STATEMENT OF RESPONSIBILITY

ANNUAL FINANCIAL REPORT FISCAL YEAR 2019

The members of the Board of Directors of Endesa S.A., in accordance with Article 8 of Royal Decree 1362/2007, of October 19, state that, to the best of their knowledge, the Individual and Consolidated Annual Financial Statements for the fiscal year ending on December 31, 2019, drafted at its meeting on February 24, 2020, were issued in accordance with all applicable accounting principles and offer a true and fair view of the equity, financial position, and earnings of Endesa S.A. and the companies within its consolidation perimeter, and that the individual and consolidated management reports for fiscal year 2019 provide a faithful analysis of its business performance and results and of the financial position of Endesa, S.A. and the companies within its consolidation perimeter as a whole, together with a description of the main risks and uncertainties faced thereby.

D. Juan Sánchez-Calero Guilarte **Chairman**	**D. Francesco Starace** **Vice Chairman**
D. José Damián Bogas Gálvez **Chief Executive Officer**	**D. Antonio Cammisecra** **Director**
D. Alejandro Echevarría Busquet **Director**	**D. Ignacio Garralda Ruiz de Velasco** **Director**
Dña. Maria Patrizia Grieco **Director**	**D. Francisco de Lacerda** **Director**
D. Alberto de Paoli **Director**	**D. Miguel Roca Junyent** **Director**

Madrid, February 24, 2020

Audit Report on Financial Statements
issued by an Independent Auditor

ENDESA, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2019

Building a better working world

Ernst & Young, S.L.
C/ Raimundo Fernández Villaverde, 65
28003 Madrid

Tel.: 902 365 456
Fax.: 915 727 300
ey.com

AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

To the Shareholders of
ENDESA, S.A.

Report on the financial statements

Opinion

We have audited the financial statements of ENDESA, S.A. (the Company), which comprise the balance sheet as at December 31, 2019, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid -Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of non-current investments in Group companies and associates

Description	At December 31, 2019, the Company had recognized in non-current assets investments in the equity of group companies and associates amounting to 18.893 million euros. The Company recognizes impairment losses whenever there is objective evidence that the carrying amount of said investments may not be recoverable. The amount of the impairment loss is the difference between the investment's carrying and recoverable amounts. Recoverable amount is determined using complex estimates based on the application by Company Management of criteria, judgments, and hypotheses. We have determined this matter to be a key audit issue due to the significance of the amounts and the complexity inherent in assigning value to the key hypotheses considered and to changes in the related assumptions. The information related to the criteria applied by Company Management and the principal hypotheses used in determining impairment losses from investments in group companies and associates are described in Note 4.d) to the accompanying financial statements.
Our response	Our audit procedures include, among others, the following: ▶ Understanding the processes established by Company Management to determine impairment on non-current investments in group companies and associates including assessment of the design and implementation of relevant controls associated to their recognition process. ▶ Analyzing indications of impairment and, where necessary, reviewing the model used by Company Management to determine recoverable amount in collaboration with our valuation specialists, focusing particularly on the model's mathematical coherence, the reasonableness of projected cash flows, discount rates, and long-term growth rates. ▶ Reviewing the disclosures in the financial statements in accordance with the applicable financial reporting framework.

Provisions for pensions and other similar provisions and provisions for workforce restructuring plans

Description	At year end, the Group recognized provisions for pensions and other similar provisions as well as provisions for workforce restructuring plans totalling 246 million euros. Of this total, 199 million were recognized as long term and 47 million euros as short term. Determination of the related recognition criteria, as well as the valuation of these provisions, requires that Company management make certain judgments, assumptions, and complex estimates.

In relation to the commitments derived from this area, on December 4, 2019, it was agreed to submit to a "binding equity arbitration" some of the most relevant matters of the negotiation of the "V Framework Collective Agreement of ENDESA". On January 21, 2020, a mandatory Arbitration Award was issued for the parties whose content was incorporated into the "V Framework Collective Agreement of ENDESA" which became effective on January 23, 2020 and whose registration, as of the date of this audit report, is in process on the competent labor authority. In this regard, Note 21 of the accompanying financial statements includes the statement that cannot be made, at the date of the preparation of the accompanying consolidated financial statements, an estimate of the financial effect resulting from said Framework Collective Agreement.

We have considered this a key audit matter due to the complexity of assigning value to the key assumptions and judgments used at year end and to the fact that changes in these assumptions could have a significant impact on the consolidated income statement and also due to the complexity of the evaluation of the accounting effects that come from the decisions taken in the negotiating process of the "V Framework Collective Agreement of ENDESA" and the "binding equity arbitration".

Disclosures for the recognition and valuation criteria used on these provisions, as well as the breakdown of these provisions, which are recognized as current and non-current liabilities, and the description of the subsequent events at year end which affect these commitments, are respectively included in Notes 4.f), 11 and 21 of the accompanying financial statements.

Our response Our audit procedures include, among others, the following:

- Understand the processes applied by Company Management to estimate provisions, including assessment of the design and implementation of relevant controls.
- Analyse and evaluate the accounting effects because of the decisions taken during the negotiation process of the "V Framework Collective Agreement of ENDESA" and the "binding equity arbitration".
- Obtain confirmation letters from external insurance companies.
- Involve our internal actuarial specialists to analyse the reasonableness of conclusions reached by Company Management.
- Review disclosures included in the consolidated financial statements in accordance with the applicable financial reporting framework.

Other information: management report

Other information refers exclusively to the 2019 management report, the preparation of which is the responsibility of the Company's Directors and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. Our responsibility for the information contained in the management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

a) A specific level applicable to the non-financial information statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the consolidated management report or, where applicable, that the consolidated management report includes the corresponding reference to the separate non-financial report as stipulated by prevailing regulations and, if not, disclose this fact.

b) A general level applicable to the remaining information included in the management report, which requires us to evaluate and report on the consistency of said information in the financial statements, based on knowledge of the Company obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the management report includes a reference that the non-financial information described in paragraph a) above is provided in the consolidated management report of the Endesa Group, to which the company belongs, and that the Corporate Governance Report information described in said paragraph is included in the management report. We likewise verified that the remaining the information contained therein is consistent with that provided in the 2019 financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the Directors and the Audit and Compliance Committee for the financial statements

The Directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit and Compliance Committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.

- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit and Compliance Committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Compliance Committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Compliance Committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report to the Audit and Compliance Committee

The opinion expressed in this audit report is consistent with the additional report we issued to the Audit and Compliance Committee on February 25, 2019.

Term of engagement

The ordinary general shareholders' meeting held on April 26, 2017 appointed us as auditors for 3 years, commencing for the year ending December 31, 2017.

Previously, we were appointed as auditors by the shareholders for 3 years and we have been carrying out the audit of the financial statements continuously since December 31, 2011.

ERNST & YOUNG, S.L.
(Registered in the Official Register of
Auditors under No. S0530)

(Signed on the original version in Spanish)

Olatz Díez de Artazcoz Herreros
(Registered in the Official Register of
Auditors under No. 23208)

February 24, 2020

ENDESA, S.A.

Financial Statements

for the year ended 31 December 2019

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

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

ENDESA, S.A.

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2019 AND 2018

Millions of Euros

	Note	31 December 2019	31 December 2018
ASSETS			
NON-CURRENT ASSETS		**19,161**	**19,175**
Intangible assets	5	**118**	**117**
Patents, licences, trademarks and similar		5	3
Software applications		113	114
Property, plant and equipment	6	**2**	**2**
Technical installations and other property, plant and equipment		2	2
Non-current investments in Group Companies and Associates	8 and 18.2	**18,893**	**18,894**
Equity instruments		18,893	18,893
Derivatives	14	-	1
Non-current financial investments	8	**30**	**45**
Equity instruments		4	5
Loans to third parties		4	5
Derivatives	14	1	10
Other financial assets		21	25
Deferred tax assets	15.6	**118**	**117**
CURRENT ASSETS		**1,145**	**1,662**
Trade and other receivables		**164**	**135**
Other receivables		36	38
Receivables from Group Companies and Associates	18.2	125	92
Receivable from employees		1	1
Current tax assets		-	-
Other receivables from Public Administrations	15.8	2	4
Current investments in Group Companies and Associates	8 and 18.2	**915**	**1,455**
Loans to companies		111	78
Derivatives	14	2	9
Other financial assets		802	1,368
Current Financial Investments	8	**35**	**59**
Loans to third parties		10	10
Derivatives	14	25	49
Other financial assets		-	-
Cash and cash equivalents		**31**	**13**
Cash in hand and at banks		31	13
TOTAL ASSETS		**20,306**	**20,837**

Notes 1 to 22 to the accompanying Financial Statements form an integral part of the Statements of Financial Position at 31 December 2019 and 2018.

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

ENDESA, S.A.

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2019 AND 2018

Millions of Euros

	Note	31 December 2019	31 December 2018
EQUITY AND LIABILITIES			
EQUITY		**8,206**	**8,091**
Capital and reserves	10	**8,219**	**8,091**
Share capital		**1,271**	**1,271**
Registered capital		1,271	1,271
Issue premium		**89**	**89**
Reserves		**1,441**	**1,445**
Legal and statutory		254	254
Other reserves		1,187	1,191
Retained earnings/accumulated losses		**4,517**	**4,516**
Retained earnings		4,517	4,516
Profit for the year		**1,642**	**1,511**
Interim dividend	3 and 10.4	**(741)**	**(741)**
Value adjustments		**(13)**	**-**
Hedging transactions		(13)	-
NON-CURRENT LIABILITIES		**10,153**	**10,688**
Non-current provisions	11	**253**	**281**
Obligations in respect of non-current employee benefits		78	71
Provisions for workforce restructuring plans		121	150
Other provisions		54	60
Non-current debts	12	**1,856**	**1,391**
Owed to credit institutions		1,835	1,387
Finance lease payables		1	1
Derivatives	14	17	1
Other financial liabilities		3	2
Non-current debts to Group companies and associates	12 and 18.2	**8,010**	**8,982**
Debts to Group companies and associates		8,009	8,971
Derivatives	14	1	11
Deferred tax liabilities	15.7	**34**	**34**
CURRENT LIABILITIES		**1,947**	**2,058**
Current provisions	11	**56**	**60**
Provisions for workforce restructuring plans		47	51
Other provisions		9	9
Current debts	12	**1,076**	**284**
Owed to credit institutions		49	50
Finance lease payables		1	-
Derivatives	14	3	9
Other financial liabilities		1,023	225
Current debts to Group companies and associates	12 and 18.2	**637**	**1,575**
Debts to Group companies and associates		75	987
Derivatives	14	27	49
Other financial liabilities		535	539
Trade and other payables		**178**	**139**
Group company and associate suppliers	18.2	47	36
Sundry creditors		95	75
Personnel (remuneration payable)		29	22
Other payables to Public Administrations	15.8	7	6
TOTAL EQUITY AND LIABILITIES		**20,306**	**20,837**

Notes 1 to 22 to the accompanying Financial Statements form an integral part of the Statements of Financial Position at 31 December 2019 and 2018.

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

ENDESA, S.A.

