares at the end of the period.

(3) Cash Flow per Share = Net cash flows from operating activities / Number of shares at end of the period.

(4) Parent company equity / Number of shares at the end of the period

(5) At 30 September 2019.

(6) At 31 December 2018.

Millions of Euros

	Consolidated Statement of Financial Position		
	30 September 2019	31 December 2018	% Var.
Total assets	31,958	31,656	1.0
Equity	8,490	9,181	(7.5)
Net Financial Debt ⁽¹⁾	7,225	5,770	25.2

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

Millions of Euros

	Leverage Ratio			31 December 2018	% Var.
	30 September 2019				
	Without the Effect of Application of IFRS 16 Leases	Effect of Application of IFRS 16 Leases ⁽²⁾	Total		
Net Financial Debt:	6,954	271	7,225	5,770	25.2
Non-current financial debt	5,382	234	5,616	4,975	12.9
Current financial debt	2,017	37	2,054	1,046	96.4
Cash and cash equivalents	(437)	-	(437)	(244)	79.1
Financial derivatives recognised in Financial Assets	(8)	-	(8)	(7)	14.3
Equity:	8,490	-	8,490	9,181	(7.5)
Of the Parent	8,336	-	8,336	9,037	(7.8)
Of non-controlling interests	154	-	154	144	6.9
Leverage Ratio (%) ⁽¹⁾	81.91 ⁽¹⁾	N/A	85.10	62.85	N/A

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

(2) See Section 1.2. Changes in Accounting Principles of this Consolidated Management Report.

Profitability Indicators (%)	30 September 2019	31 December 2018
Return on equity ⁽¹⁾	2.70	15.63
Return on assets ⁽²⁾	0.74	4.52
Economic profitability ⁽³⁾	2.06	8.81
Return on capital employed (ROCE) ⁽⁴⁾	1.31	4.80

(1) Return on Equity = Net Income of the Parent / Average Net Equity of the Parent Company.

(2) Return on Assets = Net Income of the Parent / Average Total Assets.

(3) Economic Profitability = Profit from Operations (EBIT) / Average Property, plant & equipment.

(4) Return on Capital Employed = Operating Profit After Taxes / (Average Non-Current Assets + Average Current Assets).

Financial Indicators	30 September 2019	31 December 2018
Liquidity ratio ⁽¹⁾	0.78	0.73
Solvency ratio ⁽²⁾	0.94	0.92
Debt ratio ⁽³⁾	45.98	38.59
Debt coverage ratio ⁽⁴⁾	1.87	1.59

(1) Liquidity = Current assets / Current liabilities.

(2) Solvency = (Equity + Non-current liabilities) / Non-current assets.

(3) Debt ratio (%) = Net financial debt / (Equity + Net financial debt).

(4) Debt coverage ratio = Net financial debt / EBITDA.

Credit Rating.

	Credit Rating					
	30 September 2019 ⁽¹⁾			31 December 2018 ⁽¹⁾		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Standard & Poor's	BBB+	A-2	Stable	BBB+	A-2	Stable
Moody's	Baa2	P-2	Positive	Baa2	P-2	Stable
Fitch Ratings	A-	F2	Stable	A-	F2	Stable

(1) At the respective dates of approval of the Consolidated Management Report.

Stock Market Information.

Percentage (%)

Share Price Performance ⁽¹⁾	January – September 2019	January – September 2018
ENDESA, S.A.	19.9	4.2
Ibex-35	8.3	(6.5)
Eurostoxx 50	18.9	(3.0)
Eurostoxx Utilities	22.8	(2.5)

(1) Source: Madrid Stock Exchange.

Euros

ENDESA Share Price ⁽¹⁾	January – September 2019	2018	% Var.
High	24.140	21.270	13.5
Low	20.070	16.600	20.9
Period average	22.568	18.938	19.2
Closing Price	24.140	20.130	19.9

(1) Source: Madrid Stock Exchange.

Stock Market Data		30 September 2019	31 December 2018	% Var.
Market Capitalisation ⁽¹⁾	Millions of Euros	25,558	21,313	19.9
Number of Shares Outstanding		1,058,752,117	1,058,752,117	-
Nominal Share Value	Euros	1.2	1.2	-
Cash ⁽²⁾	Millions of Euros	7,268	10,355	(29.8)
Continuous Market	Shares			
Trading Volume ⁽³⁾		320,824,113	547,343,953	(41.4)
Average Daily Trading Volume ⁽⁴⁾		1,679,707	2,146,447	(21.7)
Price to Earnings Ratio (P.E.R.) ⁽⁵⁾		108.91	15.03	-
Price / Book Value (Carrying Amount) ⁽⁶⁾		3.07	2.36	-

(1) Market Capitalisation = Number of shares at the end of the period * Share price at the end of the period.

