

ENDESA, S.A.
and Subsidiaries

**Consolidated Management Report
for the year ended
31 December 2019**

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

Madrid, 25 February 2020

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

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED MANAGEMENT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

ENDESA has prepared this Consolidated Management Report for the year ended 31 December 2019 in accordance with the “Guide for the Preparation of Management Reports of Listed Companies” issued by the Group of Experts appointed by the Spanish National Securities Market Commission (CNMV).

1. Position of the entity.

1.1. Main areas of business.

ENDESA, S.A. was established on 18 November 1944 and has its registered office at Calle Ribera del Loira 60, Madrid.

Its corporate object is the electricity business in its various industrial and commercial activities; the exploitation of primary energy resources of all types; the provision of industrial services or services related to its main business, particularly those relating to gas and those that are preparatory or complementary to the activities included in the corporate object, and the management of the Business Group consisting of investments in other companies. The Company carries out its corporate objects in Spain and abroad directly or through its investments in other companies.

The main sector of the National Classification of Economic Activities (CNAE) into which the corporate object of ENDESA, S.A. fits is that corresponding to section E, division 40, sub-class 40.10.

ENDESA, S.A. and its subsidiaries (ENDESA or the Company) carry out their activities in the electricity and gas business mainly in the market of Spain and Portugal. To a lesser extent, they also sell electricity and gas in other European markets as well as other products and services related to their main business.

The organisation is divided into the generation, supply and distribution businesses, each of which includes electricity and in some cases gas activities and other products and services.

In view of the areas of business carried on by the subsidiaries of ENDESA, S.A., the transactions have a low significant cyclical or seasonal nature.

1.2. Organisational structure.

ENDESA, S.A. and its subsidiaries are part of the ENEL Group, which is headed by ENEL Iberia, S.L.U. in Spain.

At 31 December 2019, the ENEL Group held 70.101% of the share capital of ENDESA, S.A., through ENEL Iberia, S.L.U.

At the date on which this Consolidated Management Report was drawn up, the composition of ENDESA S.A.'s Executive Management Committee, the functions of which include the implementation of the strategies adopted by the Company, was as follows:

Position	Member
Chief Executive Officer	José Damián Boqas Gálvez
General Manager - Communication	Ignacio Jiménez Soler
General Manager - Energy Management	Juan María Moreno Mellado
General Manager - People and Organisation	Andrea Lo Faso
General Manager - Generation	Rafael González Sánchez
General Manager - Infrastructure and Networks	Gianluca Caccialupi
General Manager - Supply	Javier Uriarte Monereo
General Manager - Institutional Relations and Regulation	José Casas Marín
General Manager - Media	José Luis Puche Castillejo
General Manager - ENDESA X	Josep Trabado Farré
General Manager - Nuclear Power	Gonzalo Carbó de Haya
General Manager - Audit	Patricia Fernández Salís
General Manager - ICT Digital Solutions	Manuel Fernando Marín Guzmán
General Manager	Paolo Bondi
General Manager - Sustainability	María Malaxechevarría Grande
General Manager - Purchasing	Pablo Azcoitia Lorente
General Manager - Administration, Finance and Control	Luca Passa
General Secretary to the Board of Directors and General Manager - Legal and Corporate Affairs	Francisco de Borja Acha Besga

The Annual Corporate Governance Report, which describes the organisation of the Board of Directors of ENDESA, S.A. and of the bodies to which it delegates its decisions, forms an integral part of this Consolidated Management Report.

The general principles relating to ENDESA's corporate governance strategy establish that the Company's internal rules are set so as to guarantee transparency and to ensure the reconciliation of the interests of all shareholder groups, as well as equal treatment of all shareholders of the same kind and in the same situation.

1.3. Vision, Mission, and Values.

Vision.

ENDESA strives to be at the forefront of developments in the energy sector in order to bring safe, affordable and sustainable energy to millions of people. ENDESA is acutely aware of the profound changes that the industry is going through and is positioning itself in a new era of energy, which is more open, participatory and digital.

This strategic positioning is summarised in the concept “**Open Power**”, which constitutes ENDESA's mission, vision and values.

Mission.

ENDESA's mission is defined in the following pillars:

- **Opening up access to safe and sustainable energy** to a greater number of people.
- **Opening up the world of energy to new technologies** to generate and distribute more sustainable energy, with particular attention to renewable sources and smart distribution networks.
- **Opening up energy management to consumers** to help them use energy more efficiently, with particular attention to smart meters and digitalisation.
- **Opening up possibilities of new uses of energy** to address global challenges, with particular attention to connectivity and electric mobility.
- **Opening ourselves up to a greater number of alliances** to form a network of collaborators in research, technology, product development and marketing to build new solutions together.

Values.

ENDESA's values are the pillars of the company's behaviour and reflect the focus on people:

- **Responsibility** Every employee is responsible for the success of ENDESA, at all levels, always acting within the framework of the social responsibility strategy and compliance with tax regulations.
- **Innovation** ENDESA works to open up energy to new uses, technologies and people, taking into account both errors and successes.
- **Trust** ENDESA acts competently, honestly and transparently, to gain the trust of its employees, customers and external collaborators, valuing individual differences.
- **Proactiveness** ENDESA continuously analyses global scenarios and challenges in order to anticipate changes, redefining priorities if the context so requires.

1.4. Main Markets.

ENDESA carries on the activities of generation, distribution and sale of electricity and gas, mainly in Spain and Portugal, and, to a lesser extent, from its platform in Spain it supplies electricity and gas to other European markets, in particular Germany, France and the Netherlands.

With the exception of mainland coal-fired thermal power plants generation, ENDESA's electricity generation and supply businesses are managed jointly, thus optimising this integrated position compared with managing the two activities separately (see Section 2.3.2. Operating Costs in this Consolidated Management Report).

The markets in which ENDESA carries out its activities are described as follows:

Market in Spain

- **Electricity generation** ENDESA carries out its electricity generation activities in the mainland system and in the Non-mainland Territories (TNP), which comprise the Balearic and Canary Islands and the autonomous cities of Ceuta and Melilla.
 - o Conventional mainland electricity generation is a deregulated activity, although specific remuneration is available for generation from renewable sources.
 - o On the other hand, conventional generation in the Non-mainland Territories (TNP) is subject to specific regulations addressing the particularities deriving from their geographical location, and remuneration is regulated. There are incentives for investment in generation from renewable sources in the Non-mainland Territories (TNP) to reduce costs.
- **Supply of electricity, gas and other products and services:** This activity consists of supplying energy on the market and the sale of other products and services to customers. The supply of energy is a deregulated activity.
- **Electricity distribution:** The purpose of the electricity distribution activity is to distribute electricity to the consumption points. Electricity distribution is a regulated activity.

Section 2.6. Statistical Appendix to this Consolidated Management Report provides a breakdown of ENDESA's key figures at 31 December 2019.

Market in Portugal

- **Electricity generation:** Electricity generation in Portugal is carried out in a competitive environment.

- **Supply of electricity and gas and other products and services:** This activity is deregulated in Portugal.

1.5. Corporate Map.

ENDESA, S.A.'s activity is structured by Business Lines, giving the Company flexibility and the ability to respond to the needs of its customers in the territories and businesses in which it operates.

For the organisation of the various Business Lines, ENDESA, S.A. works primarily through the following Companies:

Electricity generation: ENDESA Generación, S.A.U.

This company was set up on 22 September 1999 with a view to concentrating ENDESA's generation and mining assets in it.

ENDESA Generación, S.A.U. brings together, among others, the interests in Gas y Electricidad Generación, S.A.U. (100%) and Unión Eléctrica de Canarias Generación, S.A.U. (100%), which manage the generation assets located in the Non-mainland Territories (TNP), and ENEL Green Power España, S.L.U. (EGPE) (100%), which manages generation assets that use renewable sources.

At 31 December 2019, ENDESA's total net installed capacity in Spain amounted to 23,365 MW, of which 19,026 MW were in the Mainland Electricity System and 4,339 MW in the Non-mainland Territories (TNP) of the Balearic and Canary Islands, Ceuta and Melilla. At that date, net installed capacity in renewables was 7,408 MW (see Section 2.6. Statistical Appendix to this Consolidated Management Report).

ENDESA's power plants reached a total net production of 61,402 GWh in 2019 (see Section 2.6. Statistical Appendix to this Consolidated Management Report).

Energy distribution: ENDESA Red, S.A.U.

This company was set up on 22 September 1999, marking the culmination of the process of integrating ENDESA S.A.'s regional distribution companies in Spain.

This company holds, among others, Edistribución Redes Digitales, S.L.U. (formerly ENDESA Distribución Eléctrica, S.L.U.) (100%), which engages in regulated electricity distribution, and ENDESA Ingeniería, S.L.U. (100%).

At 31 December 2019, ENDESA distributed electricity in 27 Spanish provinces in ten autonomous regions (Andalusia, Aragon, Balearic Islands, Canary Islands, Castile and Leon, Catalonia, Valencia, Extremadura, Galicia and Navarre) and in the autonomous city of Ceuta, with a total extension of 195,500 km² and a population close to 21 million inhabitants.

The number of clients with an access contract to ENDESA's distribution networks exceeded 12 million on that date and the total energy distributed by ENDESA's networks, measured in plant bars, reached 116,611 GWh in 2019 (see Section 2.6. Statistical Appendix to this Consolidated Management Report).

Energy supply and other products and services: ENDESA Energía, S.A.U. and ENDESA X, S.A.U.

ENDESA Energía, S.A.U. was established on 3 February 1998 to carry out supply activities, responding to the demands deriving from the deregulation process of the Spanish electricity sector. Its main business is the supply of energy to customers wishing to exercise their right to choose their supplier and receive the service on the deregulated market, and other products and services related to the development of efficient energy infrastructures and maintenance services.

ENDESA Energía, S.A.U. also holds 100% of the equity of Energía XXI Comercializadora de Referencia, S.L.U. (formerly ENDESA Energía XXI, S.L.U.), ENDESA Operaciones y Servicios Comerciales, S.L.U., which provides commercial services related to energy supply, ENDESA Energía Renovable, S.A.U. and ENDESA Soluciones, S.L.U., dedicated to the supply of all types of energy products, in particular, electricity and natural gas specifically from renewable sources and of added value products and services respectively.

ENDESA Energía, S.A.U. also supplies the deregulated markets of Germany, France, the Netherlands and Portugal.

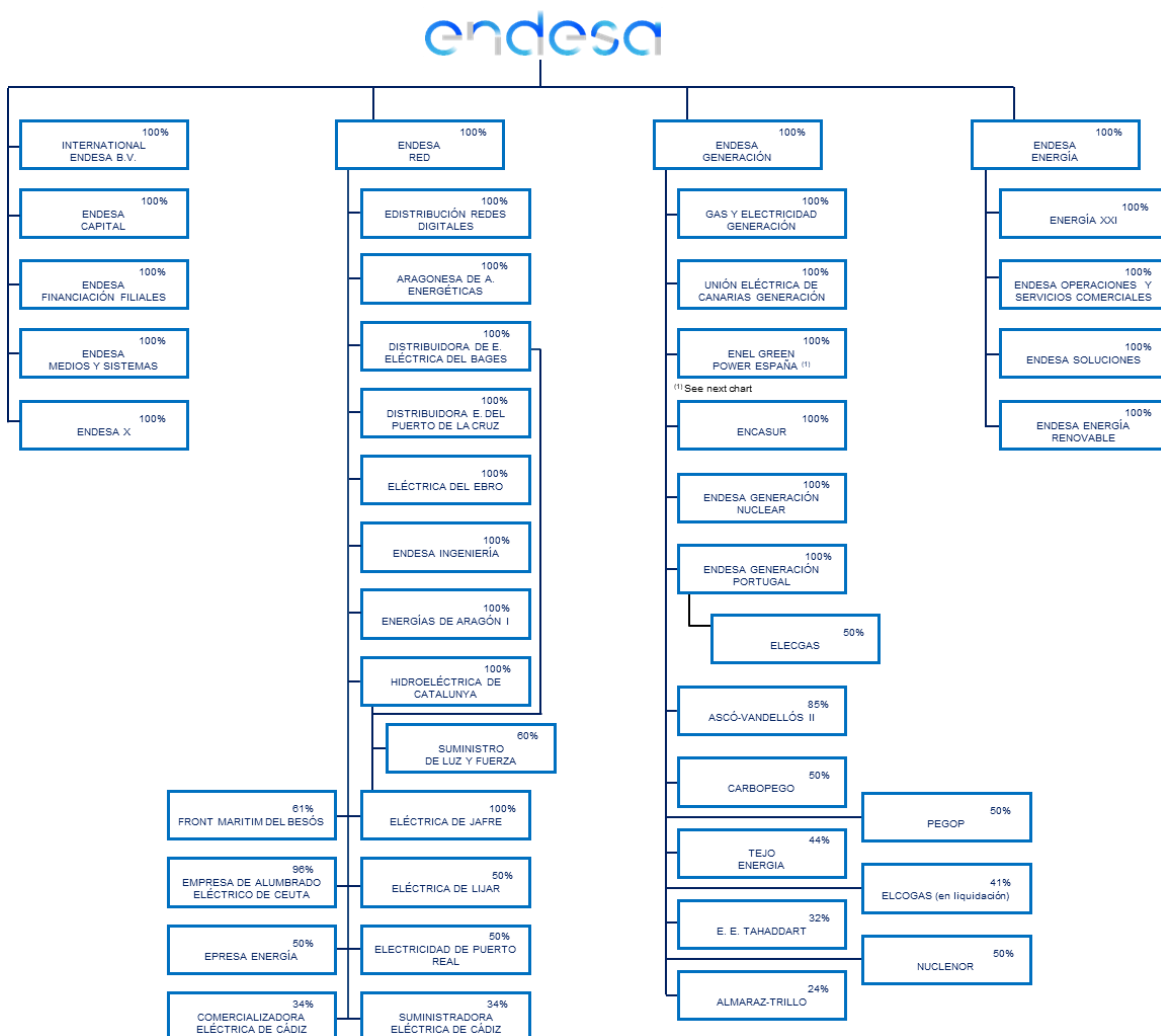
ENDESA X, S.A.U. was created on 26 June 2018 to develop and market new services adapted to trends in the energy market and focuses its activity on 4 lines of action: e-Home, e-Industries, e-City and e-Mobility, which seek opportunities in electric mobility, demand management, distributed generation, energy storage and the expansion of the services provided to domestic, industrial and institutional customers.

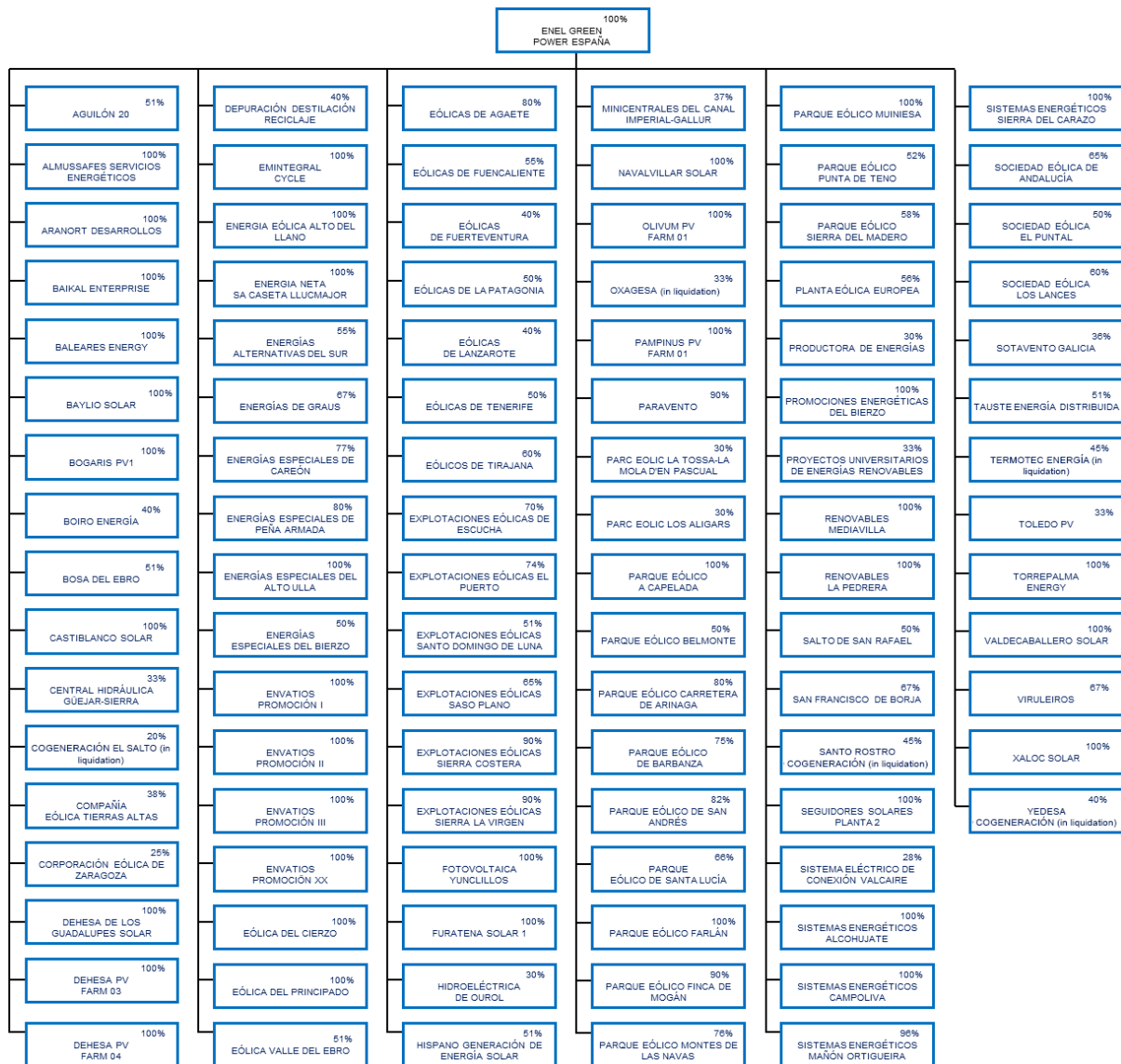
In 2019, net electricity sales amounted to 89,441 GWh and at 31 December 2019, the customer portfolio in the electricity market consisted of 10.6 million supply points. The total volume of gas sold in 2019 amounted to 79,784 GWh and at 31 December 2019 the customer portfolio in the conventional natural gas market consisted of 1.6 million supply points (see Section 2.6. Statistical Appendix to this Consolidated Management Report).