INCOME STATEMENTS

FOR THE YEARS ENDED AT 31 DECEMBER 2019 AND 2018

Millions of Euros

	Note	2019	2018
CONTINUING OPERATIONS			
Net revenue	16.1	**2,137**	**1,969**
Provision of services		282	277
Dividend income from Group companies and associates	8.1.1 and 18.1	1,855	1,692
Self-constructed assets	5	**2**	**-**
Procurements		**(1)**	**-**
Energy stock purchases and other procurements		-	-
Consumption of raw materials and other consumables		(1)	-
Other Operating Income		**5**	**8**
Ancillary and other administrative income		5	8
Personnel Expenses	16.2	**(180)**	**(159)**
Salaries and wages, and similar		(142)	(119)
Social Charges		(34)	(34)
Provisions		(4)	(6)
Other operating expenses	16.3	**(173)**	**(214)**
External services		(120)	(112)
Taxes other than income tax		(3)	(3)
Other administrative expenses		(50)	(99)
Depreciation and amortisation of non-current assets	5 and 6	**(32)**	**(34)**
Provision surpluses		**5**	**3**
EBIT		**1,763**	**1,573**
Financial Income	16.4	**7**	**15**
Equity instruments		**-**	
Other		-	
From marketable securities and receivables relating to fixed assets		**7**	**15**
Group companies and associates	18.1	1	4
Other		6	11
Financial expense	16.4	**(193)**	**(128)**
Interest on borrowings from Group companies and associates	18.1	(172)	(119)
Interest on debts to third parties		(14)	(6)
Provision adjustments		(7)	(3)
Change in fair value of financial instruments		**(1)**	**(2)**
Trading portfolio and others		(1)	(2)
Exchange gains/(losses)		**5**	**3**
Impairment of and Gains/(Losses) on Disposals of Financial Instruments		**(1)**	**-**
Impairment	8.2	(1)	-
NET FINANCE INCOME/(EXPENSE)		**(183)**	**(112)**
PROFIT BEFORE TAX		**1,580**	**1,461**
Corporate income tax	15	**62**	**50**
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,642**	**1,511**
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS, NET OF TAX		**-**	**-**
PROFIT FOR THE YEAR		**1,642**	**1,511**

The accompanying Notes 1 to 22 to the Financial Statements form an integral part of the corresponding Income Statements for the years ended 31 December 2019 and 2018.

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

ENDESA, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

Millions of Euros

	Note	2019	2018
PROFIT FOR THE YEAR		**1,642**	**1,511**
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
From cash flow hedges	14	(17)	-
From Actuarial Gains and Losses and other Adjustments	11.1	(5)	-
Income tax effect	15	6	-
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		**(16)**	**-**
TRANSFERS TO PROFIT AND LOSS			
From cash flow hedges		-	-
Income tax effect		-	-
TOTAL TRANSFERS TO PROFIT AND LOSS		**-**	**-**
TOTAL RECOGNISED INCOME/(EXPENSE)		**1,626**	**1,511**

The accompanying Notes 1 to 22 to the Financial Statements form an integral part of Recognised Income and Expense for the years ended 31 December 2019 and 2018.

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

ENDESA, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

B) STATEMENTS OF TOTAL CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

Millions of Euros

	Note	31 December 2019						
		Capital and reserves						
		Share capital (Note 10.1)	Issue premium (Note 10.2)	Reserves and retained earnings/accumulated losses (Notes 10.3)	Profit for the year (Note 3)	(Interim dividend) (Note 3)	Value adjustments	Total Equity
Balance at 31 December 2018		**1,271**	**89**	**5,961**	**1,511**	**(741)**	**-**	**8,091**
TOTAL RECOGNISED INCOME/(EXPENSE)		**-**	**-**	**(3)**	**1,642**	**-**	**(13)**	**1,626**
Transactions with shareholders		**-**	**-**	**-**	**-**	**(741)**	**-**	**(741)**
Dividends paid	3 and 10.4	-	-	-	-	(741)	-	(741)
Other changes in equity		**-**	**-**	**-**	**(1,511)**	**741**	**-**	**(770)**
Distribution of profit	3	-	-	-	(1,511)	741	-	(770)
Balance at 31 December 2019		**1,271**	**89**	**5,958**	**1,642**	**(741)**	**(13)**	**8,206**

Millions of Euros

	Note	31 December 2018						
		Capital and reserves						
		Share capital (Note 10.1)	Issue premium (Note 10.2)	Reserves and retained earnings/accumulated losses (Notes 10.3)	Profit for the year (Note 3)	(Interim dividend) (Note 3)	Value adjustments	Total Equity
Balance at 31 December 2017		**1,271**	**89**	**5,934**	**1,491**	**(741)**	**-**	**8,044**
TOTAL RECOGNISED INCOME/(EXPENSE)		**-**	**-**	**-**	**1,511**	**-**	**-**	**1,511**
Transactions with shareholders		**-**	**-**	**-**	**-**	**(741)**	**-**	**(741)**
Dividends paid	3 and 10.4	-	-	-	-	(741)	-	(741)
Other changes in equity		**-**	**-**	**27**	**(1,491)**	**741**	**-**	**(723)**
Distribution of profit	3	-	-	27	(1,491)	741	-	(723)
Balance at 31 December 2018		**1,271**	**89**	**5,961**	**1,511**	**(741)**	**-**	**8,091**

The accompanying Notes 1 to 22 to the Financial Statements form an integral part of the Statements of Total Changes in Equity for the years ended 31 December 2019 and 2018.

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

ENDESA, S.A.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED

31 DECEMBER 2019 AND 2018

Millions of Euros

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		**2,190**	**105**
Profit before tax		**1,580**	**1,461**
Adjustments for:		**(1,642)**	**(1,535)**
Income from dividends	8.1, 16.1 and 18.1	(1,855)	(1,692)
Depreciation and amortisation of non-current assets	5 and 6	32	34
Impairment losses		1	-
Changes in provisions		(4)	8
Financial Income	16.4	(7)	(15)
Financial expense	16.4	193	128
Exchange gains/(losses)		(1)	-
Change in the fair value of financial instruments		1	2
Other adjustments to the Result		(2)	-
Changes in working capital		**6**	**(28)**
Other cash flows from operating activities		**2,246**	**207**
Interest paid		(176)	(133)
Dividends received		2,421	324
Interest received		6	15
Income tax received/(paid)		35	46
Other proceeds/(payments)		(40)	(45)
CASH FLOWS FROM INVESTING ACTIVITIES		**(30)**	**(4,124)**
Payments for investments		**(38)**	**(4,135)**
Group companies and associates	8.1	-	(4,100)
Property, plant and equipment and intangible assets		(35)	(29)
Other financial assets		(3)	(6)
Proceeds from sale of investments		**8**	**11**
Other financial assets		8	11
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(2,142)**	**4,002**
Proceeds from and (payments) for financial liability instruments		**(631)**	**5,465**
Issue		1,465	5,481
Redemption and repayment		(2,096)	(16)
Dividends and remuneration of other equity instruments paid		**(1,511)**	**(1,463)**
Dividends	10.4	(1,511)	(1,463)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**18**	**(17)**
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**13**	**30**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**31**	**13**

The accompanying Notes 1 to 22 to the Financial Statements form an integral part of the Statements of Cash Flows for the years ended 31 December 2019 and 2018.

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

ENDESA, S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Contents.

ENDESA, S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2019

1. Company activity and financial statements

ENDESA, S.A. (hereinafter “the Company”) was incorporated with limited liability under Spanish law on 18 November 1944 under the name Empresa Nacional de Electricidad, S.A. and changed its name to ENDESA, S.A. pursuant to a resolution adopted by the shareholders at the General Shareholders’ Meeting on 25 June 1997. Its registered offices and headquarters are at Calle Ribera del Loira 60, Madrid.

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

The Company carries out its corporate objects in Spain and abroad directly or through its investments in other companies.

To comply with Electricity Sector Law 24/2013 of 26 December 2013, derogating from Law 54/1997 of 27 November 1997 on the electricity sector, in force until then, ENDESA, S.A. underwent a corporate restructuring to separate its various electricity activities. Since then, ENDESA, S.A.’s activity has focused primarily on administration and services for its business group, comprising the investments detailed in these financial statements.

The Company’s shares are officially admitted to trading on the Spanish Stock Exchanges.

The Company's financial statements for the year ended 31 December 2019 were drawn up by the Board of Directors on 24 February 2020 and will be submitted for approval by the General Shareholders’ Meeting. They are expected to be approved with no changes. The financial statements for the year ended 31 December 2018 were authorised by the Board of Directors on 25 February 2019 and approved by the shareholders at the General Meeting on 12 April 2019 and filed with the Madrid Trade & Companies Register.

The Company holds interests in subsidiaries, joint ventures and associates. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. In accordance with generally accepted accounting principles and standards, consolidated financial statements must be prepared to present truly and fairly the financial position of the business Group, the results of its operations, changes in its equity and its cash flows. Details of investments in Group companies, joint ventures and associates are presented in Note 8.1.

On 24 February 2020, the directors approved the consolidated financial statements of ENDESA, S.A. and subsidiaries for the year ended 31 December 2019 prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU-IFRS). The Consolidated Financial Statements of ENDESA, S.A. and its subsidiaries for the year ended 31 December 2018 were approved by the Board of Directors on 25 February 2019, ratified by the shareholders at the General Shareholders' Meeting on 12 April 2019 and filed with the Madrid Trade & Companies Register.

The key figures from the consolidated financial statements for 2019 and 2018 of ENDESA, S.A. and subsidiaries are as follows:

Millions of Euros

	31 December 2019	31 December 2018
Total Assets	**31,981**	**31,656**
Equity	**7,837**	**9,181**
Of the Parent	7,688	9,037
Of non-controlling interests	149	144
Income	**20,158**	**20,195**
Profit after tax from continuing operations	**180**	**1,426**
Profit after tax from discontinued operations	**-**	**-**
Profit for the year	**180**	**1,426**
Of the Parent	171	1,417
Of non-controlling interests	9	9

At 31 December 2019 and 2018, the ENEL Group controlled 70.101% of ENDESA, S.A. through ENEL Iberia, S.L.U., giving it control of the company (see Note 10.1).

The registered offices of ENEL Iberia, S.L.U. and ENEL, S.p.A. are located at Calle Ribera del Loira, 60, 28042 Madrid (Spain) and Viale Regina Margherita, 137, 00198 Rome (Italy), respectively.

The financial statements of ENEL Iberia, S.L.U. for the year ended 31 December 2018 were approved on 8 March 2019, ratified by the sole shareholder on 15 May 2019 and filed with the Madrid Trade & Companies Register.

The consolidated financial statements of ENEL, S.p.A., parent company of ENDESA, S.A., and its subsidiaries for the year ended 31 December 2018, were approved by the shareholders at the General Shareholders' Meeting held on 16 May 2019 and filed with the Rome and Madrid Trade & Companies Registers.

2. Basis of presentation of the financial statements

2.1. True and fair presentation.

The financial statements for the year ended 31 December 2019 are presented in accordance with Law 16/2007 of 4 July 2007, on the reform and adaptation of accounting legislation for harmonisation with EU law, and the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November 2007 and the amendments thereto established by Royal Decree 1159/2010 of 17 September 2010, and by Royal Decree 602/2016, of 2 December 2016.

The financial statements present fairly the equity and financial position of the Company at 31 December 2019, and the results of its operations, changes in equity and cash flows for the years then ended, and have been prepared on the basis of the Company's accounting records.