(2) Cash = Sum of all transactions carried out divided by the value in the reference period (Source: Madrid Stock Exchange).

(3) Trading Volume = Total volume of shares of ENDESA, S.A. traded in the period (Source: Madrid Stock Exchange).

(4) Average Daily Trading Volume = Arithmetic mean of shares of ENDESA, S.A. traded per session during the period (Source: Madrid Stock Exchange).

(5) Price to Earnings Ratio (P.E.R.) = Share price at the end of the period / Net earnings per share.

(6) Price / Book Value (Carrying Amount) = Market capitalisation / Equity of the Parent.

Dividends.

		2018	2017	% Var.
Share Capital	Millions of Euros	1,271	1,271	-
Number of Shares		1,058,752,117	1,058,752,117	-
Consolidated Net Income	Millions of Euros	1,417	1,463	(3.1)
Consolidated Net Ordinary Income	Millions of Euros	1,511	1,452	4.1
Individual Net Income	Millions of Euros	1,511	1,491	1.3
Net Earnings per Share ⁽¹⁾	Euros	1.338	1.382	(3.2)
Net Ordinary Earnings per Share ⁽²⁾	Euros	1.427	1.371	4.1
Gross Dividend per Share	Euros	1.427 ⁽³⁾	1.382 ⁽⁴⁾	3.3
Consolidated Pay-Out ⁽⁵⁾	%	106.6	100.0	-
Consolidated Ordinary Pay-Out ⁽⁶⁾	%	100.0	100.8	-
Individual Pay-Out ⁽⁷⁾	%	100.0	98.1	-

(1) Net Earnings per Share (Euros) = Net Income of the Parent / Number of shares at the end of the year.

(2) Net Ordinary Earnings per Share (Euros) = Net Ordinary Income of the Parent Company / Number of Shares at the end of the year.

(3) Gross interim dividend of Euros 0.7 per share, paid out on 2 January 2019 plus the final dividend of Euros 0.727 per share (gross) paid on 2 July 2019.

(4) Gross interim dividend of Euros 0.7 per share, paid out on 2 January 2018 plus the final dividend of Euros 0.682 per share (gross) paid on 2 July 2018.

(5) Consolidated Pay-Out (%) = (Gross dividend per share * Number of shares at the end of the year.) / Net Income of the Parent.

(6) Consolidated Ordinary Pay-Out (%) = (Gross dividend per share * Number of shares at the end of the year.) / Net Ordinary Income of the Parent.

(7) Individual Pay-out (%) = (Gross dividend per share * Number of shares at the end of the year.) / Net Income for the year of ENDESA, S.A.

APPENDIX II

Alternative Performance Measures (APMs)