Appendix I to the Consolidated Financial Statements for the year ended 31 December 2019 lists ENDESA's subsidiaries and joint operation entities.

Appendix II to the Consolidated Financial Statements for the year ended 31 December 2018 lists ENDESA's associates and joint ventures.

There follows a corporate map of ENDESA showing in diagram form its main investees at 31 December 2019:





Additions, exclusions and changes to the corporate map of ENDESA during the year 2019 are described in Notes 2.3, 2.4 and 2.5 to the Consolidated Financial Statements for the year ended 31 December 2019.

2. Business trends and results in 2019.

2.1. Consolidated Results.

ENDESA reported net ordinary income of Euros 1,562 million (+3.4%) in 2019.

ENDESA reported net ordinary income, not including non-recurring effects, of Euros 1,562 million in 2019, representing an increase of 3.4% on the previous year.

Net income attributable to the Parent Company amounted to Euros 171 million in 2019, representing a decrease of 87.9% compared with the Euros 1,417 million obtained in 2018.

The decrease in ENDESA's net income in 2019 was due to the recognition of a net impairment of Euros 1,409 million corresponding on the one hand to the total carrying amount of mainland coal-fired thermal generation assets (Euros 1,105 million) and on the other hand to the Cash Generating Units (CGUs) of the Non-mainland Territories (TNP) (Euros 304 million) (see Section 2.3.2. Operating Expenses in this Consolidated Management Report).

The breakdown of net income and ordinary (recurring) net income for 2019 among ENDESA's Businesses and their variation relative to the previous year is presented hereunder (see Section 2.4. Results by Segment in this Consolidated Management Report):

Millions of Euros

	Net Income ⁽²⁾				Net Ordinary Income ⁽³⁾			
	2019	2018	% Var.	% Contribution to Total	2019	2018	% Var.	% Contribution to Total
Generation and Supply	(823)	396	(307.8)	(481.3)	586	490	19.6	37.5
Distribution	1,077	1,046	3.0	629.8	1,059	1,046	1.2	67.8
Structure and Others ⁽¹⁾	(83)	(25)	232.0	(48.5)	(83)	(25)	232.0	(5.3)
TOTAL	171	1,417	(87.9)	100.0	1,562	1,511	3.4	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 Losses due to Impairment of Non-Financial Assets (over Euros 10 million).

2.2. Changes in Accounting Principles.

On 1 January 2019, IFRS 16 Leases came into force. It establishes that a lessee must recognise an asset representing the right to use the leased asset and a liability for the obligation to make lease payments over the term of the lease.

This Standard does not introduce significant changes for lessors, who must continue to classify their leases as finance leases or operating leases.

ENDESA has opted to apply this Standard retroactively with the cumulative effect on initial application, which means not re-stating prior year comparatives and recording the cumulative impact of adoption as an adjustment to equity on 1 January 2019, recognising the asset for 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 of 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 heading of the Consolidated Income Statement (see Notes 6.1.1 and 6.1.2 to the Consolidated Financial Statements for the year ended 31 December 2019).

Based on the foregoing, the impact on ENDESA's consolidated financial statements at the date of first application of IFRS 16 Leases is as follows:

Millions of Euros

	1 January 2019				IFRS 16 Leases				1 January 2019 (Adjusted)			
	Generation and Supply	Distribution	Structure and Others (1)	Total	Generation and Supply	Distribution	Structure and Others (1)	Total	Generation and Supply	Distribution	Structure and Others (1)	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 receivables	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 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) Structure, Services and Adjustments.

The impact of the application of IFRS 16 Leases on the Consolidated Income Statement in 2019 was as follows:

Consolidated Income Statement	Sections	2019			Total
		Generation and Supply	Distribution	Structure and Others (1)	
INCOME		-	-	-	-
PROCUREMENTS AND SERVICES		-	-	-	-
CONTRIBUTION MARGIN		-	-	-	-
Other Fixed Operating Expenses	2.3.2	19	3	16	38
EBITDA		19	3	16	38
Depreciation and Amortisation, and Impairment Losses	2.3.2	(15)	(3)	(16)	(34)
EBIT		4	-	-	4
NET FINANCIAL RESULT - PROFIT/(LOSS)	2.3.3	(3)	-	(1)	(4)
PROFIT/(LOSS) BEFORE TAX		-	-	-	-
Income tax		-	-	-	-
PROFIT/(LOSS) FOR THE PERIOD		1	-	(1)	-
Parent		-	-	-	-
Non-controlling interests		-	-	-	-

(1) Structure, Services and Adjustments.

At 31 December 2019, in application of IFRS 16 Leases, a net financial liability was recognised in respect of the payment obligation for the rights-of-use contracts in an amount of Euros 274 million (see Section 4.1. Financial Management in this Consolidated Management Report).

With the entry into force of IFRS 16 Leases from 1 January 2019, payments under operating lease contracts, considered prior to the application of the Standard as cash used in operating activities, are now recognised as cash used in financing activities. The amount recognised under this head in 2019 was Euros 35 million (see Section 4.4. Cash Flows in this Consolidated Management Report).

2.3. Analysis of Results.

The table below presents the details of the most significant figures in ENDESA's Consolidated Income Statement for 2019 and their variation compared with the previous year:

	Reference (1)	Most Significant Figures		
		2019	2018	% Var.
Income	24	20,158	20,195	(0.2)
Procurements and Services	25	(14,252)	(14,567)	(2.2)
Contribution Margin (2)		5,906	5,628	4.9
Self-constructed Assets	3a.1 and 3d.2	295	270	9.3
Personnel Expenses	26	(1,022)	(947)	7.9
Other Fixed Operating Expenses	27	(1,338)	(1,324)	1.1
EBITDA (3)		3,841	3,627	5.9
Depreciation and Amortisation, and Impairment Losses	28	(3,453)	(1,708)	102.2
EBIT (4)		388	1,919	(79.8)
Net Financial Result (5)	29	(184)	(139)	32.4
Income before Tax		230	1,818	(87.3)
Net Income (6)		171	1,417	(87.9)
Net Ordinary Income (7)		1,562	1,511	3.4

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

(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).

2.3.1. Income.

Income in 2019 totalled Euros 20,158 million, Euros 37 million (-0.2%) less than that of 2018.

The following are the details of the Income heading in the Consolidated Income Statement for 2019 and its variation relative to the previous year:

	Reference ⁽¹⁾	Millions of Euros			
		2019	2018	Difference	% Var.
Revenue from sales	24.1	19,258	19,555	(297)	(1.5)
Other Operating Income	24.2	900	640	260	40.6
TOTAL	24	20,158	20,195	(37)	(0.2)

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

Market Situation

Electricity demand trends in 2019 were as follows:

- Total mainland electricity demand fell by 1.7% compared with the previous year (-2.7% adjusted for the effect of working days and temperature).
- Demand for electricity in the Non-mainland Territories (TNP) in 2019 increased by 0.9% in the Balearic Islands and 0.4% in the Canary Islands compared with the previous year (+0.9% and -0.2% respectively when adjusted for the effect of working days and temperature).

The year 2019 was characterised by lower prices, with the average price in the wholesale electricity market at Euros 47.70/MWh (-16.8%), mainly as a consequence of the evolution of commodity prices, especially natural gas, as well as the greater share of renewable energy, in spite of the increase in the price of CO₂ emission rights.

During 2019 the price of CO₂ emission rights increased to an average of Euros 24.86 per metric ton and, in the framework of the European Union 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 2019 there was also a narrowing of the thermal gap due to the weakness of 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 2019 was 41.7% (39.0% in 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 European Union 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 power plants are likely to continue to become less competitive.

In this context:

- ENDESA's electricity production in 2019 was 61,402 GWh, 17.2% less than in the previous year, as per the following details:

GWh				
Electricity Production ⁽¹⁾	2019	2018	% Var.	
Mainland	49,582	61,456	(19.3)	
Renewables	10,090	12,172	(17.1)	
Hydroelectric	5,861	8,459	(30.7)	
Wind ⁽²⁾	4,127	3,688	11.9	
Photovoltaic	101	24	320.8	
Other	1	1	-	
Nuclear	26,279	24,067	9.2	
Coal	5,647	19,924	(71.7)	
Combined Cycle (CCGT) ⁽³⁾	7,566	5,293	42.9	
Non-mainland Territories (TNP)	11,820	12,737	(7.2)	
Coal	1,996	2,392	(16.6)	
Fuel-Gas	5,703	6,681	(14.6)	
Combined Cycle (CCGT) ⁽³⁾	4,121	3,664	12.5	
TOTAL	61,402	74,193	(17.2)	

(1) In power plant bars.

(2) In 2019 it includes 123 GWh corresponding to Non-Peninsular Territories (NPT) (118 GWh in 2018).Correspondiente a gas natural.

(3) Correspondent to natural gas.

- Non-emitting technologies, renewable and nuclear, accounted for 59.2% of ENDESA's generation mix in 2019, compared with 71.3% for the rest of the sector (48.8% and 80.1% respectively in 2018).

At 31 December 2019, ENDESA held the following electricity market shares:

- 18.3% in mainland electricity generation.
- 44.1% in electricity distribution.
- 34.1% in electricity supply (sale).

In 2019 conventional gas demand was down by 0.2% compared with the previous year, and at 31 December 2019 ENDESA had a market share of 15.6% in gas sales to customers in the deregulated market.

Sales.

The table below presents the details of the heading Revenue from sales in the Consolidated Income Statement for 2019 and the changes from the previous year:

Millions of Euros

	Revenue from sales			
	2019	2018	Difference	% Var.
Electricity sales	13,801	14,137	(336)	(2.4)
Deregulated market sales	9,404	9,236	168	1.8
Deregulated market sales - Spain	8,320	8,227	93	1.1
Deregulated market sales – outside Spain	1,084	1,009	75	7.4
Sales at regulated prices	2,055	2,339	(284)	(12.1)
Wholesale market sales	843	1,130	(287)	(25.4)
Compensation for Non-mainland Territories (TNP)	1,376	1,318	58	4.4
Remuneration for Renewable Energy Investment	105	96	9	9.4
Other electricity sales	18	18	-	-
Gas Sales	2,450	2,554	(104)	(4.1)
Deregulated market sales	2,369	2,469	(100)	(4.1)
Regulated prices Sales	81	85	(4)	(4.7)
Regulated revenue from electricity distribution	2,266	2,209	57	2.6
Other sales and services rendered	741	655	86	13.1
TOTAL	19,258	19,555	(297)	(1.5)

Electricity sales to customers in the deregulated market.

At 31 December 2019, ENDESA had 5,827,786 electricity customers in the deregulated market, a 1.8% increase on numbers at 31 December 2018, as per the following breakdown:

- 4,618,734 (-0.2%) in the Spanish mainland market.
- 859,095 (+4.1%) in the Non-mainland Territories (TNP) market.
- 349,957 (+28.2%) in deregulated markets outside Spain.

ENDESA sold a net total of 78,056 GWh to these customers in 2019, a 1.0% increase on 2018, as per the following breakdown:

- 67,860 GWh (+0.5%) in the Spanish deregulated market.
- 10,196 GWh (+4.4%) in deregulated markets outside Spain.

In economic terms, sales on the deregulated market in 2019 totalled Euros 9,404 million (+1.8%), as per the following breakdown:

- Sales in the Spanish deregulated market were Euros 8,320 million, with an increase of Euros 93 million (+ 1.1%) compared with 2018, basically due to the increase in physical units sold.
- Revenue from sales to customers in deregulated markets outside Spain totalled Euros 1,084 million, which was Euros 75 million or +7.4% more than the figure for 2018, due mainly to increases in the number of customers and in the number of physical units sold in Portugal.

Sales of electricity at regulated prices.

In 2019 ENDESA sold 11,385 GWh to customers under regulated prices through its supplier of reference, 7.9% less than in 2018.

These sales entailed revenues of Euros 2,055 million, which was 12.1% lower than the figure for 2018, mainly as a result of the decline in the number of physical units sold.

Gas sales.

At 31 December 2019, ENDESA had 1,648,705 gas customers, 2.8% more than at 31 December 2018:

- 229,741 (-1.3%) in the regulated market.
- 1,418,964 (+3.5%) in the deregulated market.

ENDESA sold 79,784 GWh to customers in the natural gas market in 2019, which represents a decrease of 8% relative to 2018.

In economic terms, revenue from gas sales totalled Euros 2,450 million in 2019, down by Euros 104 million (-4.1%) on the figure for 2018, as per the following breakdown:

- Gas sales in the deregulated market totalled Euros 2,369 million, Euros 100 million (-4.1%) less than the figure for 2018, due basically to the decrease in the number of physical units sold.
- Revenue from gas sales to customers at regulated prices totalled Euros 81 million, in line with the figure for 2018.

Compensations for generation in Non-mainland Territories (TNP).

Compensation in 2019 for the extra costs of Non-mainland Territories (TNP) generation totalled Euros 1,376 million, up by Euros 58 million or +4.4% on 2018, basically as a result of the increased cost of fuel due to higher prices for commodities and CO₂ emission rights.

Electricity distribution.

ENDESA distributed 116,611 GWh in the Spanish market in 2019, 0.4% less than in 2018.

Regulated income from the distribution activity in 2019 amounted to Euros 2,266 million (+2.6%).

Other operating income.

The table below presents the details of Other operating income in 2019 and the variations compared with the previous year:

Millions of Euros					
	Reference ⁽¹⁾	Other Operating Income			
		2019	2018	Difference	% Var.
Changes in energy stock derivatives		550	294	256	87.1
Grants released to income ⁽²⁾	15 and 24.2	23	21	2	9.5
Recognition of liabilities from contracts with customers in profit or loss	22 and 24.2	158	157	1	0.6
Rendering of services at facilities		4	6	(2)	(33.3)
Trading rights		56	42	14	33.3
Third Parties Indemnities		14	31	(17)	(54.8)
Other		95	89	6	6.7
TOTAL		900	640	260	40.6

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

(2) Includes Euros 18 million relating to capital grants and Euros 5 million of operating grants in 2019 (Euros 18 million and Euros 3 million respectively in 2018).

In 2019 other operating income amounted to Euros 900 million, representing an increase of Euros 260 million (+40.6%) compared with 2018, basically as a result of the increase of Euros 256 million (+87.1%) in income from the valuation and settlement of energy stock derivatives due mainly to the valuation and settlement of gas and electricity derivatives that is compensated, with the Euros 407 million (+164.8%) increase in expenses in this same respect recognised under Other Variable Procurements and Services in the Consolidated Income Statement. (See Section 2.3.2 Operating expenses in this Consolidated Management Report).

2.3.2. Operating costs.

Operating costs in 2019 amounted to Euros 19,770 million, up by 8.2% compared with the previous year.