2.2. Accounting principles

The accounting principles and policies applied in preparing these financial statements are those set out in the Spanish General Chart of Accounts and are summarised in Note 4. All mandatory accounting principles with an effect on equity, the financial position and profit or loss were applied in preparing these financial statements.

2.3. Responsibility for information and estimates.

The Company's directors are responsible for the information included in the financial statements.

In preparing these financial statements, the Company's directors made certain estimates to measure certain assets, liabilities, income, expenses and commitments included therein. These estimates were essentially as follows:

- Measurement of the Company’s investments in equity instruments of Group companies, associates and jointly-controlled entities to determine any impairment losses (see Notes 4d and 8.1).

- Assumptions used in the actuarial calculation of liabilities and provisions to employees and the leaving dates and conditions for employees involved in workforce reduction plans and contract suspension agreements (see Notes 4f and 11).

- Useful lives of intangible assets and property, plant and equipment (see Notes 4a and 4b).

- Measurement of financial assets to determine any impairment losses (see Notes 4d and 8).

- Assumptions used to calculate the fair value of financial instruments (see Notes 8, 12 and 14).

- Interpretation of existing or new electricity sector regulations, the final economic effects of which will ultimately depend on rulings by the authorities responsible for settlements. Certain rulings are pending at the date of authorisation of these financial statements.

- Certain figures for the electricity system, including those relating to other companies, which can be used to estimate the settlement of the subsidised electricity tariff - the "Social Bonus"- (see Notes 11.3 and 16.3).

- The likelihood and amount of undetermined or contingent liabilities (see Notes 4f and 11).

- Taxable income (tax losses) of the Company to be declared to the taxation authorities in the future and used as the basis of income tax expenses recognised in the accompanying financial statements (see Notes 4i and 15).

Although these estimates have been based on the best information available at the date of preparation of these financial statements on the events analysed, future events could require the estimates to be increased or decreased in subsequent years. Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the related financial statements.

2.4. Going concern

At 31 December 2019, the Company has negative working capital of Euros 802 million as a result of its financial and cash management policy. In this regard, the Company's estimated statements of liquidity for the coming year, together with the undrawn amount on the Company's non-current credit lines (see Note 13.3), provide assurance that the Company can obtain sufficient financial resources to continue its operations, realise its assets and settle its liabilities for the amounts shown in the accompanying statement of financial position. The Company’s directors have therefore prepared the accompanying financial statements on a going concern basis.

2.5. Functional and presentation currency

The financial statements at 31 December 2019 are presented in millions of euros. The Company's functional and presentation currency is the euro.

2.6. Comparative information.

The statement of financial position, income statement, statement of changes in equity, statement of cash flows and the notes thereto for the year ended 31 December 2019 include comparative figures forming part of the financial statements for the year ended 31 December 2018 approved by the General Shareholders’ Meeting on 12 April 2019.

2.7. Grouping of items

Certain items of the statement of financial position, income statement, statement of changes in equity and statement of cash flows are presented in groups to facilitate understanding, although significant items are broken down in the notes to the financial statements.

3. Appropriation of profit and loss.

Proposed appropriation of profit and loss for financial year 2019.

The appropriation of the result for financial year 2019 as proposed by the Company's Board of Directors and submitted for approval by the General Meeting of Shareholders is as follows:

Bases of Distribution for Financial Year 2019	Euros
Profit/(loss) Profit	1,642,109,330.16
Total	**1,642,109,330.16**
Appropriation	
To Dividends (1)	1,561,659,372.58
To retained earnings	80,449,957.58
Total	**1,642,109,330.16**

(1) Maximum amount to be distributed corresponding to Euros 1.475 gross per share for all shares (1,058,752,117 shares).

On 26 November 2019 the Board of Directors of ENDESA, S.A. agreed to distribute an interim dividend in respect of 2019 in an amount of Euros 0.70 gross per share, representing a total of Euros 741 million, which was paid on 2 January 2020 (see Note 10.4).

Pursuant to Article 277 of Royal Decree Law 1/2010 of 2 July 2010 approving the Consolidated Text of the Corporate Enterprises Act, the provisional liquidity statement which shows the existence of sufficient liquidity for the distribution of said dividend is as follows:

Millions of Euros

	From 1 November 2019 to 31 October 2020
Available at start of period	**3,083**
Cash in hand and at banks, and cash equivalents	8
Available loans from group companies	3,075
Increases in cash	**1,693**
From ordinary activities	299
From financial transactions	1,394
Decreases in cash	**(3,266)**
From ordinary activities	(322)
From financial transactions	(2,944)
Available at end of period	**1,510**
Proposed interim dividend on 2019 results	**741**

This amount does not exceed the earnings obtained by ENDESA, S.A. in 2019, less prior years' losses and the amount to be allocated to legal reserves and reserves specified in the Articles of Association plus the estimate of tax to be paid on these earnings.

Appropriation of profit and loss for financial year 2018.

The appropriation of the result of the 2018 financial year approved by the General Meeting of Shareholders was as follows:

Bases of Distribution for Financial Year 2018	Euros
Profit/(loss) Profit	1,510,858,443.24
Total	**1,510,858,443.24**
Appropriation	
To Dividends (1)	1,510,839,270.96
To retained earnings	19,172.28
Total	**1,510,858,443.24**

(1) Maximum amount to be distributed corresponding to Euros 1.427 gross per share for all shares (1,058,752,117 shares).

The General Meeting of Shareholders of ENDESA, S.A. held on 12 April 2019 agreed to distribute a dividend charged to the results of the year 2018 equal to Euros 1.427 gross per share. On 2 January 2019, an interim dividend was paid on the result of the year 2018 equal to Euros 0.70 gross per share (Euros 741 million) and, on 2 July 2019 a complementary dividend was paid, charged to the result for the year 2018 of Euros 0.727 gross per share (Euros 770 million euros) (see Note 10.4).

4. Recognition and valuation standards.

The main recognition and valuation standards used in the preparation of these Annual Accounts, in accordance with the provisions of the General Accounting Plan, were as follows:

a) Intangible assets.

Intangible assets are initially recognised at their acquisition or production cost following the same principles as those established for determining the cost of production of inventories.

After initial recognition, intangible assets are valued at cost less accumulated amortisation and the accumulated amount of any recognised value corrections for impairment.

Intangible assets are amortised over their useful lives, which in most cases is estimated at five years.

The Company reviews the residual value, the useful life and the amortisation method of intangible assets at the end of each year. Any changes to the criteria initially established are recognised as a change of estimate.

b) Property, plant & equipment.

Property, plant and equipment is initially recognised at acquisition or production cost following the same general criteria as those established for determining the cost of production of inventories. After initial recognition, items of property, plant and equipment are valued at cost less accumulated depreciation and the accumulated amount of any value corrections for impairment recognised.

Items of property, plant and equipment, less their residual value where applicable, are depreciated on a straight-line basis over their estimated useful lives, i.e. the number of years for which the Company expects to use them.

Useful lives, residual values and the depreciation method are reviewed at least at the closing date of each financial year and if necessary they are adjusted prospectively.

The useful lives of assets used for depreciation are as follows:

Property, plant and equipment	Years of estimated useful life	
	2019	2018
Furniture	10	10
Other property, plant and equipment	5-14	5-14

The costs of extension and improvement of property, plant and equipment that represent an increase in the productive capacity or a lengthening of the useful life of the assets are added to the value of the assets.

Renewals of fixed assets are capitalised providing the conditions for their recognition as assets are met, that is, that they result from past events and that the Company expects to obtain future economic benefits from them.

Regular maintenance, upkeep and repair expenses are expensed as incurred.

c) Leases.

Leases that transfer substantially all the risks and benefits inherent in ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Finance leases in which the Company is the lessee are recognised at the commencement of the lease term, an asset being recognised according to its nature and a liability for the same amount and equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is recognised as an expense and distributed over the lease term so as to obtain a constant interest rate each year applicable to the remaining balance of the liability. The asset is depreciated in the same way as other similar depreciable assets if there is reasonable certainty that the lessee will acquire ownership of the asset at the end of the lease term. If there is no such certainty, the asset is depreciated over the shorter of its estimated useful life and the lease term.

The expenses or income deriving from operating lease agreements are charged or credited to profit and loss in the year in which they accrue.

Any amounts received or paid upon entering into an operating lease are treated as advance payments and charged or credited to profit and loss over the period of the lease as the benefits of the leased asset are transferred or received.

d) Financial instruments.

A financial instrument is a contract that gives rise simultaneously to a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial instruments are classified at the time of their initial recognition as financial assets, financial liabilities or equity instruments, depending on the economic substance of the contractual agreements from which they derive and in accordance with the definitions of financial asset, financial liability and equity instrument.

Financial assets and liabilities are offset only when the Company has a legally enforceable right to offset the recognised amounts and intends simultaneously to settle the net amount or realise the asset and cancel the liability.

d.1. Financial assets other than derivatives and equity investments in Group Companies, Joint Ventures and Associates

1. Classification of financial assets

For valuation purposes the Company classifies its financial assets, whether current or non-current, into the following categories based on their characteristics and on the Company’s intentions at the time of initial recognition:

– Loans and receivables: financial assets deriving from the provision of services as part of the company’s normal commercial operations, or which, while not having a commercial origin, are not equity instruments or derivatives, are payable in fixed or determinable amounts and are not traded on an active market.

These financial assets are initially recognised at the fair value of the consideration delivered plus any directly attributable transaction costs. Subsequently they are measured at amortised cost, which is the initial value less principal repayments made plus accrued interest not received calculated using the effective interest rate method.

Accrued interest is recognised in profit and loss, applying the effective interest rate method. The effective interest rate is the discount rate that exactly matches the present value of the estimated future cash flows to be received or paid over the expected life of the financial instrument (or a shorter period where appropriate) with the carrying amount of the asset or liability.

When there is objective evidence that the asset may have suffered impairment, the corresponding analysis is carried out, and an impairment loss recognised if the carrying amount of the asset is greater than the present value of the estimated future cash flows discounted at the effective interest rate calculated at the time of initial recognition, the impairment loss being recognised for the difference between the two. For financial assets at variable interest rates, the effective interest rate corresponding to the closing date of the annual accounts is used in accordance with the contractual conditions.

However, trade receivables which have no contractual interest rate and are due in no more than one year, loans and advances to personnel, dividends receivable and capital called up on equity instruments and expected to be received in the short term, are measured both initially and subsequently at their nominal amount when the effect of not discounting future cash flows is not significant.

Value corrections for impairment and reversals thereof are recognised as expense or income respectively in profit and loss. Reversals of impairment are limited to the carrying amount of the receivable that would be recognised at the reversal date if no impairment had been recognised.

- Held-to-maturity investments: this category comprises debt securities with a fixed maturity date and of a fixed or determinable amount traded on an active market and which the Company has expressed its intention and ability to keep in its possession until their maturity.

  The valuation criteria applying to this type of assets are the same as those explained for “Loans and Receivables”.

  The Company had no investments of this nature at 31 December 2019 or 2018.

- Financial assets at fair value with changes through profit and loss

  - Financial assets held for trading: financial assets acquired for the purpose of selling them in the short term or which form part of a portfolio for which there is evidence of recent transactions with this purpose, including derivative financial instruments that have not been designated as hedging instruments. They are initially valued at the fair value of the consideration delivered. Transaction costs directly attributable to the purchase are recognised as expense in profit and loss. They are subsequently recognised at fair value, changes in this fair value being recognised directly in profit and loss.