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs)		Relevance of Use
			30 September 2019		
			30 September 2019	30 September 2018	
EBITDA ⁽¹⁾	Millions of Euros	Income - Procurements and Services + Self-constructed assets - Personnel expenses - Other fixed operating expenses.	2,898 MME = 14,805 MME - 10,415 MME + 165 MME - 759 MME - 898 MME	2,791 MME = 15,353 MME - 11,082 MME + 145 MME - 704 MME - 921 MME	Measure of operating return excluding interest, taxes, provisions and amortisation.
EBIT ⁽¹⁾	Millions of Euros	EBITDA - Depreciation and amortisation, and impairment losses.	335 MME = 2,898 MME - 2,563 MME	1,644 MME = 2,791 MME - 1,147 MME	Measure of operating return excluding interest and taxes.
Net Ordinary Income ⁽¹⁾	Millions of Euros	Net Income of the Parent Company - Net Gain/(Loss) on Disposal of Non-Financial Assets (greater than Euros 10 million) - Net Impairment Losses on Non-Financial Assets (greater than Euros 10 million))	1,228 MME = 176 MME + 0 MME + 1,052 MME	1,193 MME = 1,193 MME + 0 MME + 0 MME	Measurement of profit for the period isolating non-recurring effects of more than Euros 10 million.
Contribution margin ⁽¹⁾	Millions of Euros	Income - Procurements and services	4,390 MME = 14,805 MME - 10,415 MME	4,271 MME = 15,353 MME - 11,082 MME	Measurement of operating return taking account of direct variable production costs.
Procurements and Services ⁽¹⁾	Millions of Euros	Energy purchases + Fuel consumption + Transmission expenses + Other variable Procurements and Services	10,415 MME = 3,576 MME + 1,364 MME + 3,989 MME + 1,486 MME	11,082 MME = 3,601 MME + 1,627 MME + 4,156 MME + 1,698 MME	Goods and services for production.
Net Financial Result ⁽¹⁾	Millions of Euros	Financial Income - Financial Expense + Net exchange differences.	(139) MME = 25 MME - 163 MME - 1 MME	(106) MME = 29 MME - 133 MME - 2 MME	Measurement of financial costs
Net Financial Expense ⁽¹⁾	Millions of Euros	Financial Income - Financial Expense	(138) MME = 25 MME - 163 MME	(104) MME = 29 MME - 133 MME	Measurement of financial costs
Net investments	Millions of Euros	Gross investments - Capital grants and transferred facilities.	1,440 MME = 1,502 MME - 62 MME	765 MME = 866 MME - 101 MME	Measurement of investment activity
Net Financial Debt ⁽²⁾	Millions of Euros	Non-current financial liabilities + Current financial liabilities - Cash and cash equivalents - Financial derivatives recognised under financial assets	7,225 MME = 5,616 MME + 2,054 MME - 437 MME - 8 MME	5,770 MME = 4,975 MME + 1,046 MME - 244 MME - 7 MME ⁽⁴⁾	Short and long-term financial debt, less cash and financial investment cash equivalents.
Leverage ratio ⁽²⁾	%	Net financial debt / Equity	85.10% = 7,225 MME / 8,490 MME	62.85% = 5,770 MME / 9,181 MME ⁽⁴⁾	Measurement of the weight of external funds in the financing of business activities.
Debt ⁽²⁾	%	Net financial debt / (Equity + Net financial debt)	45.98% = 7,225 MME / (8,490 MME + 7,225 MME)	38.59% = 5,770 MME / (9,181 MME + 5,770 MME) ⁽⁴⁾	Measurement of the weight of external funds in the financing of business activities.
Average Life of Gross Financial Debt	Number of Years	(Principal * Number of days validity) / (Principal outstanding at the end of the period * Number of days in the period)	5.0 years = 38,129 / 7,628	5.3 years = 32,163 / 6,015 ⁽⁴⁾	Measurement of the duration of financial debt to maturity
Average Cost of Gross Financial Debt	%	(Cost of gross financial debt) / Average gross financial debt	1.8% = ((100 MME * 12 months / 9 months) + 1 MME) / 7,610 MME	1.9% = 126 MME / 6,777 MME ⁽⁴⁾	Measurement of the effective rate of financial debt.
Debt maturity coverage	Number of months	Maturity period (months) for outstanding debt that could be covered with the liquidity available	29 months	26 months ⁽⁴⁾	Measurement of the capacity to meet debt maturities
Return on equity	%	Net Income of the Parent / ((Equity of the Parent (n) + Equity of the Parent (n-1) / 2)	2.70% = (176 MME * 12 months / 9 months) / ((8,336 + 9,037) / 2) MME	17.04% = (1,193 MME * 12 months / 9 months) / ((9,572 + 9,096) / 2) MME	Measure of the capacity to generate profits on shareholder investments
Return on assets	%	Net Income of the Parent / ((Total assets (n) + Total assets (n-1) / 2)	0.74% = (176 MME * 12 months / 9 months) / ((31,958 + 31,656) / 2) MME	5.04% = (1,193 MME * 12 months / 9 months) / ((32,068 + 31,037) / 2) MME	Measurement of business profitability