The table below presents the details of operating costs in 2019 and their variation compared with the previous year:

Millions of Euros					
	Reference ⁽¹⁾	Operating Costs			
		2019	2018	Difference	% Var.
Procurements and services		14,252	14,567	(315)	(2.2)
Energy purchases	25.1	4,904	4,784	120	2.5
Fuel consumption	25.2	1,780	2,269	(489)	(21.6)
Transmission expenses		5,302	5,463	(161)	(2.9)
Other variable procurements and services	25.3	2,266	2,051	215	10.5
Self-constructed assets	3a.1 and 3d.2	(295)	(270)	(25)	9.3
Personnel Expenses	26	1,022	947	75	7.9
Other fixed operating expenses	27	1,338	1,324	14	1.1
Depreciation and Amortisation, and Impairment Losses	28	3,453	1,708	1,745	102.2
TOTAL		19,770	18,276	1,494	8.2

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

Procurements and services (variable costs).

Procurements and services (variable costs) totalled Euros 14,252 million in 2019, 2.2% less than in the previous year.

Changes in these costs in 2019 were as follows:

- Energy purchases increased by Euros 120 million (+ 2.5%) to Euros 4,904 million and fuel consumption fell by Euros 489 million (-21.6%) to Euros 1,780 million. These changes reflect the effect of lower thermal production (-34.0%) for the year and the Euros 82 million impairment of inventories of the mainland coal-fired plants (Euros 62 million net of the tax effect) (see Section 2.3.7. Net Income in this Consolidated Management Report).
- Items under Other Variable Procurements and Services in the Consolidated Income Statement totalled Euros 2,266 million, up by Euros 215 million (+10.5%) on 2018. This change mainly reflects:

Millions of Euros

	Other variable procurements and services			
	2019	2018	Difference	% Var.
Changes in energy stock derivatives	654	247	407	164.8
CO ₂ emission rights	372	361	11	3.0
Tax on electricity production	225	300	(75)	(25.0)
Water Tax	34	59	(25)	(42.4)
Catalan nuclear tax	(27)	12	(39)	(325.0)
"Social Bonus" discount	51	88	(37)	(42.0)
Rate of Occupancy of the Public Road / Lighting	195	190	5	2.6
Radioactive Waste Treatment	181	166	15	9.0
Nuclear tax	124	121	3	2.5
Other	457	507	(50)	(9.9)
TOTAL	2,266	2,051	215	10.5

This amount includes a decrease of Euros 39 million in the Catalan nuclear tax as a result of the tax being ruled unconstitutional by the Constitutional Court on 12 April 2019, leading to the reversal of the amount accrued in 2017 and 2018 for Euros 27 million.

Fixed operating costs.

The table below presents the details of fixed operating costs in 2019 and their variation relative to the previous year:

Millions of Euros

	Reference ⁽¹⁾	Fixed Operating Costs			
		2019	2018	Difference	% Var.
Self-constructed assets	3a.1 and 3d.2	(295)	(270)	(25)	9.3
Personnel Expenses	26	1,022	947	75	7.9
Other fixed operating expenses	27	1,338	1,324	14	1.1
TOTAL		2,065	2,001	64	3.2

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

Fixed operating costs amounted to Euros 2,065 million in 2019, representing an increase of Euros 64 million (+3.2%) compared with the previous year. This amount includes:

- Net additions to provisions for workforce succession plans, voluntary departure agreements, indemnities and other tax- and labour-related risks (Euros 44 million in 2019 and Euros 0 million in 2018).
- The updating of provisions for workforce restructuring plans in place (Euros 1 million, positive, in 2019 and Euros 4 million, negative, in 2018).
- Expense relating to disciplinary proceedings in an amount of Euros 57 million (income of Euros 6 million in 2018).

- Impairment of other materials related to the mainland coal power plants amounting to Euros 21 million (Euros 16 million net of tax effect) (see Section 2.3.7. Net Income in this Consolidated Management Report).
- The decrease of Euros 38 million under the heading Other Fixed Operating Expenses in 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 2.2. Changes in Accounting Principles in this Consolidated Management Report).

Excluding the effects described in the foregoing paragraphs, fixed operating costs in 2019 would have decreased by Euros 9 million (-0.5%) compared with the previous year.

Depreciation and amortisation, and impairment losses.

The table below presents the breakdown of depreciation and amortisation and impairment losses in 2019 and the variations compared with the previous year:

Millions of Euros						
	Reference (1)	Section s	Depreciation and Amortisation, and Impairment Losses			
			2019	2018	Difference	% Var.
DEPRECIATION AND AMORTISATION			1,553	1,480	73	4.9
Depreciation charge for property, plant and equipment	6		1,302	1,259	43	3.4
Depreciation charge for right-of-use assets in application of IFRS 16 Leases	2.1a and 6.1	2.2	34	-	34	N/A
Other depreciation charges for property, plant and equipment			1,268	1,259	9	0.7
Amortisation charge for intangible assets	8		251	221	30	13.6
IMPAIRMENT LOSSES			1,900	228	1,672	733.3
Non-financial assets			1,769	148	1,621	1,095.3
Charge for impairment losses on property, plant and equipment and investment property	6 and 33.2		1,757	153	1,604	1,048.4
Mainland coal-fired thermal power plants	3e.4		1,352 (2)	-	1,352	N/A
Cash-generating Units (CGUs) in Non-mainland Territories (TNP)	3e.4		401 (2) (3)	-	401	N/A
Alcudia thermal power plant (Balearic Islands)	3e.4		-	157 (4)	(157)	(100.0)
Other property, plant and equipment and investment property			4	(4)	8	(200.0)
Charge for impairment losses on intangible assets			(5)	(6)	1	(16.7)
Other intangible assets			(5)	(6)	1	(16.7)
Charge for impairment losses on goodwill	9 and 33.2		17	1	16	1,600.0
Cash-generating unit (CGU) of Generation of the Iberian Peninsula	3e.4		14 (2)	-	14	N/A
Cash-generating unit (CGU) of the Non-mainland Territory (TNP) of the Canary Islands	3e.4		3 (2)	-	3	N/A
Cash-generating unit (CGU) of the Non-mainland Territory (TNP) of the Balearic Islands	3e.4		-	1 (4)	(1)	(100.0)
Financial Assets	18.4.1 and 33.2		131	80	51	63.8
Charge for impairment of receivables from contracts with customers	12.1		128	79	49	62.0
Charge for impairment losses on other financial assets	18.1.1		3	1	2	200.0
TOTAL			3,453	1,708	1,745	102.2

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

(2) Euros 1,332 million net of tax effect (see Section 2.3.7. Net Income in this Consolidated Management Report).

(3) Euros 14 million have been allocated to the Alcudia Thermal Power Plant (Balearic Islands).

(4) Euros 119 million net of tax effect (see Section 2.3.7. Net Income in this Consolidated Management Report).

Depreciation and amortisation and impairment losses in 2019 totalled Euros 3,453 million, up by Euros 1,745 million (+102.2%) on 2018. To analyse the changes during the period, the following factors must be taken into account:

- Impairment of the assets of the Iberian Peninsula coal-fired thermal power plants.

During 2019 there was 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 CO₂ emission rights, which displaces the plants with the highest volume of emissions in favour of other technologies. In view of this structural situation ENDESA's 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 2.3.1. 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 31 December 2019, are estimated at Euros 459 million (see Notes 6.4 and 16.3 to the Consolidated Financial Statements for the year ended 31 December 2019).
- Revaluating 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 2010).
- 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, and recognising, as a result of this decision and of the analysis of the recoverable value of these assets, an impairment loss of Euros 1,366 million, taking into account that the cash flows of these plants are expected to be negative for the remainder of their lives, as a whole and on an annual basis (see Notes 3c, 6.4, 9 and 28 to the Consolidated Financial Statements for the year ended 31 December 2019).

On 27 December 2019 ENDESA submitted to the competent authorities the authorization requests for the closure of the As Pontes (La Coruña) and Litoral (Almería) Thermal Power Plants.

- Impairment of the Cash Generating Units (CGUs) for each of the Non-mainland Territories (TNP) of the Balearic Islands, the Canary Islands, Ceuta and Melilla.

On 28 December 2019, Order TEC/1260/2019 of 26 December 2019 was published. It establishes the technical and economic parameters to be used in calculating remuneration for electricity production in Non-mainland Territories (TNP) with additional remuneration regimes during the 2020-2025 regulatory period. This revision of technical and economic parameters implied for ENDESA, among other things, a decrease in the remuneration of operating and maintenance costs for the 2020-2025 regulatory period, and as a consequence, the recoverable amount of the Cash Generating Units (CGU) for each of the Non-mainland Territories (TNP) of the Balearic Islands, Canary Islands, Ceuta and Melilla is lower than its carrying amount, therefore, an impairment loss has been recognised in the Consolidated Income Statement for a total amount of Euros 404 million (see Notes 3c, 6.4, 9 and 28 to the Consolidated Financial Statements for the year ended 31 December 2019).

- Application of IFRS 16 Leases.

In 2019 the heading Depreciation and Amortisation, and Impairment Losses in the Consolidated Income Statement includes an amount of Euros 34 million in depreciation and amortisation charges in this respect (see Section 2.2. Changes in Accounting Principles in this Consolidated Management Report).

- Deterioration of the Alcudia Thermal Power Plant (Balearic Islands).

On 3 November 2018, Order TEC/1158/2018, dated October 29, was published, relating to the additional remuneration regime for existing electricity production facilities in the Non-mainland Territories (TNP) that must carry out additional investments derived from compliance with community or state regulations to continue operating, which does not include the coal Units of the Alcudia Thermal Power Plant (Balearic Islands).

The non-recognition of this additional remuneration regime meant that the Company submitted on 27 December 2018 to the General Directorate of Energy and Climate Change of the Balearic Government the request for authorization for the closure of Units I and II of the Alcudia Thermal Power Plant (Balearic Islands) and, in addition, a decrease in the estimated useful life of Units III and IV of said plant.

As a result, the recoverable amount of these assets was lower than their book value, so that an impairment loss amounting to 158 million euros was recorded in the Consolidated Income Statement for the year 2018 (see Notes 3c, 6.4, 9 and 28 to the Consolidated Financial Statements for the year ended 31 December 2019).

2.3.3. Net financial result.

Net financial result in 2019 and 2018 was negative in the amounts of Euros 184 million and Euros 139 million respectively.

The table below presents the details of net financial result in 2019 and its variations compared with the previous year:

	Reference (1)	Millions of Euros			
		Net Financial Result (2)			
		2019	2018	Difference	% Var.
Net Financial Expense (3)		(185)	(137)	(48)	35.0
Financial income		27	36	(9)	(25.0)
Financial expense		(212)	(173)	(39)	22.5
Net exchange differences		1	(2)	3	(150.0)
TOTAL	29	(184)	(139)	(45)	32.4

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

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

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

In 2019, net financial expense totalled Euros 185 million, Euros 48 million (+35.0%) more than in the previous year.

In considering the evolution of net financial expense in 2019 the following factors need to be taken into account:

Millions of Euros

	Sections	Net Financial Expense (1)			
		2019	2018	Difference	% Var.
Expense in respect of financial liabilities at amortised cost		(133)	(129)	(4)	3.1
Expense relating to right-of-use contracts in application of IFRS 16 Leases	2.2	(5)	-	(5)	N/A
Expense in respect of other financial liabilities at amortised cost		(128)	(129)	1	(0.8)
Income from financial assets at amortised cost		2	10	(8)	(80.0)
Interest on Financing the Revenue Deficit of Regulated Activities in Spain for 2013		-	7	(7)	(100.0)
Other		2	3	(1)	(33.3)
Update of Provisions for Workforce Restructuring Plans, Dismantling of Facilities and Impairment of Financial Assets in accordance with IFRS 9 Financial Instruments		(49)	(8)	(41)	512.5
Other		(5)	(10)	5	(50.0)
TOTAL		(185)	(137)	(48)	35.0

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

As a consequence of the discontinuation of the activity at the Litoral thermal power plant (Almería), in 2019 this heading includes an impairment loss of Euros 21 million corresponding to the compensation to be received by ENDESA Generación, S.A.U. from the Port Authority of Almería in the framework of what is established in the Act of partial extinction of the concession that it maintains with it in the Port of Carboneras.

Expenses in respect of financial liabilities at amortised cost increased by Euros 4 million (+3.1%) due to the combination of the following effects (see Section 4.1. Financial Management in this Consolidated Management Report):

- The lower average cost of gross financial debt, which declined from 1.9% in 2018 to 1.8% in 2019.
- The increase of average gross financial debt, which went from Euros 6,777 million in 2018 to Euros 7,431 million in 2019.

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

In 2019 and 2018 net income of companies accounted for using the equity method amounted to Euros 15 million and Euros 35 million respectively, the breakdown being as follows:

Millions of Euros

	Reference ⁽¹⁾	Net Income of Companies accounted for using the Equity Method	
		2019	2018
Associates		5	7
Tecnatom, S.A.		1	-
Gorona del Viento El Hierro, S.A.		1	-
Boiro Energía, S.A.		-	1
Compañía Eólica Tierras Altas, S.A.		-	1
Others		3	5
Joint Ventures		10	28
Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.		(7)	7
Nuclenor, S.A.		-	4
Énergie Électrique de Tahaddart, S.A.		2	2
Suministradora Eléctrica de Cádiz, S.A.		4	2
Other		11	13
TOTAL	10	15	35

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

The results of the 43.75% interest in Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A. include the provision associated with the termination of the long-term electricity sales contract with Red Eléctrica Nacional, S.A. (REN) in November 2021.

2.3.5. Gains/(losses) on disposal of assets

Gains/(losses) on disposal of assets in 2019 and 2018 amounted to Euros 11 million and Euros 3 million respectively, broken down as follows:

Millions of Euros

	Reference ⁽¹⁾	Gains/(losses) on disposal of assets	
		2019	2018
Non-financial assets		40	38
Transfer of rights of use of optical fibre		24 ⁽³⁾	-
Land at Sant Adrià del Besòs	10.1	-	34 ⁽⁵⁾
Other gains/losses		16	4
Disposals of investments in Group companies and other		1 ⁽⁴⁾	-
Disposals of property, plant and equipment ⁽²⁾		15	4
Financial Assets		(29)	(35)
Factoring transaction fees	12.1 y 18.1.1	(29)	(35)
TOTAL	30	11	3

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

(2) Corresponds to capital gains generated by the sale of land and buildings.

(3) Euros 18 million net of tax effect (see Section 2.3.7. Net Income in this Consolidated Management Report).

(4) Corresponds to the gross result generated by the divestment of Eólica del Noroeste, S.L. and Ufeyfs, S.L. (in Liquidation) (see Notes 2.3 and 2.4 to the Consolidated Financial Statements for the year ended 31 December 2019).

(5) Euros 25 million net of tax effect (see Section 2.3.7. Net Income in this Consolidated Management Report).

On 19 December 2019 ENDESA Ingeniería, S.L.U. and Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U. signed an agreement with a third party assigning exclusive long-term rights of use for their surplus of dark fibre optic network for an amount of Euros 132 million, generating a gross gain of Euros 24 million.

2.3.6. Income Tax

Income Tax expense for 2019 amounted to Euros 50 million, representing a decrease of Euros 342 million (-87.2%) compared with the previous year, mainly as a result of the impairment losses of the assets of the mainland coal-fired power plants and the cash generating units (CGUs) of the Non-mainland Territories (TNP) of the Balearic, the Canary Islands, Ceuta and Melilla recognised for a total amount of Euros 1,873 million, and the tax effect of which amounted to Euros 464 million.

Excluding the effect described in the foregoing paragraph, Income Tax expense for 2019 would have increased by Euros 122 million (+31.1%) compared with the previous year and the effective tax rate for 2019 would have been 24.4% (21.6% in 2018).

2.3.7. Net Income

Net ordinary income attributable to the Parent in 2019 amounted to Euros 1,562 million (+3.4%), as per the following breakdown:

Millions of Euros					
	Sections	2019	2018	Difference	% Var.
Net Income ⁽¹⁾		171	1,417	(1,246)	(87.9)
Net Gain/(Loss) on Disposal of Non-Financial Assets ⁽²⁾	2.3.5	(18)	(25)	7	(28.0)
Transfer of rights of use of optical fibre		(18)	-	(18)	N/A
Land at Sant Adrià del Besòs		-	(25)	25	(100.0)
Net Impairment Losses on Non-Financial Assets ⁽²⁾	2.3.2	1,409	119	1,290	1,084.0
Mainland coal-fired thermal plants, inventories and other materials		1,105	-	1,105	N/A
Cash-generating Units (CGUs) of the Non-mainland Territories (TNP)		304	-	304	N/A
Alcudia thermal power plant (Balearic Islands)		-	119	(119)	(100.0)
Net Ordinary Income ⁽³⁾		1,562	1,511	51	3.4

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

(2) Greater than Euros 10 million.