  - Other financial assets at fair value with changes through profit or loss: these comprise financial assets that have been designated as such on initial recognition and which are managed and evaluated on a fair value basis. They are recognised both initially and subsequently at fair value, changes in this fair value being recognised directly in profit and loss.

- Available-for-sale financial assets: this category comprises financial assets specifically designated as available for sale or that do not fit into the foregoing categories.

  They correspond almost entirely to financial investments in the equity of companies that are not Group companies, Joint Ventures or Associates.

They are valued initially at the fair value of the consideration delivered plus any directly attributable transaction costs. Subsequently they are valued at their fair value when this can be reliably determined. In the case of investments in equity instruments the fair value of which cannot be reliably determined, they are valued at cost, less the accumulated amount of any value corrections for impairment when there is evidence of such impairment.

Changes in fair value, net of the tax effect, are debited or credited as the case may be to "Equity - Adjustments for Changes in Value", until such time as the investments are disposed of or they suffer impairment (of a stable or permanent nature), when these accumulated results previously recognised directly in equity are transferred to profit and loss. In this regard, stable or permanent impairment is considered to exist if there has been a fall of more than 40% in the value of the asset during a period of one year and a half, without the value having been recovered.

If the fair value increases in subsequent years, the value correction recognised in previous years in profit and loss is reversed.

The criteria for recognising impairment losses on equity instruments valued at cost because their fair value cannot be reliably determined are similar to those indicated in Section d.3 of this Note.

2. Interest and dividends received on financial assets.

Interest and dividends on financial assets accruing after their acquisition are recognised as income in profit and loss.

For these purposes, in the initial valuation of the financial assets, the amount of the explicit interest accrued and not due at that time and the amount of the dividends approved by the competent body up to the time of their acquisition are recognised independently in accordance with their maturities. Explicit interest is understood as that obtained by applying the contractual interest rate of the financial instrument.

Likewise, when the dividends distributed derive unequivocally from profits generated prior to the acquisition date, in that amounts greater than the profits generated by the investee since the acquisition have been distributed, they are not recognised as income but applied in reduction of the carrying amount of the investment.

Interest is recognised using the effective interest rate method and dividends are recognised when the right to receive them is declared.

3. Derecognition of financial assets

The Company derecognises financial assets when they expire or when the contractual rights to the cash flows from the financial asset have been transferred and the risks and rewards of ownership have been substantially transferred. However, for transfers of financial assets in which the risks and rewards of ownership are substantially retained, the Company does not derecognise the financial assets but instead recognises a financial liability for the same amount as the consideration received.

If the Company has neither substantially transferred nor retained the risks and rewards of the financial asset, the asset is derecognised when control is not retained. If the Company retains control of the asset, it continues to recognise it for the amount to which it is exposed through changes in the fair value of the asset transferred, i.e. for its continuing involvement, recognising the associated liability.

Derecognition of a financial asset in its entirety involves recognising in profit and loss the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any assets obtained or liabilities assumed and any deferred gain or loss in income and expense recognised directly in equity.

d.2. Financial liabilities other than derivatives

1. Classification of financial liabilities

The Company classifies its financial liabilities, whether short or long term, into the following categories depending on their characteristics and on the Company's intentions at the time of their initial recognition:

– Trade and other payables: these are payables arising from the purchase of goods and services in the course of the Company's business, or those which, while not of a commercial origin, are not considered as derivative financial instruments.

  Financial liabilities for trade and other payables are recognised at fair value, reflecting the value actually received, net of transaction costs. In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method.

  In the particular case where the liabilities are the underlying of a fair value hedge derivative, they are measured, exceptionally, at their fair value for the portion of the risk hedged.

  However, trade payables which have no contractual interest rate and mature at no more than one year and capital called up by third parties and expected to be settled in the short term, are measured at their nominal amount when the effect of not discounting the cash flows to their present value is not significant.

– Financial liabilities at fair value with changes through profit or loss:

  ○ Financial liabilities held for trading: those financial liabilities held for the purpose of repurchase in the short term or which form part of a portfolio of liabilities for which there is evidence of recent repurchase activity, including derivative financial instruments that have not been designated as hedging instruments.

    These liabilities are initially measured at the fair value of the consideration received less any directly attributable transaction costs. They are subsequently recognised at fair value, changes in this fair value being recognised directly in profit and loss.

  ○ Other financial liabilities at fair value through profit or loss: include those financial liabilities which have been designated as such on initial recognition and which are managed and evaluated on a fair value basis.

    These liabilities are initially measured at the fair value of the consideration received less any directly attributable transaction costs. They are subsequently recognised at fair value, changes in this fair value being recognised directly in profit and loss.

2. Derecognition of financial liabilities

The Company derecognises financial liabilities when the obligations that generated them have been extinguished.

d.3. Equity investments in Group Companies, Joint Ventures and Associates

Group companies are companies over which the Company exercises direct or indirect control. Associates are companies over which the Company has significant influence (significant influence being presumed to exist when the Company holds at least 20% of the voting rights in another company). Joint ventures are companies over which by virtue of an agreement joint control is exercised together with one or more partners.

Investments in Group companies, Joint Ventures and Associates are initially measured at cost, which is equal to the fair value of the consideration delivered plus any directly attributable transaction costs.

Subsequently these investments are measured at cost, less any accumulated value corrections for impairment. These corrections are calculated as the difference between the carrying amount and the recoverable amount, the latter being understood as the higher of fair value less selling costs and the present value of the future cash flows from the investment. Where future cash flows are not available, the equity of the investee is taken into account, adjusted for any unrealised capital gains existing at the measurement date (including goodwill if any).

Impairment losses and, where applicable, their reversal, are recognised as expense or income, respectively, in profit and loss, subject to the limit of the carrying amount of the investment that would apply at reversal date if no impairment had been recognised.

For the impairment test on its investees, ENDESA S.A. uses pre-tax cash flow projections for ENDESA S.A. and its subsidiaries based on the latest budgets available. These budgets include ENDESA S.A.'s management's best estimates of its income and expenses using industry projections, past experience and future expectations.

These projections cover a 5-year period and future cash flows, applying reasonable growth rates based on assumptions regarding average long-term growth rates and forecast inflation rates for the sector and geographical region concerned.

The discount and growth rates applied in 2019 and 2018 were as follows:

%	2019	2018
Discount rate	3.6 - 6.3	4.9 - 8.3
Growth rate	1.5	1.6

The approach used for allocating values to the key assumptions considered was the following:

- Trend of demand for electricity and gas: estimated growth was calculated on the basis of the growth forecast for Gross Domestic Product (GDP) and other assumptions with respect to trends in consumption of electricity and gas in these markets.

- Regulatory measures: a substantial part of ENDESA's business is regulated and subject to wide-ranging complex regulations, which could be amended, either by the introduction of new laws or by amendments to existing laws, so the forecasts contemplate the proper application of current laws and regulations and of any others now in process and expected to be in force during the projected period.

- Average rainfall: forecasts are drawn up for an average rainfall year based on historical rainfall series. However, particularly for the first year of the forecast, the actual rainfall of the preceding year is used, adjusting the average year accordingly.

- Installed capacity: the investment plan is updated continuously on the basis of the evolution of the business and changes in the development strategy made by Management. Generating activity takes account of the investment required to maintain installed capacity in proper operating conditions, distribution activity considers investment in maintenance, improvement and strengthening of the network, and also investments required to implement the remote metering plan, and supply activities takes account of the investment required to develop the ‘other products and services’ activity.

- Assumptions for energy sale and purchase prices and output of generation facilities are made based on complex specifically-developed internal forecast models that consider factors such as prices and availability of commodities (e.g. Brent crude, gas, coal, etc.), forecast demand, planned construction or the commissioning of new capacity in the various technologies. These models are constantly changing, factoring in changes in variables such as availability of the production base, start-up of operation of new plants. They provide signals on prices in the system and estimates of production costs, on which output forecasts for generation facilities are based.

- Assumptions for energy sale and purchase prices are made based on complex specifically-developed internal forecast models. The planned pool price is estimated on the basis of a number of decisive factors such as the costs and outputs of technologies and demand for electricity, among others.

- The prices at which electricity and gas are sold are determined on the basis of the prices established in sales contracts and future energy prices.

- Fuel costs are estimated taking into consideration existing supply contracts, and long-term forecasts are made for oil, gas and coal prices based on forward markets and estimates available from analysts.

- Fixed costs: these are projected considering estimated levels of activity for each company in terms of trends in personnel, as well as other operating and maintenance costs, forecast inflation and long-term maintenance contracts or other types of contracts.

- External sources are always used to compare macroeconomic assumptions, such as price trends, growth in gross domestic product (GDP), demand and inflation, among others.

Based on these assumptions, impairment tests were carried out on ENDESA S.A.'s investees. These tests did not reveal the need to recognise any value corrections for impairment.

d.4. Derivatives and hedging transactions

The derivatives held by the Company relate mainly to transactions arranged to hedge interest and exchange rate risks, the purpose of which is to eliminate or significantly reduce these risks in the underlying hedged transactions.

Derivatives are recognised at their fair value in the statement of financial position at the end of the reporting period. Derivatives are recognised as current or non-current financial investments where the value is positive and as current or non-current liabilities where the value is negative. Derivatives arranged with Group companies are recognised as current or non-current investments in Group companies and Associates where the value is positive and as current or non-current debts to Group companies and Associates where the value is negative.

Changes in fair value are recognised in profit and loss as financial income or expense, except where the derivative has been designated as a hedging instrument and the requirements for hedge accounting are met, among them that the hedge be effective or expected to be highly effective, in which case it is registered as follows depending on the type of hedge:

- Fair value hedges: The portion of the underlying item on which the risk is being hedged and the hedging instrument are both measured at fair value with changes through profit or loss as financial income or expense.

- Cash flow hedges: Changes in the fair value of derivatives are recognised, for the effective portion of the hedge and net of the tax effect, under valuation adjustments to hedging transactions in equity. The cumulative gain or loss under this heading is transferred to profit and loss to the extent that the underlying hedged item affects profit or loss. Gains or losses corresponding to the ineffective portion of hedges are recognised directly in profit and loss as financial income or expense.

- Hedging of net investment in foreign operations: Hedges of net investment in foreign operations when they concern Group Companies, Joint Ventures and Associates, are recognised as fair value hedges for the exchange rate component. Hedging instruments that are not, or that cease to be, effective hedges are measured and recognised according to their nature.

Accounting hedges are designated and documented as such when they are first expected to prove highly effective.

A hedge is considered to be highly effective when the changes in fair value or in the cash flows of the underlying directly attributable to the hedged risk are offset by the changes in the fair value or cash flows of the hedging instrument with an effectiveness in the range of between 80% and 125%.

Derivatives embedded in other financial instruments are recognised separately when their characteristics and risks are not closely related to those of the host instrument, provided that the overall contract is not recognised at fair value with changes through profit or loss.

The fair value of the various derivative financial instruments is calculated as follows:

- For derivatives listed on an organised market, their quoted value at year end.

- The Company measures derivatives not traded on organised markets by discounting the expected cash flows and using generally accepted option valuation models based on spot and futures market conditions at the end of each year.