Economic profitability	%	EBIT / (PP&E (n) + PP&E (n-1) / 2)	2.06% = (335 MME * 12 months / 9 months) / ((21,469 + 21,840) / 2) MME	10.07% = (1,644 MME * 12 months / 9 months) / ((21,791 + 21,727) / 2) MME	Measurement of the capacity of invested assets and capital to generate income
Return on capital employed (ROCE)	%	Profit from operations after tax / ((Non-current assets (n) + Non-current assets (n-1) / 2) + (Current assets (n) + Current assets (n-1) / 2))	1.31% = (311 MME * 12 months / 9 months) / ((26,005 + 26,001) / 2 + (5,953 + 5,655) / 2) MME	5.41% = (1,281 MME * 12 months / 9 months) / ((25,875 + 25,507) / 2 + (6,193 + 5,530) / 2) MME	Measurement of return on invested capital
Liquidity ⁽²⁾	N/A	Current assets / Current liabilities.	0.78 = 5,953 MME / 7,643 MME	0.73 = 5,655 MME / 7,694 MME ⁽⁴⁾	Measurement of the capacity to meet short-term commitments.
Solvency ⁽²⁾	N/A	(Equity + Non-current liabilities) / Non-current assets	0.94 = (8,490 MME + 15,825 MME) / 26,005 MME	0.92 = (9,181 MME + 14,781 MME) / 26,001 MME ⁽⁴⁾	Measurement of the capacity to meet obligations.
Debt coverage ^{(1) (2)}	N/A	Net financial debt / EBITDA	1.87 = 7,225 MME / (2,898 MME * 12 months / 9 months)	1.59 = 5,770 MME / 3,627 MME ⁽⁴⁾	Measurement of the amount of available cash flows to meet payments of principal on financial debt.
Net Earnings per Share ⁽¹⁾	Euros	Net Income of the Parent / Number of shares	0.166 € = 176 MME / 1,058,752,117 shares	1.127 € = 1,193 MME / 1,058,752,117 shares	Measurement of the portion of net ordinary income corresponding to each share outstanding.
Net Ordinary Earnings per Share	Euros	Net Ordinary Income of the Parent company / Number of shares at the end of the period	1.160 € = 1,228 MME / 1,058,752,117 shares	1.127 € = 1,193 MME / 1,058,752,117 shares	Measurement of the portion of net income corresponding to each share outstanding.
Cash flow per share ⁽³⁾	Euros	Net cash flows from operating activities / Number of shares	1.710 € = 1,810 MME / 1,058,752,117 shares	1.078 € = 1,141 MME / 1,058,752,117 shares	Measurement of the portion of funds generated corresponding to each share outstanding.
Book Value (Carrying amount) per Share ⁽²⁾	Euros	Equity of the Parent Company / Number of shares	7.873 € = 8,336 MME / 1,058,752,117 shares	8.536 € = 9,037 MME / 1,058,752,117 shares ⁽⁴⁾	Measurement of the portion of equity corresponding to each share outstanding.
Market Capitalisation	Millions of Euros	Number of shares at the end of the period * Share price at the end of the period	25,558 MME = 1,058,752,117 shares * 24.140 €	21,313 MME = 1,058,752,117 shares * 20.130 € ⁽⁴⁾	Measurement of total enterprise value according to the share price.
Price to Earnings Ratio (P.E.R.)	N/A	Share price at the end of the period / Net earnings per share	108.91 = 24.140 € / (0.166 € * 12 months / 9 months)	15.03 = 20.130 € / 1.339 € ⁽⁴⁾	Measurement indicating the number of times earnings per share can be divided into the market price of the shares.
Price / Book Value (Carrying amount)	N/A	Market capitalisation / Equity of the Parent	3.07 = 25,558 MME / 8,336 MME	2.36 = 21,313 MME / 9,037 MME ⁽⁴⁾	Measurement comparing total enterprise value according to the share price with the carrying amount.
Consolidated pay-out	%	(Gross dividend per share * Number of shares at the end of the period) / Net Income of the Parent	106.6% = (1,427 € * 1,058,752,117 shares) / 1,417 MME ⁽⁵⁾	100.0% = (1,382 € * 1,058,752,117 shares) / 1,463 MME ⁽⁵⁾	Measurement of the portion of net income obtained used to remunerate shareholders through the payment of dividends (consolidated Group).
Consolidated ordinary pay-out	%	(Gross dividend per share * Number of shares at the end of the period) / Net Ordinary Income of the Parent	100.0% = (1,427 € * 1,058,752,117 shares) / 1,511 MME ⁽⁵⁾	100.8% = (1,382 € * 1,058,752,117 shares) / 1,452 MME ⁽⁵⁾	Measurement of the portion of net ordinary income obtained used to remunerate shareholders through the payment of dividends (consolidated Group).
Individual pay-out	%	(Gross dividend per share * Number of shares at the end of the period) / Net Income for the year of ENDESA, S.A.	100.0% = (1,427 € * 1,058,752,117 shares) / 1,511 MME ⁽⁵⁾	98.1% = (1,382 € * 1,058,752,117 shares) / 1,491 MME ⁽⁵⁾	Measurement of the portion of net income obtained used to remunerate shareholders through the payment of dividends (individual company).