(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).

Net profit attributable to the parent company in 2019 came to Euros 171 million, representing a decline of Euros 1,246 million relative to 2018 (-87.9%).

2.4. Results by Segments.

Segments information is provided in Note 33 to the Consolidated Financial Statements for the year ended 31 December 2019.

The following is a breakdown of the most significant figures in the Consolidated Income Statement among ENDESA's Businesses for the years 2019 and 2018:

Millions of Euros	2019						
	Generation and Supply				Distribution	Structure and Others ⁽¹⁾	Total
	Non-mainland Territories generation (TNP)	Other generation and supply	Adjustments	Total			
Income	2,034	16,405	(902)	17,537	2,828	(207)	20,158
Revenue from sales	2,030	15,718	(902)	16,846	2,566	(154)	19,258
Other Operating Income	4	687	-	691	262	(53)	900
Procurements and services	(1,496)	(13,603)	895	(14,204)	(182)	134	(14,252)
Contribution Margin ⁽²⁾	538	2,802	(7)	3,333	2,646	(73)	5,906
Self-constructed assets	8	88	-	96	175	24	295
Personnel Expenses	(93)	(450)	1	(542)	(280)	(200)	(1,022)
Other fixed operating expenses	(186)	(937)	6	(1,117)	(442)	221	(1,338)
EBITDA ⁽³⁾	267	1,503 ⁽⁸⁾	-	1,770	2,099	(28)	3,841
Depreciation and Amortisation, and Impairment Losses	(543)	(2,216)	-	(2,759)	(626)	(68)	(3,453)
EBIT ⁽⁴⁾	(276)	(713)	-	(989)	1,473	(96)	388
Net Financial Result ⁽⁵⁾	(23)	(92)	-	(115)	(63)	(6)	(184)
Income before Tax	(298)	(684)	(130)	(1,112)	1,444	(102)	230
Net Income ⁽⁶⁾	(202)	(491)	(130)	(823)	1,077	(83)	171
Net Ordinary Income ⁽⁷⁾	102	614	(130)	586	1,059	(83)	1,562

(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).

(8) Includes EBITDA of ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 223 million.

Millions of Euros

	2018						
	Generation and Supply				Distribution	Structure and Others ⁽¹⁾	Total
	Non-mainland Territories generation (TNP)	Other generation and supply	Adjustments	Total			
Income	2,115	16,527	(1,021)	17,621	2,784	(210)	20,195
Revenue from sales	2,106	16,118	(1,021)	17,203	2,509	(157)	19,555
Other Operating Income	9	409	-	418	275	(53)	640
Procurements and services	(1,504)	(13,976)	1,016	(14,464)	(201)	98	(14,567)
Contribution Margin ⁽²⁾	611	2,551	(5)	3,157	2,583	(112)	5,628
Self-constructed assets	4	79	-	83	167	20	270
Personnel Expenses	(85)	(435)	-	(520)	(263)	(164)	(947)
Other fixed operating expenses	(174)	(934)	5	(1,103)	(428)	207	(1,324)
EBITDA ⁽³⁾	356	1,261 ⁽⁸⁾	-	1,617	2,059	(49)	3,627
Depreciation and Amortisation, and Impairment Losses	(314)	(715)	-	(1,029)	(630)	(49)	(1,708)
EBIT ⁽⁴⁾	42	546	-	588	1,429	(98)	1,919
Net Financial Result ⁽⁵⁾	(19)	(131)	-	(150)	(75)	86	(139)
Income before Tax	23	827	(382)	468	1,363	(13)	1,818
Net Income ⁽⁶⁾	47	731	(382)	396	1,046	(25)	1,417
Net Ordinary Income ⁽⁷⁾	166	706	(382)	490	1,046	(25)	1,511

(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).

(8) Includes EBITDA of ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 212 million.

2.4.1. Contribution Margin

Generation and supply segment

The contribution margin in 2019 amounted to Euros 3,333 million, representing an increase of Euros 176 million (+5.6%) compared with the previous year, basically as a result of the decrease in fuel consumption (-21.6%) which in turn was mainly due to the lower thermal production of the period (-34.0%).

Distribution segment

The contribution margin in 2019 totalled Euros 2,646 million, up by Euros 63 million (+2.4%) on the previous year, due mainly to the following factors:

- The increase of Euros 57 million (+ 2.6%) in regulated distribution revenues.
- The inclusion of Empresa de Alumbrado Eléctrico de Ceuta, S.A. in the scope of consolidation (Euros 15 million in 2019 and Euros 8 million in 2018).

Structure and other

In 2019 the contribution margin improved by Euros 39 million, due basically to the evolution of the “Social Bonus” in 2019 and 2018, in accordance with Royal Decree 897/2017 of 6 October 2017 (see Section 3. Regulatory Framework in this Consolidated Management Report).

2.4.2. Gross Profit from Operations (EBITDA)

Generation and supply segment

In 2019, EBITDA amounted to Euros 1,770 million (+9.5%), mainly as a result of:

- The 5.6% increase in the contribution margin; and
- The evolution of fixed operating costs (+1.5%), mainly due to the impairment of other materials related to the mainland coal-fired power plants amounting to Euros 21 million (Euros 16 million net of the tax effect) (see Section 2.3.7. Net Income in this Consolidated Management Report).

Distribution segment

In 2019, EBITDA amounted to Euros 2,099 million (+1.9%), including, *inter alia*:

- The evolution of the contribution margin (+2.4%).
- The increase of Euros 23 million (+4.4%) in fixed operating costs, mainly due to the evolution of the disciplinary proceedings during the 2019 financial year.

Structure and other

EBITDA in 2019 improved by Euros 21 million relative to the previous year.

In this regard, the improvement in the contribution margin, amounting to Euros 39 million, was offset by the increase in personnel expenses (+22.0%), mainly as a consequence of net additions of provisions for compensation and other tax- and labour-related risks (Euros 22 million negative in 2019 and Euros 13 million positive in 2018).

2.4.3. Profit from Operations (EBIT)

Generation and supply segment

EBIT for 2019 amounted to a negative Euros 989 million, and includes, among others:

- A 9.5% increase in EBITDA.
- An increase of Euros 1,730 million in Depreciation and Amortisation and Impairment Losses in the Consolidated Income Statement as a consequence, mainly, of the recognition of an impairment loss relating to the mainland coal-fired thermal power plants and the Cash Generating Units (CGUs) of the Non-mainland Territories (TNP) in an amount of Euros 1,770 million and the effect of application of IFRS 16 Leases amounting to Euros 15 million (see Sections 2.3.2. Operating Costs and 2.2. Changes in Accounting Principles of this Consolidated Management Report).

Distribution segment

EBIT in 2019 increased by Euros 44 million (+3.1%) compared with the previous year, mainly as a result of the 1.9% increase in EBITDA.

Structure and other

The operating result (EBIT) for 2019 improved by Euros 2 million as a result of the combination of the following factors:

- The improvement in the gross operating result (EBITDA) by Euros 21 million.
- The increase in depreciation of Euros 19 million (+38.8%), basically due to the application of IFRS 16 Leases for Euros 16 million (see Sections 2.3.2 Operating Costs and 2.2. Changes in Accounting Principles in this Consolidated Management Report, respectively).

2.5. Scope of Consolidation

During 2019, the following acquisition transactions were carried out through ENEL Green Power España, S.L.U. (EGPE):

Reference (1)	Acquisition date	Technology	Companies acquired in 2019		Stake at 31 December 2018 (%)	
			Stake at 31 December 2019 (%)		Control	Economic
			Control	Economic		
Energía Neta Sa Caseta Lluçmajor, S.L.U.	5 March 2019	Photovoltaic	100.00	100.00	-	-
Baleares Energy, S.L.U.	28 May 2019	Photovoltaic	100.00	100.00	-	-
Baikal Enterprise, S.L.U.	28 May 2019	Photovoltaic	100.00	100.00	-	-
Renovables La Pedrera, S.L.U.	30 September 2019	Wind	100.00	100.00	-	-
Renovables Mediavilla, S.L.U.	30 September 2019	Photovoltaic	100.00	100.00	-	-
Dehesa PV Farm 03, S.L.U.	23 December 2019	Photovoltaic	100.00	100.00	-	-
Dehesa PV Farm 04, S.L.U.	23 December 2019	Photovoltaic	100.00	100.00	-	-
Emintegral Cycle, S.L.U.	23 December 2019	Photovoltaic	100.00	100.00	-	-
Envatios Promoción I, S.L.U.	23 December 2019	Photovoltaic	100.00	100.00	-	-
Envatios Promoción II, S.L.U.	23 December 2019	Photovoltaic	100.00	100.00	-	-
Envatios Promoción III, S.L.U.	23 December 2019	Photovoltaic	100.00	100.00	-	-
Envatios Promoción XX, S.L.U.	23 December 2019	Photovoltaic	100.00	100.00	-	-
Fotovoltaica Yuncillos, S.L.U.	23 December 2019	Photovoltaic	100.00	100.00	-	-
Olivum PV Farm 01, S.L.U.	23 December 2019	Photovoltaic	100.00	100.00	-	-
Pampinus PV Farm 01, S.L.U.	23 December 2019	Photovoltaic	100.00	100.00	-	-
Torrepalma Energy, S.L.U.	23 December 2019	Photovoltaic	100.00	100.00	-	-
Xaloc Solar, S.L.U.	23 December 2019	Photovoltaic	100.00	100.00	-	-
Bogaris PV1, S.L.U.	27 December 2019	Photovoltaic	100.00	100.00	-	-

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

The price agreed for all these acquisitions was Euros 40 million, recognised under Intangible Assets in the Consolidated Statement of Financial Position, the net cash outflow being Euros 37 million (see Notes 2.3.1, 5.1 and 8 to the Consolidated Financial Statements for the year ended 31 December 2019 and Section 4.4. Cash Flows in this Consolidated Management Report).

These transactions are aimed at strengthening ENDESA's presence in the Iberian generation market by expanding the portfolio of renewable assets in its production mix.

The companies acquired are currently applying for the 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 acquisition date.

2.6. Statistical appendix

Industrial Data.

Electricity Generation (1)	2019		2018		% Var.
	GWh	Percentage (%)	GWh	Percentage (%)	
Mainland	49,582	80.7	61,456	82.8	(19.3)
Renewables	10,090	16.4	12,172	16.4	(17.1)
Hydroelectric	5,861	9.5	8,459	11.4	(30.7)
Eólica (2)	4,127	6.7	3,688	5.0	11.9
Photovoltaic	101	0.2	24	0.0	320.8
Other	1	0.0	1	0.0	-
Nuclear	26,279	42.8	24,067	32.4	9.2
Coal	5,647	9.2	19,924	26.9	(71.7)
Combined Cycle (CCGT) (3)	7,566	12.3	5,293	7.1	42.9
Non-mainland Territories (TNP)	11,820	19.3	12,737	17.2	(7.2)
Coal	1,996	3.3	2,392	3.2	(16.6)
Fuel-Gas	5,703	9.3	6,681	9.0	(14.6)
Combined Cycle (CCGT) (3)	4,121	6.7	3,664	4.9	12.5
TOTAL	61,402	100.0	74,193	100.0	(17.2)

(1) In power plant bars.

(2) In 2019 it includes 123 GWh corresponding to Non-mainland Territories (TNP) (118 GWh in 2018).

(3) Correspondent to natural gas.

Gross Installed Capacity	31 December 2019		31 December 2018		% Var.
	MW	Percentage (%)	MW	Percentage (%)	
Mainland	19,498	80.5	18,737	78.8	4.1
Renewables (1)	7,452	30.8	6,568	27.6	13.5
Hydroelectric	4,792	19.8	4,804	20.2	(0.2)
Wind (2)	2,308	9.5	1,751	7.4	31.8
Photovoltaic	352	1.5	13	0.1	2,607.7
Nuclear	3,443	14.2	3,443	14.5	-
Coal	4,780	19.7	4,902	20.6	(2.5)
Combined Cycle (CCGT) (3)	3,823	15.8	3,824	16.1	(0.0)
Non-mainland Territories (TNP)	4,733	19.5	5,029	21.2	(5.9)
Coal	260	1.1	510	2.1	(49.0)
Fuel-Gas	2,619	10.8	2,665	11.2	(1.7)
Combined Cycle (CCGT) (3)	1,854	7.7	1,854	7.8	-
TOTAL	24,231	100.0	23,766	100.0	2.0

(1) At 31 December 2019 and 2018 the additional capacity was 926 MW and 135 MW respectively.

(2) At 31 December 2019 and 2018, it includes 40 MW corresponding to Non-mainland territories (TNP).

(3) Correspondent to natural gas.

Net Installed Capacity	31 December 2019		31 December 2018		% Var.
	MW	Percentage (%)	MW	Percentage (%)	
Mainland	19,066	81.6	18,185	80.0	4.8
Renewables (1)	7,408	31.7	6,527	28.7	13.5
Hydroelectric	4,748	20.3	4,763	21.0	(0.3)
Wind (2)	2,308	9.9	1,751	7.7	31.8
Photovoltaic	352	1.5	13	0.1	2,607.7
Nuclear	3,318	14.2	3,318	14.6	-
Coal	4,584	19.6	4,583	20.2	0.0
Combined Cycle (CCGT) (3)	3,756	16.1	3,757	16.5	(0.0)
Non-mainland Territories (TNP)	4,299	18.4	4,533	20.0	(5.2)
Coal	241	1.0	468	2.1	(48.5)
Fuel-Gas	2,334	10.0	2,377	10.5	(1.8)
Combined Cycle (CCGT) (3)	1,724	7.4	1,688	7.4	2.1
TOTAL	23,365	100.0	22,718	100.0	2.8

(1) At 31 December 2019 and 2018 the additional capacity was 926 MW and 135 MW respectively.

(2) At 31 December 2019 and 2018, it includes 40 MW corresponding to Non-mainland territories (TNP).

(3) Correspondent to natural gas.

GWh

Gross electricity sales (1)	2019	2018	% Var.
Regulated Price	13,335	14,432	(7.6)
Deregulated market	85,117	84,246	1.0
Spain	74,367	73,971	0.5
Outside Spain	10,750	10,275	4.6
TOTAL	98,452	98,678	(0.2)

(4) In power plant bars.

GWh

Net electricity sales (1)	2019	2018	% Var.
Regulated Price	11,385	12,356	(7.9)
Deregulated market	78,056	77,283	1.0
Spain	67,860	67,517	0.5
Outside Spain	10,196	9,766	4.4
TOTAL	89,441	89,639	(0.2)

(1) Sales to end customers.

Thousands

Number of customers (Electricity) (1) (2)	31 December 2019	31 December 2018	% Var.
Regulated market	4,807	5,029	(4.4)
Mainland Spain	4,074	4,246	(4.1)
Non-mainland Territories (TNP)	733	783	(6.4)
Deregulated market	5,828	5,725	1.8
Mainland Spain	4,619	4,627	(0.2)
Non-mainland Territories (TNP)	859	825	4.1
Outside Spain	350	273	28.2
TOTAL	10,635	10,754	(1.1)
Income / Supply Points (3)	1.3	1.3	-

(1) Supply points.

(2) Customers of the supply companies.

(3) Ratio of revenues from electricity sales and the number of electricity supply points (Thousands of euros / Supply point).

Percentage (%)

Trends in electricity demand ⁽¹⁾	2019	2018
Mainland ⁽²⁾	(1.7)	0.4
Non-mainland Territories (TNP) ⁽³⁾	0.6	(0.6)

(1) Source: Red Eléctrica de España, S.A.U. (REE) (the national grid).

(2) Adjusted for working days and temperature: -2.7% in 2019 and +0.3% in 2018.

(3) Adjusted for working days and temperature: +1.3% in 2019 and -2.8% in 2018.

Percentage (%)

Market share (electricity) ⁽¹⁾	31 December 2019	31 December 2018
Mainland Generation	18.3	22.5
Distribution	44.1	43.6
Supply	34.1	33.4

(1) Source: In-house.

GWh

Gas Sales	2019	2018	% Var.
Deregulated market	45,584	47,810	(4.7)
Regulated market	1,295	1,430	(9.4)
International market	19,968	25,270	(21.0)
Wholesale business	12,937	12,219	5.9
TOTAL ⁽¹⁾	79,784	86,729	(8.0)

(1) Excluding own generation consumption.

Thousands

Number of customers (gas) ⁽¹⁾	31 December 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	1,419	1,371	3.5
Mainland Spain	1,255	1,230	2.0
Non-mainland Territories (TNP)	72	68	5.9
Outside Spain	92	73	26.0
TOTAL	1,649	1,604	2.8
Income / Supply Points ⁽²⁾	1.5	1.6	-

(1) Supply points.