Hedge accounting is discontinued when the hedging instrument matures or is sold, terminated or exercised, or the hedge no longer qualifies for hedge accounting. Any accumulated gains or losses relating to the hedging instrument that have been recognised in equity continue to be recorded under equity until the foreseen transaction is completed. When the hedged transaction is not expected to be carried out, the net gains or losses accumulated in equity are transferred to profit and loss for the period.

The Company has entered into commodities forward sale and purchase contracts, basically for liquefied natural gas. As a general rule, these contracts are valued in the statement of financial position at their fair value on the closing date, changes in value being recognised in profit and loss except for supply contracts that are fully transferred in their terms, rights and obligations to other Group companies, where the Company has acted as a contracting party exclusively for organisational reasons or with the purpose of achieving greater efficiency in the process of concluding or managing said contracts.

d.5. Financial guarantee contracts

Financial guarantee contracts, meaning deposits in guarantee and guarantees granted by the Company in favour of third parties, are valued initially at their fair value, which unless there is evidence to the contrary is the premium received plus the present value of any cash flows to be received.

Subsequently, financial guarantee contracts are measured as the difference between:

- The amount of the liability determined in accordance with the accounting policy for provisions set forth in Note 4f.

- The amount of the asset initially recognised, less the portion taken to profit and loss on an accruals basis, if any.

e) Cash and cash equivalents.

Cash and cash equivalents include cash in hand and demand deposits with financial institutions. They also include other short-term, highly liquid investments providing they are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

f) Provisions and contingencies.

Obligations existing at the date of the statement of financial position arising as a result of past events and which may have a negative impact on the Company's assets, which are likely to materialise but the amount and settlement date of which are uncertain, are recognised as provisions in the statement of financial position at the present value of the most probable amount that it is estimated that the Company will have to disburse to settle the obligation.

Provisions are quantified based on the best information available at the reporting date on the consequences of the event for which the provision is required and are re-estimated at the end of each reporting period.

Contingent liabilities are not recognised in the financial statements but disclosed in the corresponding Notes when they are not considered to be remote.

The financial effect of provisions is recognised as a financial expense in profit and loss. Provisions maturing at one year or less and the financial effect of which is not significant are not discounted to present value.

If it is no longer probable that an outflow of resources will be required to settle an obligation, the provision is reversed.

f.1. Provisions for pensions and other provisions.

For defined benefit plans, the Company recognises the expenditure relating to these provisions on an accruals basis over the working life of the employees by performing actuarial studies at the reporting date, calculated using the projected unit credit method. Past service costs relating to changes in benefits are recognised immediately as expense in profit and loss to the extent that the rights are irrevocable.

Provisions for benefit plans represent the present value of the accrued provisions after deducting the fair value of the qualifying plan assets and any unrecognised past service costs. The actuarial losses and gains arising on the measurement of plan liabilities and assets are recognised directly in equity, in 'Other Reserves': (see Note 10.3.5).

For each of the plans, any positive difference between the actuarial liability for past services and the plan assets is recognised under non-current provisions on the liability side of the statement of financial position. If the difference is negative it is recognised in non-current financial investments - loans to third parties, on the asset side of the statement of financial position, providing the difference is recoverable by the Company, normally be deduction from future contributions.

Contributions to defined contribution plans are recognised as expense in profit and loss as employees provide their services.

Defined benefit plan assets and liabilities are recognised as current or non-current depending on when the associated benefits are realised or fall due.

Post-employment plans that have been fully insured, and for which the Company has therefore transferred all the risk, are considered to be defined contribution plans and, as such, no assets or liabilities are recognised in the statement of financial position.

f.2. Provisions for workforce restructuring plans

The Company recognises benefits for termination or suspension of employment when there is an individual or group agreement with the employees allowing them individually or collectively, unilaterally or by mutual agreement with the company, to cease working for ENDESA, S.A. or temporarily suspend the employment contract, in exchange for compensation or consideration. If mutual agreement is required, the provision is recognised only in situations in which ENDESA S.A. has decided to give its consent to the termination of employment and this consent has been notified to the employee either individually or collectively to employee representatives. In all cases in which these provisions are recognised, there is an expectation on the part of the employees that these early retirements will take place and there is an official notification by the Company to the employee or to the employees' representatives.

The Company has in place workforce reduction plans, which are covered by the corresponding workforce reduction plans approved by the government, or in agreements signed with the employee representatives. The plans guarantee payment of an indemnity or maintenance of regular payments during the period of early retirement or suspension of the employment contract. The Company recognises the full amount of the expenditure relating to these plans when the obligation arises, meaning when the Company cannot avoid the disbursement, depending on the commitments given to the employee or the employees' representatives. These amounts are determined, where applicable, from actuarial studies to calculate the obligation at year-end. The actuarial gains and losses arising each year are recognised in profit and loss for that year.

f.3. Short-term employee benefits.

The Company recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

g) Transactions in foreign currency.

Transactions in currencies other than the euro, the Company's functional currency, are translated into euros at the exchange rates prevailing at the transaction date. During the year, differences arising between amounts translated at the exchange rate at the transaction date and those translated at the exchange rate at the date of collection or payment are recognised as financial income or expense in profit and loss (see Note 9).

Balances receivable or payable at 31 December each year denominated in currencies other than the euro are translated using the year-end exchange rate. Any resulting translation differences are recognised as financial income or expense in profit and loss.

h) Classification of assets and liabilities as current and non-current.

In the accompanying statement of financial position, assets and liabilities maturing in 12 months or less are classified as current and those maturing at more than 12 months are classified as non-current.

i) Income tax

The income tax expense or income for the year is calculated as the sum of the current tax of the Company resulting from applying the tax rate to the tax base for the year, after taking into account any available tax deductions, plus the change in deferred tax assets and liabilities and tax credits and any unused tax loss carryforwards and deductions.

The differences between the carrying amount of assets and liabilities and their tax base give rise to deferred tax assets or liabilities, which are calculated using the tax rates that are expected to apply or to have been approved pending publication at the closing date of the year in which the assets are realised and liabilities settled.

In accordance with the principle of prudence, deferred tax assets are recognised only to the extent that it is probable that the company will have future taxable profits available against which these assets can be applied. In any case, this condition will be considered to exist when the tax legislation provides for the possibility of future conversion of deferred tax assets into an enforceable claim against the tax authorities with respect to such assets as are eligible for conversion.

Unless proved otherwise, it is not considered likely that the company will have future taxable profits in the following cases:

– When it is expected that their future recovery will occur in a period in excess of 10 years from the closing date of the financial year, no matter what the nature of the deferred tax asset.

– In the case of claims arising from tax deductions and other tax benefits which have not been used due to the amount of tax payable being insufficient, when the activity or benefit giving rise to the right to the deduction or credit has been performed or obtained but there is reasonable doubt as to compliance with the requirements to make them effective.

Also, it is likely that the Company will have sufficient future taxable profits to be able to recover the deferred tax assets providing there are sufficient taxable temporary differences relating to the same tax authority and the same taxable entity, the reversal of which is expected:

– In the same tax year in which it is intended to reverse the deductible temporary differences; or

– In those years in which a tax loss, arising from a deductible temporary difference, can be carried back or forward.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting result nor taxable income.

Tax deductions arising from economic events occurring in the year reduce the income tax expense, unless there are doubts as to whether they can be realised, in which case they are not recognised until they have effectively been realised.

The deferred tax assets and liabilities recognised are reviewed at the end of each reporting period in order to check that they are still valid and any appropriate adjustments are made.

The Company also evaluates any deferred tax assets that were not previously recognised. Based on this evaluation, the Company recognises deferred tax assets not previously recognised provided it is probable that the Company will have taxable profits in the future enabling these assets to be realised.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or liabilities in the statement of financial position, regardless of the estimated realisation or settlement date.

The Company forms part of the tax consolidation group headed by ENEL S.p.A. (the ENEL Group's Italian parent company), represented in Spain by ENEL Iberia, S.L.U.

The accrued income tax expense for the companies forming the tax consolidation group is determined taking into account, in addition to the parameters considered in the case of individual taxation as set out previously, the following:

– Temporary and permanent differences arising from the elimination of gains and losses on transactions between companies in the tax group, deriving from the process of determining consolidated taxable income.

– Tax deductions and abatements that correspond to each company forming the consolidated tax group; for these purposes, tax deductions and rebates are allocated to the company that carried out the activity or obtained the benefit necessary to obtain the right to the tax deduction or abatement.

A reciprocal receivable and payable arises between companies that contribute tax losses to the tax consolidation group and the rest of the companies that offset those losses. Where a tax loss cannot be offset by the other companies in the tax group, these tax loss carryforwards are recognised as deferred tax assets in accordance with the criteria established for their recognition, considering the tax group as the taxable entity.

Income tax deductions and abatements affect the calculation of the tax accruing in each company by the actual amount applicable under the tax consolidation regime.

The amount of the payable to (receivable from) the entity representing the tax group in Spain, ENEL Iberia, S.L.U., is recognised with a credit to current debts to (or a debit to current investments in) Group Companies and Associates in the accompanying statement of financial position.

j) Income and expense.

Income and expense are recognised on an accruals basis.

Income from continuing operations is recognised when there is a gross inflow of economic benefits generated in the ordinary course of the Company's business during the year, provided that this inflow of economic benefits results in an increase in equity that is not related to contributions from equity holders and these benefits can be measured reliably. Income is measured at the fair value of the consideration received or receivable.

Income from services rendered is recognised only if the amount of income, degree of completion, costs incurred and costs pending can be reliably estimated by reference to the degree of completion of the provision of the service at the reporting date.

Interest income and expense are recognised on the basis of the effective interest rate applicable to the outstanding principal over the corresponding accrual period.

Dividend income from investments in equity instruments is recognised when the Company's right to receive it comes into existence. In accordance with the resolution of the Institute of Accountants and Auditors (ICAC) published in issue 79/2009, consultation 2 of the BOICAC (official gazette of the ICAC) on the classification in the individual financial statements of the income and expense of a holding company, the main activity of which is to hold equity investments, dividend income is recognised under revenues in profit and loss, while an item has been included under the operating margin for impairment losses on the equity instruments associated with its activity.

The Company excludes from the revenue figure gross receipts of benefits when it acts as an agent or commission agent on behalf of third parties, recognising only those corresponding to its own activity as income.

k) Environmental assets

Environmental expenses are those incurred by the Company on activities aimed at managing the environmental effects of its operations.

The environmental expenses of these activities and any incurred as a result of events outside the Company's normal business that are not expected to arise frequently (including fines, sanctions and compensation payable to third parties for environmental damage), are classified as operating expenses under other operating expenses - external services in the period in which they are incurred.

Assets acquired by the Company with a view to their long-term use in its activity to minimise the environmental impact of its activity and protect the environment are recognised, depending on their nature, as property, plant and equipment or intangible assets, at their acquisition or production cost, and are depreciated or amortised on a straight-line basis over their useful lives.

l) Related party transactions.

All the Company's transactions with related parties are at market prices. Additionally, transfer prices are adequately supported, and consequently the Company's directors consider that no significant risks exist in this respect from which significant liabilities could arise in the future.

m) Share-based remuneration schemes

Where ENDESA, S.A. employees participate in a remuneration scheme paid in cash and tied to ENDESA, S.A. share prices, and this company assumes the cost of the scheme, ENDESA, S.A. recognises the fair value of ENDESA's obligation to employees as an expense under the heading "Personnel expenses" in the Income statement (see Note 18.3.5).

n) Statement of cash flows.