MME = Millions of Euros; € = Euros.

n = 30 September of the year being calculated.

n-1 = 31 December of the year before the year being calculated.

(1) See the Consolidated Income Statements for the nine-month period ended 30 September 2019 and 2018.

(2) See the Consolidated Statements of Financial Position at 30 September 2019 and 2018.

(3) See the Consolidated Statements of Cash Flows for the nine-month periods ended 30 September 2019 and 2018.

(4) At 31 December 2018.

(5) Corresponding to the year ended 31 December 2018.

(6) Corresponding to the year ended 31 December 2017.

APPENDIX III

Effect on the Consolidated Statement of Financial Position at 1 January 2019 of Changes in Accounting Principles

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 1 JANUARY 2019

Millions of Euros

	1 January 2019				IFRS 16 Leases				1 January 2019 (Adjusted) ⁽¹⁾			
	Generation and Supply	Distribution	Structure and Others ⁽²⁾	Total	Generation and Supply	Distribution	Structure and Others ⁽²⁾	Total	Generation and Supply	Distribution	Structure and Others ⁽²⁾	Total
ASSETS												
NON-CURRENT ASSETS	13,235	13,349	(583)	26,001	106	19	61	186	13,341	13,368	(522)	26,187
Property, plant and equipment	9,856	11,916	68	21,840	106	19	61	186	9,962	11,935	129	22,026
Investment property	-	56	6	62	-	-	-	-	-	56	6	62
Intangible assets	991	223	141	1,355	-	-	-	-	991	223	141	1,355
Goodwill	378	97	4	479	-	-	-	-	378	97	4	479
Investments accounted for using the equity method	229	18	2	249	-	-	-	-	229	18	2	249
Non-current financial assets	1,093	718	(953)	858	-	-	-	-	1,093	718	(953)	858
Deferred tax assets	688	321	149	1,158	-	-	-	-	688	321	149	1,158
CURRENT ASSETS	5,083	1,106	(534)	5,655	-	-	-	-	5,083	1,106	(534)	5,655
Inventories	1,348	125	-	1,473	-	-	-	-	1,348	125	-	1,473
Trade and other accounts receivable	2,622	671	(338)	2,955	-	-	-	-	2,622	671	(338)	2,955
Current financial assets	889	304	(210)	983	-	-	-	-	889	304	(210)	983
Cash and cash equivalents	224	6	14	244	-	-	-	-	224	6	14	244
Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	18,318	14,455	(1,117)	31,656	106	19	61	186	18,424	14,474	(1,056)	31,842
EQUITY AND LIABILITIES												
EQUITY	7,194	3,472	(1,485)	9,181	-	-	-	-	7,194	3,472	(1,485)	9,181
Of the Parent	7,057	3,465	(1,485)	9,037	-	-	-	-	7,057	3,465	(1,485)	9,037
Of non-controlling interests	137	7	-	144	-	-	-	-	137	7	-	144
NON-CURRENT LIABILITIES	6,079	8,522	180	14,781	97	16	46	159	6,176	8,538	226	14,940
Deferred income	44	4,562	(19)	4,587	-	-	-	-	44	4,562	(19)	4,587
Non-current provisions	1,995	954	376	3,325	-	-	-	-	1,995	954	376	3,325
Non-current financial debt	3,022	2,197	(244)	4,975	97	16	46	159	3,119	2,213	(198)	5,134
Other non-current liabilities	281	474	2	757	-	-	-	-	281	474	2	757
Deferred tax liabilities	737	335	65	1,137	-	-	-	-	737	335	65	1,137
CURRENT LIABILITIES	5,045	2,461	188	7,694	9	3	15	27	5,054	2,464	203	7,721
Current financial debt	59	4	983	1,046	9	3	15	27	68	7	998	1,073
Current provisions	444	65	62	571	-	-	-	-	444	65	62	571
Trade payables and other current liabilities	4,542	2,392	(857)	6,077	-	-	-	-	4,542	2,392	(857)	6,077
Liabilities associated with non-current assets classified as held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EQUITY AND LIABILITIES	18,318	14,455	(1,117)	31,656	106	19	61	186	18,424	14,474	(1,056)	31,842

(1) Adjusted at 1 January 2019 as explained in Section 1.2. Changes in Accounting Principles of this Consolidated Management Report.

(2) Structure, Services and Adjustments.