(2) Ratio of revenues from gas sales to the number of gas supply points (Thousands of euros / Supply point).

Percentage (%)

Trend in demand for gas ⁽¹⁾	2019	2018
Domestic (Spain) market	14.0	(0.4)
Domestic (Spain) - conventional	(0.2)	4.5
Electricity sector	80.0	(18.3)

(1) Source: Enagás, S.A.

Percentage (%)

Market share (gas) ⁽¹⁾	31 December 2019	31 December 2018
Deregulated market	15.6	16.3

(1) Source: In-house.

Distribution Business	31 December 2019	31 December 2018	% Var.
Distribution and Transmission Networks (km)	316,320	319,613	(1.0)
Digitalised Customers ⁽¹⁾	12,178	11,556	5.4
End Users ⁽²⁾	12,235	12,178	0.5
Ratio of Digitalised Customers (%) ⁽³⁾	99.5	94.9	-
Public and Private Recharging Points (Units)	5,000	3,000	66.7

(1) Activated smart meters (Thousands).

(2) Customers of distribution companies (Thousands).

(3) Number of Digitalised Customers / End Users (%).

Supply Quality Measures	2019	2018	% Var.
Energy distributed ⁽¹⁾	116,611	117,029	(0.4)
Energy losses (%) ⁽²⁾	10.7	10.7	-
Installed Capacity Equivalent Interruption Time (ICEIT) (Minutes) ⁽³⁾	60.6	65.0	(6.8)
Duration of Interruptions in the Distribution Network (SAIDI) (Minutes) ⁽²⁾	75.8	79.5	(4.7)
Number of Interruptions in the Distribution Network (SAIFI) ⁽²⁾	1.4	1.6	(12.5)

(1) In power plant bars.

(2) Source: In-house.

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

Financial Data

Millions of Euros

	Consolidated Income Statement		
	2019	2018	% Var.
Revenue from sales	19,258	19,555	(1.5)
Procurements and services	(14,252)	(14,567)	(2.2)
Contribution margin ⁽¹⁾	5,906	5,628	4.9
EBITDA ⁽²⁾	3,841	3,627	5.9
EBIT ⁽³⁾	388	1,919	(79.8)
Net Financial Result ⁽⁴⁾	(184)	(139)	32.4
Income before Tax	230	1,818	(87.3)
Net Income ⁽⁵⁾	171	1,417	(87.9)
Net Ordinary Income ⁽⁶⁾	1,562	1,511	3.4

(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.

(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).

Euros

Valuation parameters	2019	2018	% Var.
Net Ordinary Earnings per Share ⁽¹⁾	1.475	1.427	3.4
Net Earnings per Share ⁽²⁾	0.162	1.338	(87.9)
Cash Flow per Share ⁽³⁾	3.004	2.286	31.4
Book Value per Share ⁽⁴⁾	7.261 ⁽⁵⁾	8.536 ⁽⁶⁾	(14.9)

(1) Net ordinary earnings per share = Net ordinary income of the Parent/ No. of shares at the end of the period.

(2) Net earnings per share = Net income of the Parent/ No. of shares at the end of the period.

(3) Cash flow per share = Net cash flows from operating activities / No. of shares at the end of the period.

(4) Book value per share = Equity of the Parent / No. of shares at the end of the period.

(5) At 31 December 2019

(6) At 31 December 2018

Millions of Euros

	Reference ⁽¹⁾	Consolidated Statement of Financial Position		
		31 December 2019	31 December 2018	% Var.
Total assets		31,981	31,656	1.0
Equity	14	7,837	9,181	(14.6)
Net Financial Debt ⁽²⁾	17	6,377	5,770	10.5

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

(2) Net financial debt = Non-current interest-bearing loans and borrowings + Current interest-bearing loans and borrowings - Cash and cash equivalents - Derivatives recognised as financial assets.

Profitability Indicators (%)	31 December 2019	31 December 2018
Return on equity ⁽¹⁾	18.68	16.67
Return on assets ⁽²⁾	4.91	4.82
Economic profitability ⁽³⁾	1.80	8.81
Return on capital employed (ROCE) ⁽⁴⁾	0.95	4.80

(1) Return on equity = Net ordinary income of the Parent / Average equity of the Parent.

(2) Return on assets = Net ordinary income of the Parent / Average total assets.

(3) Economic profitability = EBIT / Average property, plant and equipment.

(4) Return on capital employed (ROCE) = Profit from Operations after tax / (Average non-current assets + Average current assets).

Financial Indicators	31 December 2019	31 December 2018
Liquidity ratio ⁽¹⁾	0.72	0.73
Solvency ratio ⁽²⁾	0.91	0.92
Debt ratio ⁽³⁾ (%)	44.86	38.59
Debt coverage ratio ⁽⁴⁾	1.66	1.59
(Funds from Operations ⁽⁵⁾ + Interest Expenses ⁽⁶⁾) / Interest Expenses ⁽⁶⁾	23.91	20.74
Net Financial Debt ⁽⁷⁾ / (Fixed Assets) ⁽⁸⁾ (%)	27.46	24.31
Net Financial Debt ⁽⁷⁾ / Gross Profit from Operations (EBITDA) ⁽⁹⁾	1.66	1.59
Net Financial Debt ⁽⁷⁾ / Funds from Operations ⁽⁵⁾	2.05	2.06

(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 = Net financial debt / EBITDA.

(5) Funds from Operations = Cash Flows from Operating Activities + Changes in Working Capital - Self-constructed assets.

(6) Interest Expenses = Interest Payments (see Section 4.4. Cash Flows in this Consolidated Management Report).

(7) Net financial debt = Non-current interest-bearing loans and borrowings + Current interest-bearing loans and borrowings – Cash and cash equivalents – Derivatives recognised as financial assets.

(8) Fixed Assets = Property, Plant and Equipment + Investment Properties + Intangible Assets + Goodwill.

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

3. Regulatory framework

Information on Spain's regulatory framework is set out in Note 4 to the Consolidated Financial Statements for the year ended 31 December 2019.

The main changes in the Spanish regulatory framework either approved in 2019 or with a material impact on the Consolidated Financial Statements for that year are described below.

Electricity tariff

On 22 December 2018 the Official State Gazette (BOE) published Order TEC/1366/2018 of 20 December 2018 establishing the access tariffs for 2019, which remained unchanged. It should be noted that this Order abolished the availability incentive of Order ITC/3127/2011 of 17 November 2011 until such time as the capacity mechanisms for its alignment with European regulations and the energy transition process are revised.

Order TEC/1258/2019 of 20 December 2019 establishing access tariffs for 2020 was published in the Official State Gazette on 28 December 2019. In accordance with said Order, the access tariffs remain unchanged until the entry into force of the tariffs set by the Spanish National Commission on Markets and Competition (“CNMC”).

Natural gas tariff

On 22 December 2018 Order TEC/1367/2018 of 20 December 2018 was published in the Official State Gazette (BOE), establishing the gas access tariffs for 2019, which were maintained unchanged, and on 28 December 2018 the Resolution of 26 December was published, with the Last Resort Tariffs (TUR) for natural gas to be applied from 1 January 2019, resulting in an average reduction of approximately 4%, due to the reduction in the cost of the raw material.

On 30 March 2019 the Official State Gazette (BOE) published the General Directorate of Energy Policy and Mines Resolution of 22 March establishing the Last Resort Tariff (TUR) for natural gas applicable from 1 April 2019, which depending on whether Last Resort Rate 1 (“TUR1”) or Last Resort Tariff 2 (“TUR2”) is concerned, results in an average decrease relative to the previous period of between 5.2% and 6.6%, due to the reduction in the cost of the raw material.

On 28 December 2019 Order TEC/1259/2019 of 20 December 2019 was published in the Official State Gazette (BOE), establishing the gas access tariffs for 2020, which were maintained unchanged, and on 30 December 2019 the Resolution of 23 December of the General Directorate of Energy Policy and Mines was published, with the Last Resort Tariffs (TUR) for natural gas to be applied from 1 January 2020, resulting in an average reduction of between 3.3% and 4.2% depending on whether TUR1 or TUR2 is concerned, respectively, due to the reduction in the cost of the raw material.

Energy efficiency

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

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

In December 2019, the Ministry for the Ecological Transition (now the Ministry for the Ecological Transition and the Demographic Challenge) began processing a proposed Order establishing the contribution to the National Energy Efficiency Fund for 2020, of which ENDESA's share is Euros 24.7 million.

“Social Bonus” or Social Tariff

On 7 April 2018, Order ETU/361/2018, of 6 April 2018 was published, amending the Social Bonus application forms established in Order ETU/943/2017 of 6 October 2017 implementing Royal Decree 897/2017 of 6 October 2017 regulating the concept of vulnerable consumers, the Social Bonus and other protection measures for domestic consumers of electricity. Furthermore, this Order extended the existing transitional period until 8 October 2018 for consumers of electricity who, on the date of entry into force of Order ETU/943/2017 of 6 October 2017 were beneficiaries of the Social Bonus, to prove the status of vulnerable consumer in accordance with the provisions of Royal Decree 897/2017 of 6 October 2017. However, under Royal Decree Law 15/2018 of 5 October 2018, as described below, if these consumers had applied for the Social Bonus between 8 October 2018 and 31 December 2018, they would have been able to benefit from it from 8 October 2018.

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

On 28 January 2020, the Ministry for the Ecological Transition and the Demographic Challenge began the process of hearings on the proposal for an Order establishing the distribution of financing of the Social Bonus for 2020, the percentage proposed for ENDESA, S.A. being 35.57%.

Order TEC/1260/2019 of 26 December 2019, establishing the technical and economic parameters to be used in calculating remuneration for electricity production in the Non-mainland Territories (TNP) with additional remuneration regimes during the 2020-2025 regulatory period and revising other technical matters.

This Order revises the various technical and economic parameters for the remuneration of generation facilities in the Electricity Systems of the Non-mainland Territories (TNP) for the second regulatory period (2020-2025), applying the methodology set out in Royal Decree 738/2015 of 31 July 2015. The Order also envisages, in relation to fuel prices, that within three months the product and logistics prices will be revised by Ministerial Order, effective from 1 January 2020. In this regard, on 20 February 2020, the Ministry for the Ecological Transition and Demographic Challenge has begun processing a proposed Order revising the prices of products and logistics to be used in determining the price of fuel for production facilities in the Non-mainland Territories (TNP), with effect from 1 January 2020 (see Section 2.3.2. Operating Expenses in this Consolidated Management Report).

Order TEC/1380/2018 of 20 December 2018 establishing the bases for the granting of subsidies for renewable energy facilities.

On 25 December 2018, Order TEC/1380/2018 of 20 December 2018 was published in the Official State Gazette (BOE), establishing the regulatory bases for the granting of investment aid for electricity production facilities based on wind and photovoltaic technologies 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 in the Spanish acronym) passed a Resolution convening auctions of subsidies for investment in wind facilities in the Canary Islands, with an allocation of Euros 80 million and for maximum power of 217 MW. On 27 June 2019, the final resolution was published, and ENDESA, through ENEL Green Power España, S.L.U. (EGPE), was awarded wind power of 16.1 MW. The deadline for the installation and commissioning of the renewable energy facilities established in the Resolution is 30 June 2022.

Also, 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. On 28 November 2019, the final resolution was published, and ENDESA, through ENEL Green Power España, S.L.U. (EGPE), was awarded photovoltaic power of 72.4 MW. The deadline for the installation and commissioning of the renewable energy facilities established in the Resolution is 30 December 2022.

Royal Decree Law 1/2019 of 11 January 2019 on urgent measures to adjust the purview of the Spanish National Commission on Markets and Competition (“CNMC”) to the requirements of EU law in relation to Directives 2009/72/EC and 2009/73/EC of the European Parliament and of the Council, of 13 July 2009, on common rules for the internal markets in electricity and natural gas respectively.

On 12 January 2019, the Official State Gazette (BOE) published this Royal Decree Law, intended to adapt the competences of the Spanish National Commission on Markets and Competition (“CNMC”) to EU law, following requests made by the EU authorities.

According to this Royal Decree Law, the Spanish National Commission on Markets and Competition (“CNMC”) will be responsible for approving, via circulars, aspects such as the structure, methodology and specific values of access tariffs for natural gas and electricity transmission and distribution networks, and for liquefied natural gas (LNG) plants; the methodology and parameters for establishing remuneration for the transmission and distribution of gas and electricity, liquefied natural gas plants (LNG), the gas System operator and technical manager, and remuneration on transmission and distribution within the maximum limit established by the government.

The Ministry for the Ecological Transition and the Demographic Challenge will approve a series of energy policy guidelines that the Spanish National Commission on Markets and Competition (“CNMC”) will have to take into consideration, and which will cover aspects such as security of supply, the economic and financial sustainability of the System, independence of supply, air quality, efforts to combat climate change, demand management, selection of future technologies and the rational use of energy. The Ministry for the Ecological Transition and the Demographic Challenge will have one month in which to approve circulars of the Spanish National Commission on Markets and Competition (“CNMC”) that affect energy policy matters or concern tariffs, remuneration of regulated activities, access and connection conditions and the rules for operating the Electricity and Gas System. In the event of any discrepancy, a Cooperation Committee will work to reach an understanding.

The new functions of the Spanish National Commission on Markets and Competition (“CNMC”) will apply in any case from 1 January 2020. Any procedures begun prior to this Royal Decree Law coming into force, as well as any procedure which, regardless of when it was initiated, refers to years prior to 2019, will be dealt with in accordance with previous regulations.

The Royal Decree Law also amends certain aspects of Law 24/2013 of 26 December on the electricity sector. Regarding the rate of financial remuneration for transmission and distribution, which by virtue of the Royal Decree Law will be established by the Spanish National Commission on Markets and Competition (“CNMC”), the government will set in law a maximum limit on its value, linked to 10-year government bonds in the 24 months prior to the month of May of the year preceding the start of each new regulatory period, plus a spread to be established for each regulatory period. If at the start of the new period this limit has not been established, the maximum limit corresponding to the previous period will be extended, or failing this, the rate of remuneration from the previous period will be used.

As for generation operations covered by the additional remuneration regime in Non-mainland Territories (TNP), the rate of financial remuneration will be set by the government. This rate may be modified before the start of each regulatory period, linked to 10-year government bonds in the 24 months prior to the month of May in the year preceding the start of each new regulatory period, plus a spread to be established by law for each regulatory period. If at the start of a new regulatory period this rate of financial remuneration has not been established, that of the previous regulatory period will be deemed to be extended.

Finally, regarding facilities producing electricity from renewable energy sources, high efficiency cogeneration, and waste, under specific remuneration regimes, in the review corresponding to each regulatory period the value on which the reasonable rate of return is based over the remaining regulatory life of standard facilities may be amended, and will be established by law.

Public consultation on a draft Royal Decree on methodology for calculating the charges of the Electricity and Gas Systems.

Royal Decree Law 1/2019 of 11 January 2019, among other aspects, establishes that the Government must approve before 1 January 2020 the methodology for calculating the charges of the Electricity and Gas Systems. Therefore, in May 2019 the Ministry for the Ecological Transition and the Demographic Challenge opened a public consultation prior to drawing up the Royal Decree establishing the calculation methodology to be used for Electricity and Gas System charges and their structure, in order to gather the opinions of all agents and parties involved.

This methodology must establish which variables to use to distribute the costs that have to be covered by the charges, so that the distribution is not discriminatory and conforms to the energy policies promoted by the Government, that is, that boost efficiency, the electrification of the economy and the fair energy transition.

Circulars of the CNMC (Spanish National Commission on Markets and Competition)

In accordance with Royal Decree Law 1/2019 of 11 January 2019 it will fall to the Spanish National Commission on Markets and Competition (“CNMC”) to assume a series of competences, including the approval and setting, by means of Circulars, of certain regulatory aspects.

In this context, the CNMC has carried out a public consultation process on various Circulars, the most significant ones being the following, some of which have already been approved:

- Circular 2/2019 of 12 November 2019 on the rate of financial remuneration for electricity and gas: Circular on the rate of financial remuneration for the second regulatory period (2020-2025), for which the CNMC establishes a value of 5.58% (6.003% for 2020) for the transmission and distribution of electricity.
- Circular 3/2019 of 20 November 2019 on the operation of the wholesale electricity market and the operation of the System: Circular concerning the methodologies regulating the operation of the wholesale electricity production market and the management of the operation of the System, the purpose of which is to establish the regulations relating to the energy markets at the various time horizons (futures, daily, intraday, balance and congestion resolution markets of the Electricity System) and establish the methodologies relating to the technical aspects of the operation of the System, all this with a view to ensuring the progressive harmonisation and coupling at European level of the electricity markets.
- Circular 6/2019 of 5 December 2019 on the methodology of remuneration for electricity distribution: Circular on the remuneration methodology for the electricity distribution activity, the purpose being to establish the parameters, criteria and methodology of remuneration of this activity in the following regulatory period. The draft circular contains a new remuneration formula that regroups certain items included in Royal Decree 1048/2013 of 27 December 2013 and creates some new ones. Also, certain aspects of the incentives of losses, quality and fraud are modified.
- Circular 3/2020 of 15 January 2020 on the methodology for calculating access tariffs for electricity transmission and distribution networks.
- Circular Proposal on the methodology and access and connection conditions to transmission and distribution grids of electricity production facilities, with purpose 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 checks on the degree of progress of the projects to ensure that they are properly completed.