The statement of cash flows reflects the changes in cash occurring during the year, calculated using the indirect method. The following terms are used in the statements of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are investments with a term of less than three months that are highly liquid and subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of the Company, in addition to other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of equity and financial liabilities.

5. Intangible assets

At 31 December 2019 and 2018, the composition and movements of this item of the accompanying statement of financial position were as follows:

Millions of Euros

	Balance at 31 December 2018	Investment and additions	Derecognitions and transfers	Balance at 31 December 2019
Cost:				
Patents, licences, trademarks and similar	44	8	(42)	10
Software applications	330	24	-	354
Total	**374**	**32**	**(42)**	**364**
Accumulated amortisation:				
Patents, licences, trademarks and similar	(41)	(6)	42	(5)
Software applications	(216)	(25)	-	(241)
Total	**(257)**	**(31)**	**42**	**(246)**
NET TOTAL	**117**	**1**	**-**	**118**

Millions of Euros

	Balance at 31 December 2017	Investment and additions	Derecognitions and transfers	Balance at 31 December 2018
Cost:				
Patents, licences, trademarks and similar	39	5	-	44
Software applications	310	20	-	330
Total	**349**	**25**	**-**	**374**
Accumulated amortisation:				
Patents, licences, trademarks and similar	(33)	(8)	-	(41)
Software applications	(191)	(25)	-	(216)
Total	**(224)**	**(33)**	**-**	**(257)**
NET TOTAL	**125**	**(8)**	**-**	**117**

The investments in computer applications made during the year 2019 correspond mainly to acquisitions for ENDESA Medios y Sistemas, S.L.U. For Euros 22 million (Euros 20 million in 2018) (see Note 18.1.2).

Investments during 2019 also include the capitalisation of personnel expenses amounting to Euros 2 million.

At 31 December 2019 there were no fully amortised intangible assets still in use (Euros 30 million at 31 December 2018).

At 31 December 2019, commitments to acquire intangible assets amounted to Euros 6 million (Euros 13 million at 31 December 2018).

6. Property, plant and equipment

At 31 December 2019 and 2018, the composition and movements of this item of the accompanying statement of financial position were as follows:

Millions of Euros

	Balance at 31 December 2018	Investment and additions	Derecognitions and Transfers	Balance at 31 December 2019
Cost:				
Technical installations and other property, plant and equipment	7	1	-	8
Total	**7**	**1**	**-**	**8**
Accumulated depreciation:				
Technical installations and other property, plant and equipment	(5)	(1)	-	(6)
Total	**(5)**	**(1)**	**-**	**(6)**
NET TOTAL	**2**	**-**	**-**	**2**

Millions of Euros

	Balance at 31 December 2017	Investment and additions	Derecognitions and Transfers	Balance at 31 December 2018
Cost:				
Technical installations and other property, plant and equipment	5	2	-	7
Total	**5**	**2**	**-**	**7**
Accumulated depreciation:				
Technical installations and other property, plant and equipment	(4)	(1)	-	(5)
Total	**(4)**	**(1)**	**-**	**(5)**
NET TOTAL	**1**	**1**	**-**	**2**

There was no fully depreciated property, plant and equipment still in use at the Company at 31 December 2019 and 2018.

At 31 December 2019 and 2018, the Company had no commitments to purchase property, plant and equipment.

The Company has taken out corporate insurance policies that cover the risk of damage to its property, plant and equipment with limits and coverage appropriate to the type of risk. Possible claims against the Company due to the nature of its activity are also covered.

7. Leases and other similar agreements

7.1. Operating leases

ENDESA, S.A. leases the building where its headquarters are located from Group company ENDESA Medios y Sistemas, S.L.U. The contract expires in 2023. Lease payments made in this regard in 2019, amounted to Euros 7 million, (Euros 9 million in 2018). (see Notes 16.3 and 18.1).

In addition, ENDESA, S.A. is the lessee of several buildings with leases that expire between 2020 and 2028. Lease payments made in this regard in 2019 amounted to Euros 2 million and Euros 1 million in 2018 (see Note 16.3).

At 31 December 2019 and 2018, the breakdown by term of the minimum future lease payments payable by the Company under operating leases was as follows:

Millions of Euros

	Nominal value	
	31 December 2019	31 December 2018
Within one year	8	9
Between one year and five years	20	30
More than five years	2	4
Total	**30**	**43**

8. Current and non-current financial assets.

At 31 December 2019 and 2018, the composition and movements of current and non-current financial investments in Group Companies and Associates in the accompanying statement of financial positions were as follows:

Millions of Euros

	Note	Balance at 31 December 2018	Additions	Disposals	Transfers and other	Balance at 31 December 2019
Non-current investments in Group Companies and Associates	**18.2**	**18,894**	**-**	**-**	**(1)**	**18,893**
Equity instruments	8.1.1	18,893	-	-	-	18,893
Equity interests in Group Companies and Associates		18,893	-	-	-	18,893
Impairment losses		-	-	-	-	-
Loans to companies	8.1.2	-	-	-	-	-
Loans to companies		54	-	-	-	54
Impairment losses	8.1.3	(54)	-	-	-	(54)
Derivatives	14	1	-	-	(1)	-
Non-current financial investments		**45**	**3**	**(8)**	**(10)**	**30**
Equity instruments	8.2.1	5	(1)	-	-	4
Non-current financial investments		5	-	-	-	5
Impairment losses		-	(1)	-	-	(1)
Loans to third parties	**8.2.2**	5	1	(2)	-	4
Loans to third parties		7	1	(4)	-	4
Impairment losses		(2)	-	2	-	-
Derivatives	14	10	1	-	(10)	1
Other financial assets	8.2.3	25	2	(6)	-	21
TOTAL NON-CURRENT FINANCIAL ASSETS		**18,939**	**3**	**(8)**	**(11)**	**18,923**

Millions of Euros

	Note	Balance at 31 December 2017	Additions	Disposals	Transfers and other	Balance at 31 December 2018
Non-current investments in Group companies and associates	**18.2**	**14,803**	**4,101**	**-**	**(10)**	**18,894**
Equity instruments	8.1.1	14,793	4,100	-	-	18,893
Equity interests in Group Companies and Associates		14,793	4,100	-	-	18,893
Impairment losses		-	-	-	-	-
Loans to companies	8.1.2	-	-	-	-	-
Loans to companies		54	-	-	-	54
Impairment losses	8.1.3	(54)	-	-	-	(54)
Derivatives	14	10	1	-	(10)	1
Non-current financial investments		**40**	**14**	**(8)**	**(1)**	**45**
Equity instruments	8.2.1	5	-	-	-	5
Non-current financial investments		5	-	-	-	5
Impairment losses		-	-	-	-	-
Loans to third parties	**8.2.2**	5	-	-	-	5
Loans to third parties		7	-	-	-	7
Impairment losses		(2)	-	-	-	(2)
Derivatives	14	-	11	-	(1)	10
Other financial assets	8.2.3	30	3	(8)	-	25
TOTAL NON-CURRENT FINANCIAL ASSETS		**14,843**	**4,115**	**(8)**	**(11)**	**18,939**

At 31 December 2019 and 2018, the breakdown of current investments in Group Companies and Associates and current financial investments in the accompanying statement of financial positions was as follows:

Millions of Euros

	Note	31 December 2019	31 December 2018
Current investments in Group Companies and Associates	18.2	**915**	**1,455**
Loans to companies	8.1.2	111	78
Loans to Group Companies and Associates		111	78
Impairment losses		-	-
Derivatives	14	2	9
Other financial assets	8.1.4	802	1,368
Current Financial Investments		**35**	**59**
Loans to third parties		10	10
Loans to third parties		10	10
Derivatives	14	25	49
TOTAL CURRENT FINANCIAL ASSETS		**950**	**1,514**

8.1. Non-current and current investments in Group Companies and Associates.

8.1.1. Equity instruments.

Details of the Company's investments in equity instruments of Group Companies and Associates at 31 December 2019 and 2018, as well as the most significant information regarding each investment at those dates, are as follows:

Group Companies and Associates: 2019			Millions of Euros													
Company [(1)]						Profit/(loss) for the year							Carrying amount			
Registered office	Activity	% Direct Ownership	Share capital	Reserves	Interim dividend	EBIT	Net profit/(loss)	Total equity	Grants, donations and bequests received	Value adjustments	Non-controlling interests	Total equity	Cost	Impairment in the period	Accumulated impairment	Dividends Received (Notes 16.1 and 18.1)
Group Companies:																
ENDESA Energía, S.A.U. – Madrid [(2)]	Supply of energy products	100%	15	888	(347)	886	637	1,193	-	93	-	1,286	1,134	-	-	347
ENDESA Generación, S.A.U. – Seville [(2)]	Electricity generation and supply	100%	1,940	4,406	-	(1,875)	(1,461)	4,885	42	(440)	-	4,487	5,891	-	-	-
ENDESA Red, S.A.U. – Madrid [(2)]	Distribution activities	100%	720	3,021	(1,342)	1,473	1,077	3,476	4,692	(375)	-	7,793	2,440	-	-	1,383
International ENDESA, B.V. - Netherlands	International Financial Operations	100%	15	7	-	-	-	22	-	-	-	22	18	-	-	-
ENDESA Medios y Sistemas, S.L.U. – Madrid	Provision of services	100%	90	67	-	1	2	159	-	-	-	159	167	-	-	7
ENDESA Financiación Filiales, S.A.U. – Madrid	Financing of ENDESA, S.A.´s subsidiaries	100%	4,621	4,621	(116)	171	127	9,253	-	-	-	9,253	9,242	-	-	118
ENDESA X, S.A.U. - Madrid	Supply of energy products	100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rest of the Group												-	1	-	-	-
TOTAL													**18,893**	**-**	**-**	**1,855**

(1) Unaudited data.
(2) Figures corresponding to information of the consolidated subgroup.

Group companies and associates: 2018			Millions of Euros													
Company						Profit/(loss) for the year							Carrying amount			
Registered office	Activity	% direct ownership	Share capital	Reserves	Interim dividend	EBIT	Net profit/(loss)	Total equity	Grants, donations and bequests received	Value adjustments	Non-controlling interests	Total equity	Cost	Impairment in the period	Accumulated impairment	Dividends received (Notes 16.1 and 18.1)
Group companies:																
ENDESA Energía, S.A.U. – Madrid [(2)]	Supply of energy products	100%	15	1,081	-	59	13	1,109	-	(22)	-	1,087	1,134	-	-	-
ENDESA Generación, S.A.U. – Seville [(2)]	Electricity generation and supply	100%	1,940	4,079	(365)	528	401	6,055	44	(383)	-	5,716	5,891	-	-	655
ENDESA Red, S.A.U. – Madrid [(2)]	Distribution activities	100%	720	2,869	(844)	1,429	1,046	3,791	4,542	(325)	-	8,008	2,440	-	-	846
International ENDESA, B.V. - Netherlands [(1)]	International Financial Operations	100%	15	6	-	-	1	22	-	-	-	22	18	-	-	-
ENDESA Medios y Sistemas, S.L.U. – Madrid [(1)]	Provision of services	100%	90	69	-	11	7	166	-	-	-	166	167	-	-	191
ENDESA Financiación Filiales, S.A.U. – Madrid [(1)]	Financing of ENDESA, S.A.´s subsidiaries	100%	4,621	4,621	(147)	195	148	9,243	-	-	-	9,243	9,242	-	-	-
ENDESA X, S.A.U. - Madrid	Supply of energy products	100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rest of the Group												-	1	-	-	-
TOTAL													**18,893**	**-**	**-**	**1,692**

(1) Unaudited data.
(2) Figures corresponding to information of the consolidated subgroup.