Communication from the CNMC on the level of indebtedness and economic and financial capacity of companies that carry on regulated activities.

On 23 October 2019, the CNMC approved Communication 1/2019, which defines a set of financial ratios for assessing the level of indebtedness and the economic and financial capacity of 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.

The scope of application covers the transport and distribution activities of the electricity and gas sectors. Additionally, for purposes of assessing acquisitions or other equity investments it could also be applied to companies carrying on activities in Non-mainland Territories (TNP) in the Electricity Sector, and to companies that carry on activities in the oil and gas sector.

Royal Decree Law 17/2019 of 22 November 2019 adopting urgent measures for the necessary adaptation of remuneration parameters affecting the electricity system and responding to the process of closures of thermal power plants.

On 23 November 2019, Royal Decree Law 17/2019 of 22 November 2019 was published in the Official State Gazette (BOE), adopting urgent measures for the necessary adaptation of remuneration parameters affecting the electricity system (financial remuneration rate) and responding to the rapid process of cessation of activity of thermal power plants, in order to boost the industrial reactivation of the areas affected. The most significant aspects are:

- Reasonable profitability of facilities for producing electricity from renewable sources, cogeneration and waste is set at 7.09%, but facilities subject to the special remuneration regime at the time that Royal Decree Law 9/2013 of 12 July 2013 came into force may maintain the current rate of 7.398% until 2031 providing they waive their right to continue or initiate arbitration or judicial proceedings.
- The financial remuneration rate for the production activity in the Non-mainland Territories (TNP) is set for the period 2020-2025 at 5.58% (6.003% for 2020).
- As regards the process of closures of coal-fired or nuclear power plants, in granting access and connection permits account may be taken of environmental and social criteria in addition to the current technical and economic requirements. Similarly, the granting of water concessions may involve the assessment of economic, social and environmental criteria, which do not figure in the current regulations.

Royal Decree on Self-consumption.

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

Royal Decree 244/2019 of 5 April 2019 covers the following aspects, among others:

- Together with individual self-consumption connected to an internal network, it also covers group self-consumption, whereby several consumers can connect to the same generation plant (for example, in associations of owners or among companies or industries in the same location).
- It also defines the concept of “production facility close to consumption facilities and associated with them”, which allows self-consumption to be carried out not only with generation facilities located in the same house (the current situation), but also with those located nearby.
- A simplified surplus compensation mechanism is introduced (energy generated by self-consumption installations that are not instantly consumed by the user) for installations with capacity not exceeding 100 kW and provided that they produce electricity from renewable sources. In this case, it will not be necessary, in order to obtain compensation, to become an energy producer, since the electricity supplier will compensate the user for the surplus energy in each monthly invoice, for up to 100% of the energy consumed in the month.

- In the case of group and proximity self-consumption, the distribution of energy among the associated consumers in proportion to the contracted power is contemplated, the Royal Decree containing the possibility of developing dynamic distribution coefficient methods, so that a consumer can take advantage of the surpluses of other associated consumers if the latter are not consuming their proportional shares.
- Administrative procedures are simplified for all users, especially for small self-consumers (installations up to 15 kW or up to 100 kW in the case of self-consumption without surpluses). Metering configurations are also simplified so that, in most cases, a single meter is sufficient at the border point with the distribution network.
- 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.

Strategic Energy and Climate Framework

The European Union has made a clear commitment to fight against global warming, setting a target to reduce greenhouse gas emissions by, at least, 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 and the Demographic Challenge opened a public consultation on the Strategic Energy and Climate Framework, basically containing 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 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 by 2050, reach the climate neutrality 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 of the National Integrated Energy and Climate Plan (PNIEC) for 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. Likewise, this draft of the National Integrated Energy and Climate Plan (PNIEC) sets the milestones and steps for how the transition to a modernisation of the economy as a whole will be carried out and includes, among other things, the reduction of greenhouse gas (GHG) emissions by 23% relative to 1990, renewable deployment up to 42% of the country's final energy use (74% being for electricity generation) and improving the country's energy efficiency by 39.5%. In addition, the efforts that all sectors have to make towards 2030 (energy, industrial, transport, agricultural, residential, waste, as well as the contributions of natural sinks) are covered. The National Integrated Energy and Climate Plan (PNIEC) 2021-2030 must also be approved by the European Commission, through a structured dialogue process that will culminate with the final approval of the Plan during 2020.
- Fair Transition Strategy: The objective is to optimise the employment opportunities of territories whose population is affected by the transition to a low carbon economy.

National Strategy to combat Energy Poverty

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

In this instrument the concepts of energy poverty and vulnerable consumer are defined, a diagnosis of the situation of energy poverty is made, including the implications for health, personal, social and equality development, action paths are determined and objectives for reduction are set.

The National Strategy to Combat Energy Poverty is based on the need to maintain and improve the benefit systems (electricity and thermal Social Bonus) as transitional instruments that will gradually give way to structural measures that seek to address the root causes and long-term implications of the problem.

In order to analyse and carry out an appropriate monitoring of the various types of energy poverty, the official primary indicators adopted are those contemplated by the European Observatory against energy poverty (energy expenditure as a percentage of income, hidden energy poverty, inability to keep the home at an appropriate temperature and late payment of 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 time frame of the National Strategy to Combat Energy Poverty will be 5 years (2019-2024), and for its execution the development of operational plans is envisaged. Its management and monitoring will correspond to the Institute for Diversification and Energy Saving (IDAE).

The National Strategy against Energy Poverty establishes four lines comprising 19 concrete measures:

- To improve knowledge of energy poverty, through a detailed study of the energy expenditure of consumers according to the climatic zone in which they live, paying attention, among others, to the presence of minors in the home. The indicators will be updated by the government on an annual basis.
- To improve the response to the current situation of energy poverty. 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. Exceptional responses are also dealt with, such as the prohibition of supply cuts for extreme weather situations.
- To facilitate a structural change by means of actions in the short, medium and long term, for the energy rehabilitation of homes and replacement of old appliances and equipment with efficient appliances.
- Consumer protection and social awareness measures. Among other actions, an action protocol will be developed to detect situations of vulnerability by primary care professionals, and the management of information on public benefits will be standardised, seeking to have this information incorporated into the existing universal social card. In the field of citizen awareness, communication actions will be developed on the use of smart meters, on consumption habits, energy savings and efficiency improvement and a permanent communication channel will be established with the subjects and groups concerned.

Declaration of Climate Emergency

On 21 January 2020 the Council of Ministers approved a Declaration on the Climate and Environmental Emergency in Spain, committing itself to adopt 30 priority lines of action to combat climate change with transversal policies. This Declaration is made in response to the general consensus of the scientific community which demands urgent action to safeguard the environment, health and safety of citizens.

In the Declaration, the Executive undertakes to execute five of the aforementioned 30 measures in the first 100 days of Government:

- Send to Parliament the Draft Climate Change Law to ensure that zero net emissions will be reached no later than 2050, promoting a 100% renewable Electricity System, a stock of passenger and commercial vehicles with zero emissions, a CO₂-neutral agricultural system, and a fiscal, budgetary and financial system compatible with the necessary decarbonisation of the economy and of society.
- The definition of the long-term decarbonisation path to ensure climate neutrality in 2050.

- Invest in a safer country and one less vulnerable to the impacts and risks of climate change. Along these lines, the second National Plan for Adaptation to Climate Change will be presented, including the National Climate Observation System and the development of a range of impact indicators.
- Strengthen existing participation mechanisms with a Citizens' Assembly on Climate Change, which will have the same number of women as men, including young people.
- Promote the transformation of the industrial model and the service sector through Fair Transition Agreements and support measures.

4. Liquidity and capital resources

4.1. Financial Management

Within the framework of an efficient cost management and optimisation policy, the finance function in Spain is centralised in ENDESA, S.A.

At the date of approval in this Consolidated Management Report, the Company had the necessary liquidity and access to medium/long-term financial resources to ensure the availability of the funds required to meet its future investment obligations and debt maturities.

ENDESA, S.A. maintains similar criteria of prudence to those applied until now in its level of debt and in its debt structure by obtaining long-term financing that allows it to adapt the debt maturity schedules to its cash generation capacity in accordance with the planned business plan. To this end:

- Uses external financing, especially through the banking and capital markets.
- Obtains funds from public authorities that offer attractive terms for very long-term loans.
- Has short-term financing in place that helps optimise the management of its working capital requirements and improve the overall cost of debt. This financing is obtained through bank credit lines with leading financial institutions or through the issue of Euro Commercial Paper (ECP).

ENDESA, S.A. also carries out transactions with ENEL Group companies in which the applicable transfer pricing regulations are followed.

Financial position

The year 2019 began with uncertainty about the growth of the economy, the latent threat of new trade disputes, doubts about the final terms of the Brexit process and, in the case of Spain, uncertainty about the electoral process following the vote of no confidence of 2018.

At the meeting of the European Central Bank (ECB) in March, following the drastic deterioration in growth prospects, Mario Draghi adjusted the Bank's policy by delaying expectations of rate hikes and anticipating the launch of new injections of liquidity for the month of September.

Following the poor economic data, investors took refuge in euro zone public debt, and the 10-year German bond started to yield negative returns in March, as had happened in 2016, reaching an all-time low of -0.72% at the end of August. In the case of the 30-year German bond, there was an unprecedented case of trading with negative returns from August to October 2019.

In September, the European Central Bank (ECB) kept its main interest rates at 0% but cut the deposit facility rate (rate charged to banks for their deposits) by 10 basis points to -0.50% . It also launched a new asset purchase or quantitative easing programme (QE2). After eight years in office, at the end of October Mario Draghi ceded the presidency of the European Central Bank (ECB) to Christine Lagarde, formerly Director of the International Monetary Fund (IMF).

In the case of the US dollar (USD), the Federal Reserve also changed its strategy and cut interest rates, which had not happened since 2008, reducing the reference interest rate on three consecutive occasions by 25 basis points to place it in a range between 1.50% and 1.75%.

During 2019, the yield on the 10-year Spanish bond fell from 1.42% at the beginning of the year to 0.46% at year-end, reaching an all-time low in August by trading at 0.03%. As a result, Spain's country risk premium (differential with the German 10-year bond) improved by 53 basis points (bps) to reach 65 bps at the end of 2019. In Italy, the risk premium stood at 160 bps at the end of 2019, 90 bps less than the previous year, while Portugal's risk premium decreased by 86 bps to 62 bps at the end of the year.

During 2019 the long-term euro interest rate (10-year swap) decreased by 60 bps to 0.21% at the end of the year, having traded in August at historical lows of -0.33%. The short-term interest rate (3-month Euribor) also declined, ending the year at -0.38%. The long-term interest rate on the US dollar (USD) (10-year swap) fell in 2019 from 2.71% to 1.90%, while the 3-month interest rate on the US dollar (USD) fell by 90 bps to end the year at 1.91%.

As for exchange rates, in 2019 the euro depreciated by 2.0% against the US dollar (USD), the euro/US dollar (EUR/USD) exchange rate going from 1.15 at the beginning of the year to 1.12 at year-end.

The following table presents the evolution during 2019 of the indicators listed in the foregoing paragraphs:

	31 December 2019	31 December 2018	Difference,	% Var.
Exchange Rate (EUR/USD)	1.1231	1.1456	(0.0225)	(2.0)
Long-Term Euro Interest Rate (10-year Swap) (%) ⁽¹⁾	0.21	0.81	(0.60)	(74.1)
Short-Term Euro Interest Rate (3-month Euribor) (%)	(0.38)	(0.31)	(0.07)	22.6
Long-Term US Dollar (USD) Interest Rate (10-year Swap) (%)	1.90	2.71	(0.81)	(29.9)
Short-term US Dollar (USD) Interest Rate (3-month Libor) (%)	1.91	2.81	(0.90)	(32.0)
German 10-Year Bond (%) ⁽²⁾	(0.19)	0.24	(0.43)	(179.2)
German 30-Year Bond (%) ⁽³⁾	0.35	0.87	(0.52)	(60.3)
Spanish 10-Year Bond (%) ⁽⁴⁾	0.46	1.42	(0.96)	(67.6)
Spain's Country Risk Premium (bps) ⁽⁵⁾	65	118	(53)	(44.9)
Italy's Country Risk Premium (bps) ⁽⁵⁾	160	250	(90)	(36.0)
Portugal's Country Risk Premium (bps) ⁽⁵⁾	62	148	(86)	(58.1)
European Central Bank (ECB) Reference Rates (%)	0.00	0.00	-	-
European Central Bank (ECB) Deposit Facility (%) ⁽⁶⁾	(0.50)	(0.40)	(0.10)	25.0
Federal Reserve Reference Rates (%)	1.50 - 1.75	2.25 - 2.50	(0.75)	(33.3) - (30.0)

(1) All-Time Low in August 2019: -0.33%

(2) All-Time Low in August 2019: -0.72% It offered negative returns in March 2019, as had happened in 2016.

(3) Quoted negative yields from August to October 2019.

(4) All-Time Low in August 2019: 0.03%

(5) Differential with the German 10-year bond.

(6) Rate that the European Central Bank (ECB) charges banks for their deposits.

Financial debt

At 31 December 2019, ENDESA had net financial debt of Euros 6,377 million, an increase of Euros 607 million (+10.5%) compared with 31 December 2018.

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

Millions of Euros

	Reference ⁽¹⁾	Reconciliation of Financial Debt			
		At 31 December 2019	At 31 December 2018	Difference	% Var.
Non-current Financial Debt	17.1	5,652	4,975	677	13.6
Non-Current Financial Debt in Application of IFRS 16 Leases ⁽²⁾		235	-	235	N/A
Other non-current financial debt		5,417	4,975	442	8.9
Current Financial Debt	17.1	955	1,046	(91)	(8.7)
Current Financial Debt in Application of IFRS 16 Leases ⁽²⁾		39	-	39	N/A
Other current financial debt		916	1,046	(130)	(12.4)
Gross Financial Debt ⁽³⁾		6,607	6,021	586	9.7
Gross Financial Debt in Application of IFRS 16 Leases ⁽²⁾		274	-	274	N/A
Other Gross Financial Debt		6,333	6,021	312	5.2
Cash and Cash Equivalents	13	(223)	(244)	21	(8.6)
Financial Derivatives recognised as financial assets	18.6.1	(7)	(7)	-	-
Net Financial Debt		6,377	5,770	607	10.5
Net Financial Debt in Application of IFRS 16 Leases ⁽²⁾		274	-	274	N/A
Other Net Financial Debt		6,103	5,770	333	5.8

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

(2) See Section 2.2. Changes in Accounting Principles of this Consolidated Management Report.

(3) At 31 December 2019, this includes Euros 7 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 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 4.4. Cash Flows and 5. Dividend Policy in this Consolidated Management Report).
- At 31 December 2019, as a result of the entry into force of IFRS 16 Leases, net financial debt includes an amount of Euros 274 million of future lease payables (see Section 2.2. Changes in Accounting Principles in this Consolidated Management Report).

The structure of ENDESA's gross financial debt at 31 December 2019 and 2018, is shown hereunder:

Millions of Euros

	Structure of Gross Financial Debt					
	31 December 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	6,333	165	6,498	6,021	477	7.9
U.S. Dollar (USD)	-	109	109	-	109	N/A
TOTAL	6,333	274	6,607	6,021	586	9.7
Fixed rate	4,365	274	4,639	3,550	1,089	30.7
Floating rate	1,968	-	1,968	2,471	(503)	(20.4)
TOTAL	6,333	274	6,607	6,021	586	9.7
Average Life (years) ⁽¹⁾	5.2	5.2	5.2	5.3	-	-
Average Cost (%) ⁽²⁾	1.8	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 31 December 2019, 70% of gross financial debt was at fixed interest rates, while 30% was at floating rates. At this date, 98% of the gross financial debt was denominated in euros.

Information concerning the maturities of gross financial debt is set out in Note 17 to the Consolidated Financial Statements for the year ended 31 December 2019.

Main financial transactions

In 2019 extensions of credit lines were signed with various financial institutions to mature in March 2022, and the limits of some of these were increased, giving a total amount of Euros 2,125 million.

During 2019 the Euro Commercial Paper (ECP) issue programme through International ENDESA B.V. came to an end and a new ECP issue programme was launched through ENDESA, S.A., the outstanding balance of which at 31 December 2019 was Euros 796 million and renewal of which is backed by irrevocable bank credit lines.

In the context of the financial transaction signed in the form of a green loan from the European Investment Bank (EIB) in 2018, on 19 March 2019 Euros 335 million was drawn down. This drawdown bears a floating interest rate, with a 15-year maturity payable from March 2023 (see Section 4.4. Cash Flows in this Consolidated Management Report).

ENDESA, S.A. signed a green loan amounting to Euros 300 million with the Instituto de Crédito Oficial (ICO), Spain's official credit agency, drawing it down on 20 May 2019. This drawdown is at a variable rate of interest and matures in 12 years, with repayments starting in May 2022 (see Section 4.4. Cash Flows in this Consolidated Management Report).

On 30 June 2019, ENDESA, S.A. signed the extension of the inter-company credit line with ENEL Finance International, N.V., for Euros 1,000 million, extending its maturity to 30 June 2022 (see Notes 17.2.1, 19.4 and 34.1.2 to the Consolidated Financial Statements for the year ended 31 December 2019).

With the entry into force from 1 January 2019 of IFRS 16 Leases, 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 2.2. Changes in Accounting Principles in this Consolidated Management Report):

- Lease contracts corresponding to the rights of use of land on which some of the generation facilities of ENEL Green Power España, S.L.U. (EGPE) are situated. These are long-term contracts, with automatic renewal clauses and with maturities between 2022 and 2065. The consideration for these contracts is fixed by a combination of amounts based on installed capacity (MW) and production (GWh).
- Charter contracts for the transport of liquefied natural gas (LNG).
- Certain properties in which various offices are located.
- Technical equipment for which contracts are concluded to cover occasional availability services based on operational needs.

At 31 December 2019, the amount of this financial liability was Euros 274 million (Euros 186 million at 1 January 2019) (see Section 2.2. Changes in Accounting Principles in this Consolidated Management Report).

Liquidity

At 31 December 2019, ENDESA had liquidity of Euros 3,300 million (Euros 3,040 million at 31 December 2018) as detailed below:

Millions of Euros					
	Reference ⁽¹⁾	Liquidity			
		31 December 2019	31 December 2018	Difference	% Var.
Cash and Cash Equivalents	13	223	244	(21)	(8.6)
Unconditional availability in credit lines ⁽²⁾	19.4	3,077	2,796	281	10.1
TOTAL	17.2.1	3,300	3,040	260	8.6
Debt Maturity Coverage (number of months) ⁽³⁾		26	26	-	-

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

(2) At 31 December 2019 and 2018, Euros 1,000 million correspond to the available committed and irrevocable credit line arranged with ENEL Finance International, N.V. (see Notes 17.2.1, 19.4 and 34.1.2 to the consolidated financial statements for the year ended 31 December 2019).

(3) Coverage of debt maturities (number of months) = Maturity period (number of months) for vegetative 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 change in value, maturing within three months of their contract date and accruing interest at the market rates for such instruments.

Any restrictions that might affect the availability of funds to ENDESA, S.A. are set out in Notes 13 and 14.1.12 to the Consolidated Financial Statements for the year ended 31 December 2019.

4.2. Capital management

ENDESA's capital management focuses on maintaining a solid financial structure that optimises the cost of capital and the availability of financial resources to guarantee business continuity over the long term. This policy of financial prudence makes it possible to maintain an adequate level of value creation for shareholders while guaranteeing ENDESA S.A.'s liquidity and solvency.

The level of consolidated leverage is defined as an indicator for monitoring the financial situation, data at 31 December 2019 and 2018 being as follows:

Millions of Euros

	Reference ⁽¹⁾	Leverage				% Var.
		31 December 2019			31 December 2018	
		Without the effect of application of IFRS 16 Leases	Effect of application of IFRS 16 Leases	Total		
Net Financial Debt:		6,103	274	6,377	5,770	10.5
Non-current Financial Debt	17.1	5,417	235	5,652	4,975	13.6
Current Financial Debt	17.1	916	39	955	1,046	(8.7)
Cash and Cash Equivalents	13	(223)	-	(223)	(244)	(8.6)
Financial Derivatives recognised as financial assets	18.3	(7)	-	(7)	(7)	-
Equity:	14	7,837	-	7,837	9,181	(14.6)
of the Parent	14.1	7,688	-	7,688	9,037	(14.9)
of non-controlling interests	14.2	149	-	149	144	3.5
Leverage (%) ⁽²⁾		77.87	N/A	81.37	62.85	N/A

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

(2) Leverage (%) = Net financial debt / Equity.

The Company's Directors consider that its leverage will enable it to optimise the cost of capital while maintaining a high solvency ratio. Therefore, in due consideration of expectations of earnings and the investment plan, the future dividend policy will maintain a leverage ratio to achieve the aforementioned capital management target.

At the date on which this Consolidated Management Report was drawn up, ENDESA, S.A. had no commitments to obtain funds through its own sources of finance.

Information on capital management is provided in Note 14.1.1 to the Consolidated Financial Statements for the year ended 31 December 2019.

Information on the shareholder remuneration is provided in Sections 5. Dividend Policy in this Consolidated Management Report.

4.3. Management of Credit Rating

During 2019, the only change in the sovereign rating of the Kingdom of Spain was that decided on by Standard & Poor's on 20 September 2019. On that date Standard & Poor's raised the rating from A- with positive outlook to A with stable outlook. For their part, Fitch and Moody's maintained their ratings unchanged at A- with stable outlook and Baa1 with stable outlook respectively.

With regard to ENDESA, during 2019 we would highlight improvements in the long-term credit ratings assigned by Fitch and Moody's, while Standard & Poor's maintained its rating unchanged from the BBB+ / stable level in which it placed it in 2017. Short-term ratings were maintained in all cases.

The first change was that of Fitch, on 11 February 2019, when it raised ENDESA's rating from BBB+ to A-, leaving the outlook unchanged at stable. Subsequently, on 16 July 2019, Moody's raised ENDESA's long-term credit rating outlook from stable to positive, leaving the rating at Baa2.

According to the Moody's report, ENDESA's credit strength is supported by its scale and the high proportion of regulated activities within its business, with the low level of indebtedness also standing out as a positive lever. For its part, Fitch highlighted in its report that ENDESA is well positioned to capture long-term growth opportunities in the Iberian Peninsula, both in renewables and in distribution, given its strong balance sheet.

The evolution of ENDESA's credit ratings can be summarised as follows:

	Credit Rating					
	31 December 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	A-	F2	Stable	A-	F2	Stable

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

ENDESA's credit rating is conditioned by that of its parent company ENEL in accordance with the methods used by the rating agencies, and at 31 December 2019 it was classed as investment grade by all the rating agencies.

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

4.4. Cash Flows

At 31 December 2019 and 31 December 2018, the amount of cash and cash equivalents breaks down as follows (see Section 4.1. Financial Management in this Consolidated Management Report):

Millions of Euros		Cash and Cash Equivalents			
	Reference ⁽¹⁾	31 December 2019	31 December 2018	Difference	% Var.
Cash in Hand and at Banks		223	244	(21)	(8.6)
Other Cash Equivalents		-	-	-	-
TOTAL	13	223	244	(21)	(8.6)

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

In 2019 and 2018, ENDESA's net cash flows, broken down into operating, investing and financing activities, were as follows:

Millions of Euros		Statement of Cash Flows			
		2019	2018	Difference	% Var.
Net cash flows from operating activities		3,181	2,420	761	31.4
Net cash flows from investing activities		(1,951)	(1,627)	(324)	19.9
Net cash flows from financing activities		(1,251)	(948)	(303)	32.0

In 2019, net cash flows from operating activities (Euros 3,181 million) and the Euros 21 million reduction in cash and cash equivalents allowed ENDESA to cover the net investment needed to conduct its Business (Euros 1,951 million) as well as the net cash flows used in financing activities (Euros 1,251 million).

Information on ENDESA's Consolidated Statement of Cash Flows is set out in Note 32 to the Consolidated Financial Statements for the year ended 31 December 2019.

Net cash flows from operating activities

In 2019, net cash flows from operating activities amounted to Euros 3,181 million, up by 31.4% compared with the previous year (Euros 2,420 million in 2018), the breakdown being as follows:

Millions of Euros

	Reference ⁽¹⁾	2019	2018	Difference	% Var.
Profit before tax and non-controlling interests		230	1,818	(1,588)	(87.3)
Adjustments for:		3,981	1,910	2,071	108.4
Depreciation and amortisation, and impairment losses	28	3,453	1,708	1,745	102.2
Other adjustments to the Result (net)		528	202	326	161.4
Changes in working capital:		(230)	(653)	423	(64.8)
Trade and other receivables		(157)	298	(455)	(152.7)
Inventories		(296)	(361)	65	(18.0)
Current Financial Assets		(85)	(285)	200	(70.2)
Trade Payables and Other Current Liabilities		308	(305)	613	(201.0)
Other cash flows from/(used in) operating activities:		(800)	(655)	(145)	22.1
Interest received		27	29	(2)	(6.9)
Dividends received		26	30	(4)	(13.3)
Interest paid		(136) ⁽²⁾	(142)	6	(4.2)
Income tax paid		(440)	(326)	(114)	35.0
Other proceeds from/(payments for) operating activities ⁽³⁾		(277)	(246)	(31)	12.6
NET CASH FLOWS FROM OPERATING ACTIVITIES	32.1	3,181	2,420	761	31.4

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

(2) Includes interest payments on financial debts for rights of use (IFRS 16 Leases) for an amount of Euros 2 million.

(3) Correspondent to provision payments.

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

- Higher profit before tax and non-controlling interests net of depreciation and amortisation and other adjustments for the year (Euros 483 million).
- Changes in working capital between the two years amounting to Euros 423 million, mainly as a result of the reduction in payments to trade creditors (Euros 613 million), lower payments for inventories (Euros 65 million), a decline in collections from trade and other debtors (Euros 455 million) and higher receipts of compensations for extra-costs of generation in Non-mainland Territories (TNP) (Euros 413 million) (see Notes 4, 12, 18.1.1 and 22 to the Consolidated Financial Statements for the year ended 31 December 2019 and Section 3. Regulatory Framework in this Consolidated Management Report).
- The variation in the payment of Corporate Income Tax in the two periods amounting to Euros 114 million.

In 2019, the company also continued its active policy of managing current assets and liabilities, focusing among other aspects on improving processes, factoring accounts receivable and reaching agreement to extend payment terms with suppliers (see Notes 12 and 22 to the Consolidated Financial Statements corresponding to the year ending 31 December 2019).

At 31 December 2019 and 2018, working capital broke down as follows:

Millions of Euros

	Reference ⁽¹⁾	Working Capital	
		31 December 2019	31 December 2018
Current Assets ⁽²⁾		5,877	5,410
Inventories	11	1,177	1,473
Trade and other receivables	12	3,485	2,955
Current Financial Assets	18	1,215	982
Compensation for Extra Costs of Generation in Non-mainland Territories (TNP)		561	609
Collection Rights for the Financing of the Deficit of Regulated Activities		389	236
Remuneration of Distribution Activity		178	83
Other		87	54
Current Liabilities ⁽³⁾		7,510	6,648
Current provisions	23	576	571
Trade Payables and Other Current Liabilities	22	6,934	6,077
Parent Company Dividend ⁽⁴⁾	14.1.9 and 14.1.11	741	741
Other		6,193	5,336

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

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

(3) Excluding Current Financial Debt and financial derivative liabilities corresponding to financial debt.

(4) See Section 5. Dividend Policy in this Consolidated Management Report.

Net cash flows used in investing activities

During 2019, net cash flows used in investing activities amounted to Euros 1,951 million (Euros 1,627 million in 2018) and included, *inter alia*:

- Net cash payments for the acquisition of property, plant and equipment and intangible assets:

Millions of Euros

	Reference ⁽¹⁾	Sections	2019	2018
Acquisitions of property, plant and equipment and intangible assets			(1,821)	(1,425)
Acquisitions of property, plant and equipment	6.2	4.5	(1,791) ⁽²⁾	(1,203)
Acquisitions of intangible assets	8.1	4.5	(234)	(231)
Facilities transferred from customers			45	74
Suppliers of property, plant and equipment			159	(65)
Disposals of property, plant and equipment and intangible assets			94 ⁽³⁾	8
Grants and other deferred income			137 ⁽⁴⁾	86
TOTAL			(1,590)	(1,331)

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

(2) Does not include Euros 134 million corresponding to additions for rights of use due to the application of IFRS 16 Leases.

(3) Includes Euros 70 million euro relating to the operation of transferring the rights of use related to the surplus optical fibre (see Section 2.3.5. Net Gain/(Loss) on Disposal of Assets of this Consolidated Management Report).

(4) Includes Euros 50 million relating to the advance collection for the obligations to transfer the rights of use related to the surplus optical fibre (see Section 2.3.5. Net Gain/(Loss) on Disposal of Assets of this Consolidated Management Report).

- Net cash payments applied to investments and/or divestments of Group Companies:

Millions of Euros

	Reference ⁽¹⁾	Sections	2019	2018
Equity investments in Group Companies			(37)	(136)
Companies acquired by ENEL Green Power España, S.L.U. (EGPE)	2.3.1, 5.1 and 8	2.5	(37)	(5)
Parques Eólicos Gestinver, S.L.U.	2.3.1 and 5.2		-	(45)
Eólica del Principado, S.A.U.	2.3.1 and 5.3		-	(1)
Empresa de Alumbrado Eléctrico de Ceuta, S.A.	2.3.1 and 5.4		-	(83)
Front Marítim del Besòs, S.L.			-	(1)
Eléctrica del Ebro, S.A.U.			-	(1)
Disposals of equity interests in Group Companies			-	20
Nueva Marina Real Estate, S.L. ⁽²⁾			-	20
TOTAL			(37)	(116)

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

(2) Sale transaction formalised in 2017.

Net cash flows used in financing activities

During 2019, net cash flows used in financing activities amounted to Euros 1,251 million (Euros 948 million in 2018) and mainly included the following items:

– Cash flows in respect of equity instruments:

Millions of Euros	Reference ⁽¹⁾	2019	2018
Funds contribution Bosa del Ebro, S.L.	14.2	10	3
Funds contribution Tauste Energía Distribuida, S.L.	14.2	-	3
Capital reduction, Eólica Valle del Ebro, S.A.	14.2	-	(1)
TOTAL		10	5

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

– Drawdowns of non-current financial debt:

Millions of Euros	Reference ⁽¹⁾	Sections	2019	2018
Drawdowns of the European Investment Bank (EIB) Green Loan	17.2.2	4.1	335	500
Drawdowns of the Official Credit Institute ("ICO") Green Loan	17.2.2	4.1	300	-
Drawdowns of credit lines			-	206
Other			35	15
TOTAL	17.1		670	721

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

– Reimbursements of non-current financial debt:

Millions of Euros	Reference ⁽¹⁾	2019	2018
Reimbursement of Credit Lines		(172)	(12)
Repayments of European Investment Bank (EIB) Green Loan		(6)	-
Repayments of bank loan of Productor Regional de Energía Renovable, S.A.U.		-	(44)
Other		(19)	-
TOTAL	17.1	(197)	(56)

(2) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

– Repayments and drawdowns of current financial debt:

Millions of Euros	Reference ⁽¹⁾	Sections	2019	2018
Proceeds				
Euro Commercial Paper (ECP) issues	17.2.2	4.1	10,848	7,422
Drawdowns of ENEL Finance International B.V. credit lines			-	6,600
Other			77	49
Repayments				
Euro Commercial Paper (ECP) Repayments	17.2.2	4.1	(10,956)	(7,406)
Reimbursements of ENEL Finance International B.V. credit lines			-	(6,600)
Payments under Rights-of-Use Contracts in Application of IFRS 16 Leases	2.1a	2.2	(35)	-
Repayments of Parque Eólico Gestinver, S.L.U. bank loan			-	(116)
Other			(148)	(95)
TOTAL	17.1		(214)	(146)

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

– Payment of dividends:

Millions of Euros	Reference ⁽¹⁾	Sections	2019	2018
Payment of Dividends, Parent Company	14.1.9 and 14.1.11	4.4	(1,511)	(1,463)
Payment of Dividends, non-controlling interests ⁽¹⁾	14.2		(9)	(9)
TOTAL			(1,520)	(1,472)

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

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

4.5. Investments

In 2019 ENDESA's gross investments totalled Euros 2,202 million (Euros 1,470 million in 2018), as follows:

Millions of Euros

	Reference ⁽¹⁾	Investments ⁽²⁾		
		2019	2018	% Var.
Generation and Supply		1,290 ⁽³⁾	585	120.5
Non-mainland Territories generation (TNP)		80	66	21.2
Other generation and supply		1,210	519	133.1
Distribution		609	609	-
Structure and Others ⁽⁴⁾		26	9	188.9
TOTAL PROPERTY, PLANT AND EQUIPMENT ⁽⁵⁾	6.2	1,925	1,203	60.0
Generation and Supply		160	140	14.3
Non-mainland Territories generation (TNP)		5	1	400.0
Other generation and supply		155	139	11.5
Distribution		40	61	(34.4)
Structure and Others ⁽⁴⁾		34	30	13.3
TOTAL INTANGIBLE ASSETS ⁽⁵⁾	8.1	234	231	1.3
FINANCIAL INVESTMENTS		43	36	19.4
TOTAL GROSS INVESTMENTS		2,202	1,470	49.8
Capital grants and Transferred Facilities		(133)	(160)	(16.9)
Generation and Supply		(4)	-	N/A
Distribution		(129)	(160)	(19.4)
TOTAL NET INVESTMENTS ⁽⁶⁾		2,069	1,310	57.9

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

(2) Does not include company acquisitions carried out during the year (see Note 5 to the Consolidated Financial Statements for the year ended 31 December 2019 and Section 2.5. Scope of Consolidation in this Consolidated Management Report).