These companies do not have publicly listed share prices.

At 31 December 2019 and 2018, ENDESA also held 100% of ENDESA Capital, S.A.U. and ENDESA Generación II, S.A.U.

Most significant changes in 2019 and 2018

2019

During financial year 2019 there was no movement under the heading “Long-Term Investments in Group Companies and Associates - Equity Instruments”.

2018

On 26 June 2018, a public deed of incorporation was executed in respect of ENDESA X, S.A. (Sole Shareholder Company) with share capital of Euros 60,000, represented by 60,000 shares each with a par value of Euros 1, fully subscribed and paid in by the sole shareholder, ENDESA, S.A., through a cash contribution, and registered with the Madrid Trade & Companies Register on 27 July 2018.

On 16 November 2018, ENDESA S.A. approved contributions to its subsidiaries to strengthen their financial position. These contributions were recognised as increases in the value of the equity holdings and amount to Euros 1.1 billion in ENDESA Energía, S.A.U., Euros 2 billion in ENDESA Generación, S.A.U. And Euros 1 billion in ENDESA Red, S.A.U.

8.1.2. Current and non-current loans and advances to Group Companies and Associates

At 31 December 2019 and 2018, the company has a loan granted to Elcogas, S.A. (in liquidation) recognised under Non-current loans and advances to Group Companies and Associates and had been the subject of a 100% impairment adjustment. Its maturity date is subject to Elcogas, S.A. having met all its liabilities, which given the current plant closing schedule is estimated to occur in a period greater than 12 months.

In addition, at 31 December 2019, current loans and advances to Group Companies and Associates included the amounts receivable from ENEL Iberia, S.L.U. corresponding to income tax expense in an amount of Euros 111 million (Euros 78 million at 31December 2018). The receivable for income tax in 2019 of Euros 69 million (Euros 70 million at 31 December 2018) is an estimate and therefore interest-free, as it will be settled in 2020 when the income tax return is filed (see Notes 15.9 and 18.2).

8.1.3. Impairment

During 2019 and 2018, impairment losses on current loans and advances to Group Companies and Associates and reversals thereof were as follows:

Millions of Euros

	2019	2018
Balance at 1 January	**54**	**54**
Transfers from Current	-	-
Transfers to Current	-	-
Balance at 31 December	**54**	**54**

8.1.4. Other financial assets

Other financial assets under Current investments in Group Companies and Associates at 31 December 2019 included dividends receivable amounting to Euros 802 million (Euros 1,368 million at 31 December 2018), broken down as follows:

	31 December 2019	31 December 2018
ENDESA Red, S.A.U.	632	570
ENDESA Energía, S.A.U.	149	-
ENDESA Financiación Filiales, S.A.U.	21	143
ENDESA Generación, S.A.U.	-	655
TOTAL	**802**	**1,368**

8.2. Current and non-current financial investments.

8.2.1. Equity instruments.

Investments in equity instruments held at 31 December 2019 and 2018 totalled Euros 4 million and Euros 5 million respectively.

8.2.2. Non-current loans to third parties.

At 31 December 2019 and 2018 this heading included Euros 4 million and Euros 5 million respectively of long-term loans to personnel.

At 31 December 2019 value corrections on non-current loans to third parties were less than Euros 1 million (Euros 2 million at 31 December 2018).

8.2.3. Other non-current financial assets.

At 31 December 2019 and 2018, included under this heading were Euros 21 million and Euros 25 million respectively corresponding to the deposit established to guarantee payment for future services of the employees who are members of ENDESA, S.A.'s defined benefit pension scheme (see Note 11.1).

8.3. Classification of non-current and current financial assets by class and category

Non-current and current financial assets other than equity instruments in Group Companies and Associates, by class and category at 31 December 2019 and 2018, were as follows:

Millions of Euros

	Note	31 December 2019			
		Financial assets held for trading	Available-for-sale Financial Assets	Loans and receivables	Total
Non-current financial investments		**1**	**4**	**25**	**30**
Equity instruments		-	4	-	4
Loans to third parties		-	-	4	4
Derivatives	14	1	-	-	1
Other financial assets		-	-	21	21
Total Non-Current Financial Assets		**1**	**4**	**25**	**30**
Current investments in Group Companies and Associates		**2**	**-**	**913**	**915**
Loans to companies		-	-	111	111
Derivatives	14	2	-	-	2
Other financial assets		-	-	802	802
Current Financial Investments		**25**	**-**	**10**	**35**
Loans to third parties		-	-	10	10
Derivatives	14	25	-	-	25
Trade and other receivables		**-**	**-**	**162**	**162**
Cash and cash equivalents		**-**	**-**	**31**	**31**
Total Current Financial Assets		**27**	**-**	**1,116**	**1,143**
TOTAL		**28**	**4**	**1,141**	**1,173**

Millions of Euros

	Note	31 December 2018 Financial Assets Held for Trading	Available-for-sale Financial Assets	Loans and receivables	Total
Non-current investments in Group Companies and Associates		**1**	**-**	**-**	**1**
Derivatives	14	1	-	-	1
Non-current financial investments		**10**	**5**	**30**	**45**
Equity instruments		-	5	-	5
Loans to third parties		-	-	5	5
Derivatives	14	10	-	-	10
Other financial assets		-	-	25	25
Total Non-Current Financial Assets		**11**	**5**	**30**	**46**
Current investments in Group Companies and Associates		**9**	**-**	**1,446**	**1,455**
Loans to companies		-	-	78	78
Derivatives	14	9	-	-	9
Other financial assets		-	-	1,368	1,368
Current Financial Investments		**49**	**-**	**10**	**59**
Loans to third parties		-	-	10	10
Derivatives	14	49	-	-	49
Trade and other receivables		**-**	**-**	**131**	**131**
Cash and cash equivalents		**-**	**-**	**13**	**13**
Total Current Financial Assets		**58**	**-**	**1,600**	**1,658**
TOTAL		**69**	**5**	**1,630**	**1,704**

Financial assets held for trading and available-for-sale financial assets are measured at fair value, except investments in equity instruments whose fair value cannot be reliably determined. These investments are measured at cost less any accumulated impairment losses (see Note 4d). The fair value of the rest of the financial assets does not differ substantially from their carrying amount.

Financial assets held for trading are financial derivatives not designated for accounting purposes as hedging instruments.

The fair value of financial assets is measured taking into account observable market variables, specifically by estimating discounted future cash flows using zero-coupon yield curves for each currency on the last working day of each closure, translated into euros at the exchange rate prevailing on the last working day of each closure. All these measurements are made using internal tools.

At 31 December 2019 and 2018, the fair value of the Company's non-current financial assets under "Loans and Receivables" did not differ from their carrying amount.

8.4. Classification by maturity

At 31 December 2019 and 2018 the breakdown by maturity of non-current financial assets, excluding equity instruments, was as follows:

Millions of Euros

31 December 2019	2021	2022	2023	2024	Subsequent years	Total
Non-current financial investments	**8**	**7**	**7**	**3**	**1**	**26**
Loans to third parties	1	1	1	-	1	4
Derivatives	1	-	-	-	-	1
Other financial assets	6	6	6	3	-	21
TOTAL NON-CURRENT FINANCIAL ASSETS	**8**	**7**	**7**	**3**	**1**	**26**

Millions of Euros

31 December 2018	2020	2021	2022	2023	Subsequent years	Total
Non-current investments in Group Companies and Associates	**1**	**-**	**-**	**-**	**-**	**1**
Derivatives	1	-	-	-	-	1
Non-current financial investments	**12**	**1**	**2**	**1**	**24**	**40**
Loans to third parties	2	1	1	-	1	5
Derivatives	10	-	-	-	-	10
Other financial assets	-	-	1	1	23	25
TOTAL NON-CURRENT FINANCIAL ASSETS	**13**	**1**	**2**	**1**	**24**	**41**

8.5. Items recognised in profit and loss and in equity

In 2019 and 2018, allocations made to Profit and loss and Equity linked to non-current and current financial assets grouped by the different categories were as follows:

Millions of Euros

	2019		2018	
	(Loss)/Profit	Equity	(Loss)/Profit	Equity
Loans and receivables	4	-	13	-
Assets at fair value with changes through profit or loss	(41)	-	128	-
Held for trading	(41)	-	128	-
TOTAL	**(37)**	**-**	**141**	**-**

8.6. Financial assets at fair value with changes through profit or loss.

In 2019 and 2018, changes in the fair value of non-current and current financial assets at fair value with changes through profit or loss were as follows.

Millions of Euros

	Fair value at 31 December 2018	Change in fair value of derivatives	Settlements of derivatives	Other movements	Fair value at 31 December 2019
Financial assets at fair value with changes through profit and loss	**69**	**56**	**(97)**	**-**	**28**
Non-current	11	1	-	(11)	1
Current	58	55	(97)	11	27
TOTAL	**69**	**56**	**(97)**	**-**	**28**

Millions of Euros

	Fair value at 31 December 2017	Change in fair value of derivatives	Settlements of derivatives	Other movements	Fair value at 31 December 2018
Financial assets at fair value with changes through profit and loss	**47**	**128**	**(70)**	**(36)**	**69**
Non-current	10	12	-	(11)	11
Current	37	116	(70)	(25)	58
TOTAL	**47**	**128**	**(70)**	**(36)**	**69**

8.7. Financial investment commitments.

At 31 December 2019 and 2018, ENDESA, S.A. had no agreements that included commitments to make financial investments of a significant amount.

9. Foreign currency

Details of the most significant balances at 31 December 2019 and 2018 in foreign currency are as follows:

Millions of Euros

	31 December 2019			31 December 2018
	U.S. Dollar (USD)	Pound Sterling (GBP)	TOTAL	U.S. Dollar (USD)
CURRENT ASSETS	**19**	**2**	**21**	**2**
Trade and other receivables	19	1	20	2
Cash and cash equivalents	-	1	1	-
TOTAL ASSETS	**19**	**2**	**21**	**2**

Millions of Euros

	31 December 2019			31 December 2018
	U.S. Dollar (USD)	Pound Sterling (GBP)	TOTAL	U.S. Dollar (USD)
CURRENT LIABILITIES	**(19)**	**-**	**(19)**	**-**
Trade and other payables	(19)	-	(19)	-
TOTAL LIABILITIES	**(19)**	**-**	**(19)**	**-**

During 2019 and 2018, transactions denominated in foreign currency of significant amounts were as follows:

Millions of Euros

	2019			2018
	U.S. Dollar (USD)	Pound Sterling (GBP)	TOTAL	U.S. Dollar (USD)
Procurements	-	-	-	-
EBIT	**-**	**-**	**-**	**-**
Financial Income	-	-	-	1
Change in fair value of financial instruments	-	-	-	(1)
NET FINANCE INCOME/(EXPENSE)	**-**	**-**	**-**	**-**
PROFIT BEFORE TAX	**-**	**-**	**-**	**-**

The Company has signed with ENDESA Energía, S.A.U. and ENEL Global Trading, S.p.A. contracts for the sale of liquefied natural gas (LNG) whereby it transfers, under the same conditions, the purchases that the Company has contracted with Corpus Christi Liquefaction, LLC for the fulfilment of the contracts referred to (see Note 17.2). Transactions in this operation are denominated in US dollars (USD), are considered an intermediation and are presented netted in the accompanying Income Statement under the heading Procurements.