(3) Includes first-time right-of-use recognition amounting to Euros 138 million (see Note 6.1 to the Consolidated Financial Statements for the year ended 31 December 2019).

(4) Structure, Services and Adjustments.

(5) In 2019, it includes Euros 1,931 million relating to investments for low-carbon products, services and technologies (Euros 1,279 million in 2018).

(6) Net investments = Gross investments - Capital grants and Transferred facilities.

Investments in property, plant and equipment

Gross investments in generation in 2019 related mainly to investments for the construction of the wind and photovoltaic power capacity awarded in the auctions held in 2017 for an amount of Euros 610 million.

Gross investments in supply in 2019 corresponded mainly to the development of activity relating to new products and services amounting to Euros 26 million. They also included 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 investments in distribution relate to grid extensions and capital expenditure aimed at optimising its functioning, with a view to improving efficiency and quality of service.

Intangible assets

Gross investments in intangible assets in 2019 correspond mainly to IT applications and ongoing investments in ICT activities for Euros 151 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 75 million.

Financial investments

Gross investments in 2019 mainly concerned guarantees and deposits of Euros 18 million, and Euros 13 million in funds contributed to Nuclenor, S.A.

4.6. Contractual obligations and off-balance sheet transactions

At 31 December 2019 and 2018, information relating to future purchase commitments is as follows:

Millones de Euros

	Referencias ⁽¹⁾	Future purchase commitments	
		31 December 2019	31 December 2018
Property, plant and equipment	6.3	636	858
Intangible assets	8.2	27	29
Financial investments		-	-
Prestación de Servicios y Derechos de Uso	6.3 y 12	235	227
Purchases of energy stocks	11.2	19,578	17,246
Purchases of electricity		19,559	17,105
Purchases of CO ₂ emission rights, Certified Emission Reductions (CERs) and Emission		-	39
Purchases of energy stocks		19	102
TOTAL		20,476	18,360

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2019.

ENDESA has no special purpose entities, understood as entities which, without necessarily holding a controlling interest in them, it effectively controls, meaning that it substantially obtains most of the profits earned by the entity and retains most of the risks involved.

5. Dividend policy

The Board of Directors of ENDESA, S.A. operates an economic-financial strategy to generate a significant amount of cash to maintain Company debt levels and maximise shareholder remuneration. This is also a guarantee of sustainability for the business project undertaken.

As a result of this economic-financial strategy, unless any exceptional circumstances arise, which will be duly announced, at a meeting on 26 November 2019 the Board of Directors of ENDESA, S.A. approved the following shareholder remuneration policy for 2019-2022:

- 2019 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 as per the Consolidated Financial Statements of the Group headed by this company.
- For financial year 2021, the Board of Directors will ensure that the ordinary dividend per share that is agreed to be distributed for the year is equal to 80% of the net ordinary income attributable to the Parent Company as per the Group's consolidated financial statements.
- For financial year 2022, the Board of Directors will ensure that the ordinary dividend per share that is agreed to be distributed for the year is equal to 70% of the net ordinary income attributable to the Parent Company as per the Group's consolidated financial statements.

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 notified.

Notwithstanding the foregoing, ENDESA'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.

With regard to the year 2019, at its meeting held on 26 November 2019, the Board of Directors of ENDESA, S.A. resolved to distribute to its shareholders an interim dividend from 2019 profits in a gross amount of Euros 0.70 per share, for a total of Euros 741 million, which was paid on 2 January 2020 (See Section 4.4. Cash Flows in this Consolidated Management Report).

The proposed distribution of profit in 2019 to be presented for approval at the General Shareholders' Meeting by ENDESA's Board of Directors will be a total gross dividend of Euros 1.475 per share. Taking into account the interim dividend referred to in the preceding paragraph, the final dividend in respect of 2019 will be a gross amount of Euros 0.775 per share.

Details of ENDESA, S.A.'s per-share dividends in 2019 and 2018 are as follows:

		2019	2018	% Var.
Share Capital	Millions of Euros	1,270.50	1,270.50	-
Number of Shares		1,058,752,117	1,058,752,117	-
Consolidated Net Ordinary Income	Millions of Euros	1,562	1,511	3.4
Consolidated Net Income	Millions of Euros	171	1,417	(87.9)
Individual Net Income	Millions of Euros	1,642	1,511	8.7
Net Ordinary Earnings per Share ⁽¹⁾	Euros	1.475	1.427	3.4
Net Earnings per Share ⁽²⁾	Euros	0.162	1.338	(87.9)
Gross Dividend per Share	Euros	1.475 ⁽³⁾	1.427 ⁽⁴⁾	3.4
Consolidated Ordinary Pay-Out ⁽⁵⁾	%	100.0	100.0	-
Consolidated Pay-Out ⁽⁶⁾	%	913.3	106.6	-
Individual pay-out ⁽⁷⁾	%	95.1	100.0	-

(1) Net ordinary earnings per share (Euros) = Net ordinary income of the Parent/ No. of Shares at the end of the period.

(2) Net earnings per share (Euros) = Profit/(loss) of the Parent/ No. of shares at the end of the period.

(3) Gross interim dividend of Euros 0.7 per share paid on 2 January 2020, plus a complementary gross dividend of Euros 0.775 per share pending approval by the ENDESA, S.A. General Shareholders' Meeting.

(4) Gross interim dividend of Euros 0.7 per share, paid out on 02 January 2019 plus the gross final dividend of Euros 0.727 per share paid out on 2 July 2019.

(5) Consolidated ordinary pay-out (%) = (Gross dividend per share * Shares at the end of the reporting period) / Net ordinary income of the Parent.

(6) Consolidated pay-out (%) = (Gross dividend per share * Number of shares at the end of the reporting period) / Profit/(loss) of the Parent.

(7) Individual pay-out (%) = (Gross dividend per share * Number of shares at the end of the reporting period) / Profit/(loss) of ENDESA, S.A.

APPENDIX I

Alternative Performance Measures (APMs)

Alternative performance measures (APMs)	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs)		Relevance of Use
			31 December 2019	31 December 2018	
EBITDA	Millions of Euros	Income - Procurements and services + Self-constructed assets - Personnel expenses - Other fixed operating expenses	€3,841 M = €20,158 M - €14,252 M + €295 M - €1,022 M - €1,338 M	€3,627 M = €20,195 M - €14,567 M + €270 M - €947 M - €1,324 M	Measure of operating return excluding interest, taxes, provisions, depreciation and amortisation.
EBIT	Millions of Euros	EBITDA - Depreciation and amortisation, and impairment losses.	€388 M = €3,841 M - €3,453 M	€1,919 M = €3,627 M - €1,708 M	Measure of operating return excluding interest and taxes.
Net ordinary income	Millions of Euros	Net Income of the Parent Company - Net Gain or Loss on Disposal of Non-Financial Assets (greater than Euros 10 million) - Net Impairment Losses on Non-Financial Assets (greater than Euros 10 million)	€1,562 M = €171 M - €18 M + €1,409 M	€1,511 M = €1,417 M - €25 M + €119 M	Measurement of profit for the period isolating non-recurring effects of more than Euros 10 million.
Contribution margin	Millions of Euros	Income - Procurements and services	€5,906 M = €20,158 M - €14,252 M	€5,628 M = €20,195 M - €14,567 M	Measurement of operating return taking account direct variable production costs.
Procurements and services	Millions of Euros	Power purchases + Fuel consumption + Transmission expenses + Other variable procurements and services	€14,252 M = €4,904 M + €1,780 M + €5,302 M + €2,266 M	€14,567 M = €4,784 M + €2,269 M + €5,463 M + €2,051 M	Goods and services for production.
Net financial income/(expense)	Millions of Euros	Financial income - Financial expense +/- Net exchange differences	(€184 M) = €27 M - €212 M - €1 M	(€139 M) = €36 M - €173 M - €2 M	Measurement of financial costs
Net Finance Expense	Millions of Euros	Financial income - Financial expense	€185 M = €27 M - €212 M	(€137 M) = €36 M - €173 M	Measurement of financial costs
Net investments	Millions of Euros	Gross investments - Capital grants and transferred facilities	€2,069 M = €2,202 M - €133 M	€1,310 M = €1,470 M - €160 M	Measurement of investment activity
Net Financial Debt	Millions of Euros	Non-current borrowings + Current borrowings - Cash and cash equivalents - Financial derivatives recognised under financial assets	€6,377 M = €5,652 M + €955 M - €223 M - €7 M	€5,770 M = €4,975 M + €1,046 M - €244 M - €7 M	Short and long-term financial borrowings, less cash and financial investment cash equivalents
Leverage	%	Net financial debt / Equity	81.37% = €6,377 M / €7,837 M	62.85% = €5,770 M / €9,181 M	Measurement of the weight of external funds in the financing of business activities.
Debt Ratio	%	Net financial debt / (Equity + Net financial debt)	44.86% = €6,377 M / (€7,837 M + €6,377 M)	38.59% = €5,770 M / (€9,181 M + €5,770 M)	Measurement of the weight of external funds in the financing of business activities.
Average Life of Gross Financial Debt	No. of Years	(Principal * Number of days validity) / (Principal outstanding at the end of the period * Number of days in the period)	5.2 years = 34,031 / 6,581	5.3 years = 32,163 / 6,015	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% = €135 M / €7,431 M	1.9% = €126 M / €6,777 M	Measurement of the effective rate of financial debt.
Debt maturity coverage	No. of Months	Maturity period (months) for vegetative debt that could be covered with the liquidity available	26 months	26 months	Measurement of the capacity to meet debt maturities
Return on equity	%	Net Ordinary Income of the Parent / ((Equity of the Parent (n) + Equity of the Parent (n-1) / 2)	18.68% = €1,562 M / (€7,688 M + €9,037 M / 2)	16.67% = €1,511 M / (€9,037 M + €9,096 M / 2)	Measure of the capacity to generate profits on shareholder investments
Return on assets	%	Net Ordinary Income of the Parent / ((Total assets (n) + Total assets (n-1) / 2)	4.91% = €1,562 M / (€31,981 M + €31,656 M / 2)	4.82% = €1,511 M / (€31,656 M + €31,037 M / 2)	Measurement of business profitability
Economic profitability	%	EBIT / (PP&E (n) + PP&E (n-1) / 2)	1.80% = €388 M / (€21,329 M + €21,840 M / 2)	8.81% = €1,919 M / (€21,840 M + €21,727 M / 2)	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)	0.95% = €303.7 M / (€25,881 M + €26,001 M / 2) + (€6,100 M + €5,655 M / 2)	4.80% = €1,505.2 M / (€26,001 M + €25,507 M / 2) + (€5,655 M + €5,530 M / 2)	Measurement of return on invested capital
Liquidity Ratio	N/A	Current assets / Current liabilities.	0.72 = €6,100 M / €8,465 M	0.73 = €5,655 M / €7,694 M	Measurement of capacity to meet short-term commitments
Solvency Ratio	N/A	(Equity + Non-current liabilities) / Non-current assets	0.91 = (€7,837 M + €15,679 M) / €25,881 M	0.92 = (€9,181 M + €14,781 M) / €26,001 M	Measurement of capacity to meet obligations
Debt coverage ratio	N/A	Net financial debt / EBITDA	1.66 = €6,377 M / €3,841 M	1.59 = €5,770 M / €3,627 M	Measure of the amount of cash flow available to meet payments of principal on borrowings
Funds from Operations	Millions of Euros	Cash Flows from Operating Activities + Changes in Working Capital - Self-constructed assets	€3,116 M = €3,181 M + €230 M - €295 M	€2,803 M = €2,420 M + €653 M - €270 M	Measurement of cash generated by the company's business available to make investments, amortise debt and distribute dividends to shareholders.
Fixed Assets	Millions of Euros	Property, Plant and Equipment + Investment Properties + Intangible Assets + Goodwill	€23,227 M = €21,329 M + €61 M + €1,375 M + €462 M	€23,736 M = €21,840 M + €62 M + €1,355 M + €479 M	Assets of the Company, whether tangible or intangible, not convertible into short-term liquidity, necessary for the Company to operate and not intended for sale.
Interest expenses	Millions of Euros	Interest paid	€136 M	€142 M	Measure of interest payments
Net earnings per share	Euros	Profit/(loss) of the Parent / No. of shares at the end of the period	€0.162 = €171 M / 1,058,752,117 shares	€1.338 = €1,417 M / 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	€1.475 = €1,562 M / 1,058,752,117 shares	1.427 € = €1,511 M / 1,058,752,117 shares	Measurement of the portion of net income corresponding to each share outstanding.
Cash flow per share	Euros	Net cash flow from operating activities / Number of shares at the end of the reporting period	€3.004 = €3,181 M / 1,058,752,117 shares	€2.286 = €2,420 M / 1,058,752,117 shares	Measurement of the portion of funds generated corresponding to each share outstanding.
Book value per share	Euros	Equity of the Parent / Number of shares at year-end	€7.261 = €7,688 M / 1,058,752,117 shares	€8.536 = €9,037 M / 1,058,752,117 shares	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	€25,188 M = 1,058,752,117 shares * €23.790	€21,313 M = 1,058,752,117 shares * €20.130	Measurement of total enterprise value according to the share price.
Price to Earnings Ratio (P.E.R.) Ordinary	N/A	Share price at the end of the reporting period / Net ordinary earnings per share	16.13 = €23.790 / €1.475	14.11 = €20.130 / €1.427	Measurement indicating the number of times net ordinary earnings per share can be divided into the market price of the shares.
Price to Earnings Ratio (P.E.R.)	N/A	Share price at the end of the reporting period / Net earnings per share	147.30 = €23.790 / €0.162	15.04 = €20.130 / €1.338	Measurement indicating the number of times net earnings per share can be divided into the market price of the shares.
Price / Book Value	N/A	Market Capitalisation / Equity of the Parent	3.28 = €25,188 M / €7,688 M	2.36 = €21,313 M / €9,037 M	Measurement comparing total enterprise value according to the share price with the book value.
Total Shareholder Return (TSR)	%	(Quotation at the end of the year - Quotation at the beginning of the year + Gross Dividend paid in the year) / Quotation at the beginning of the year	25.3% = (€23.790 - €20.130 + €1.427) / €20.13	20.5% = (€20.130 - €17.855 + €1.382) / €17.855	Measurement of the relationship between the amount invested in a share and the economic result provided, which includes both the effect of the increase in the share price and that of the gross dividend received in cash (without considering its reinvestment)
Consolidated pay-out	%	(Gross dividend per share * No. of shares at the close of the period) / Profit for the year of the parent	913.3% = (€1.475 * 1,058,752,117 shares) / €171 M	106.6% = (€1.427 * 1,058,752,117 shares) / €1,417 M	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 * No. of shares at the end of the reporting period) / Net ordinary income of the Parent	100.0% = (€1.475 * 1,058,752,117 shares) / €1,562 M	100.0% = (€1.427 * 1,058,752,117 shares) / €1,511 M	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.	95.1% = (€1.475 * 1,058,752,117 shares) / €1,642 M	100.0% = (€1.427 * 1,058,752,117 shares) / €1,511 M	Measurement of the portion of net income obtained used to remunerate shareholders through the payment of dividends (individual company).

EM = millions of Euros; € = Euros.

n = 31 December of the year being calculated.

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