Foreign exchange differences arising on transactions settled in 2019 and 2018 related mainly to valuations of treasury accounts denominated in foreign currency.

10. Equity

At 31 December 2018 and 2017, the composition and movement of equity are shown in the statement of changes in equity which forms part of the Company's financial statements.

10.1. Share Capital.

At 31 December 2019, ENDESA, S.A. had share capital of Euros 1,270,502,540.40, represented by 1,058,752,117 bearer shares each with a par value of Euros 1.20, fully subscribed and paid up and all admitted to trading on the Spanish Stock Exchanges. This figure was unchanged in 2019 and 2018. All the shares have the same voting and profit-sharing rights.

At 31 December 2019 and 2018, ENEL Group, through ENEL Iberia, S.L.U., held 70.101% of ENDESA, S.A.'s share capital (see Note 1). At these dates, no other shareholder held more than 10% of the share capital of ENDESA, S.A.

10.2. Issue premium

The issue premium arises from the Company's corporate restructuring transactions. Article 303 of the Consolidated Text of the Corporate Enterprises Act expressly permits the use of the balance of the issue premium to increase capital and does not establish any specific restrictions as to its availability.

Nonetheless, at 31 December 2019, Euros 43 million of the issue premium were restricted to the extent that they were subject to tax deductions applied in prior years (Euros 46 million at 31 December 2018).

10.3. Reserves

Details of the Company's reserves at 31 December 2019 and 2018 are as follows.

Millions of Euros

	Note	31 December 2019	31 December 2018
Legal reserve	10.3.1	254	254
Revaluation reserve	10.3.2	404	404
Reserve for Amortised Capital	10.3.3	102	102
Reserve for Redenomination of Capital to Euros	10.3.4	2	2
Reserve for actuarial gains and losses and other adjustments	10.3.5	(24)	(20)
Other reserves		703	703
Merger reserve	10.3.6	667	667
Other unrestricted reserves	10.3.7	36	36
Voluntary and other reserves		36	36
TOTAL		**1,441**	**1,445**

10.3.1. Legal reserve

In accordance with Article 274 of the Consolidated Text of Spain's Corporate Enterprises Act, an amount equal to ten percent of the profit for the period must be transferred to the legal reserve each year until the reserve reaches at least twenty percent of the capital. The legal reserve may be used to increase share capital providing the balance left in the reserve is at least equal to 10% of the nominal value of the total share capital after the increase. Except for the aforementioned purpose and until it exceeds 20% of the share capital, the legal reserve may be used only to offset losses, and then only if no other sufficient reserves are available for such purpose.

At 31 December 2019 and 2018, the Company held the minimum amount stipulated in law for this reserve.

10.3.2. Revaluation reserve

The revaluation reserve is a result of the revaluation of assets made pursuant to Royal Decree-Law 7/1996 of 7 June. On 1 January 2000, the revalued assets were contributed to the corresponding companies following the corporate restructuring carried out by ENDESA, S.A.

The balance of this reserve may be used, tax-free, to offset accounting losses, for the year or accumulated from prior years or that might arise in the future, and to increase share capital or unrestricted reserves. It may also be transferred to unrestricted reserves providing the monetary gain has been realised. The gain will be deemed to have been realised for the part corresponding to the accounting depreciation carried out or when the revalued items have been transferred or derecognised.

This balance would be taxed if used for any purpose other than that foreseen in Royal Decree Law 7/1996 of 7 June.

Nonetheless, at 31 December 2019, Euros 269 million of the issue premium were restricted to the extent that they were subject to tax deductions applied in prior years (Euros 296 million at 31 December 2018).

10.3.3. Reserve for Amortised Capital

The reserve for amortised capital has been funded in compliance with Article 335 of Spain's Corporate Enterprises Act, which establishes that, when the reduction is charged to profits or unrestricted reserves or by amortising shares acquired by the company free of charge, the amount of the par value of the amortised shares or of the reduction in their par value must be posted to a reserve available only subject to the same requirements as those required for reducing the share capital.

10.3.4. Reserve for redenomination of capital in euros

This reserve is unavailable.

10.3.5. Reserve for actuarial gains and losses and other adjustments

This reserve derives from actuarial gains and losses recognised in equity (see Note 11.1).

10.3.6. Merger reserve

This reserve stems from corporate restructuring and its balance at 31 December 2019 and 2018 amounted to Euros 667 million, of which Euros 93 million and Euros 99 million respectively were restricted in that they were subject to certain tax benefits.

10.3.7. Other unrestricted reserves

Voluntary reserves are freely distributable.

10.4. Dividends.

2019

At its meeting held on 26 November 2019, ENDESA S.A.'s Board of Directors agreed to pay its shareholders a gross interim dividend against 2019 profit of Euros 0.70 per share, which gave rise to a payment of Euros 741 million (see Note 3). This interim dividend was deducted from the Company's equity at 31 December 2019.

Millions of Euros

	Approval date	Gross euros per Share	Amount	Payment date
Interim dividend	26 November 2019	0.70	741	2 January 2020
Total dividend paid against 2019 profit		**0.70**	**741**	

2018

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

Millions of Euros

	Approval date	Gross euros per Share	Amount	Payment date
Interim dividend	20 November 2018	0.700	741	02 January 2019
Final dividend	12 April 2019	0.727	770	02 July 2019
Total dividend paid against 2018 profit		**1.427**	**1,511**	

10.5. Value adjustments.

The movement in value adjustments in the accompanying statement of financial position is shown in the Statement of Recognised Income and Expense which forms part of these Financial Statements.

11. Provisions and contingencies

Details of current and non-current provisions in the accompanying statement of financial position at 31 December 2019 and 2018 are as follows.

Millions of Euros

	Note	31 December 2019	31 December 2018
Non-current provisions			
Non-current employee benefits		78	71
Provisions for Pensions and Similar Provisions (1)	11.1	56	49
Other employee benefits		22	22
Provisions for workforce restructuring plans		121	150
Workforce reduction plans	11.2.1	-	2
Suspension of contracts	11.2.2	121	148
Other provisions	11.3	54	60
TOTAL		**253**	**281**
Current provisions			
Provisions for workforce restructuring plans		47	51
Workforce reduction plans		14	18
Suspension of contracts		33	33
Other provisions		9	9
TOTAL		**56**	**60**

(1) Includes post-employment benefits other than pension plans for Euros 38 million at 31 December 2019 (Euros 31 million at 31 December 2018).

11.1. Provisions for Pensions and Similar Provisions

The obligations included in the accompanying balance sheet under the heading of provisions for pensions and similar obligations arise as a result of collective or individual agreements in which a commitment is made by the company to provide a system to supplement that granted by the public system to cover the contingencies of retirement, permanent disability and death.

Pension commitments, both defined benefit and defined contribution, are instrumented basically through pension plans or insurance contracts, except for certain benefits in kind, for which, due to their nature, no externalisation has been carried out and which are covered by the related internal provision.

The amounts recognised in the accompanying statement of financial position at 31 December 2019 for post-employment benefits include Euros 56 million recognised in non-current provisions (Euros 49 million at 31 December 2018).

Details of the present value of the Company's main assumed provisions regarding post-employment plans and other non-current benefits and associated plan assets at 31 December 2019 and 2018 are as follows.

Millions of Euros

	31 December 2019	31 December 2018
Present value of Defined Benefit Provisions	**112**	**108**
Active employees	30	25
Former employees	35	51
Employees taking early retirement	47	32
Fair value of defined benefit plan assets	**(56)**	**(59)**
NET TOTAL (1)	**56**	**49**

(1) Includes post-employment benefits other than pension plans amounting to Euros 38 million at 31 December 2019 (Euros 31 million at 31 December 2018).

Movement in the actuarial liabilities assumed in relation to defined benefit scheme provisions for the years ended 31 December 2019 and 2018 was as follows:

Millions of Euros

	Note	2019	2018
Opening actuarial liability		**108**	**111**
Amounts charged to profit and loss for the period		**3**	**3**
Personnel Expenses		1	1
Financial expense	16.4	2	2
Actuarial gains and losses		**6**	**-**
Applications		**(5)**	**(8)**
Financial Income		-	-
Payments		(6)	(8)
Transfers to current and other		1	-
Other		**-**	**2**
Closing actuarial liability		**112**	**108**

(1) Includes post-employment benefits other than pension plans amounting to Euros 38 million at 31 December 2019 (Euros 31 million at 31 December 2018).

Changes in the market value of defined benefit plan assets for the years ended 31 December 2019 and 2018 were as follows:

Millions of Euros

	Note	2019	2018
Opening market value		**59**	**64**
Estimated benefit	16.4	1	1
Payments		(5)	(8)
Actuarial gains and losses		1	2
Closing market value (1)		**56**	**59**
Opening liabilities/(assets) balance		**49**	**47**
Final liabilities/(assets) balance		**56**	**49**

(1) Does not include post-employment benefits other than pension plans.

(1) Plan assets

The main characteristics of defined benefit plan assets as a percentage of total assets, at 31 December 2019 and 2018, were as follows:

	Percentage (%)	
	31 December 2019	31 December 2018
Shares	35	32
Fixed-income assets	51	55
Other (cash)	14	13
TOTAL	**100**	**100**

Actuarial assumptions

The following were the most significant actuarial assumptions considered in the calculations at 31 December 2019 and 2018:

	31 December 2019	31 December 2018
Mortality Tables	PERM/F2000	PERM/F2000
Technical interest rate	1.07% - 1.14%	1.72% - 1.75%
Expected return on plan assets	1.09%	1.75%
Consumer Price Index (CPI) (1)	2.00%	2.00%
Increase in healthcare costs	3.20%	3.20%

(1) Annual pension and salary increases.

The interest rate applied to discount the provisions in Spain is obtained from a curve constructed using the yields on corporate bond issues by companies with an "AA" credit rating and based on the estimated term over which the provisions arising from each commitment will be settled.

The projected unit credit method is used, where each year of service generates a unit of rights to the benefits, with each unit determined separately.

With the amounts recorded in the Balance sheet at 31 December 2019 and 2018, the Company has covered the aforementioned provisions.

The contributions made by the Company to defined benefit and contribution pension plans amounted to Euros 8 million in 2019 (Euros 13 million in 2018) and are recognised under Personnel Expenses in the Income Statement.

11.2. Provisions for workforce restructuring plans

The obligations included in the accompanying balance sheet under the heading of provisions for workforce restructuring plans arise as a result of collective or individual agreements in which a commitment is made by the company to provide a regime complementary to that granted by the public system to cover the situation of termination or suspension of the labour relationship by agreement between the parties.

11.2.1. Workforce reduction plans

As of 31 December 2019, there is a plan in force (Voluntary Departure Plan of 2000) affecting a total of 15 people, all of them in early retirement (28 people as of 31 December 2018).

Movements in this non-current provision in 2019 and 2018 were as follows:

Millions of Euros

	Note	2019	2018
Opening balance		**2**	**7**
Amounts charged to profit and loss for the period		**-**	**4**
Personnel Expenses	16.2	-	4
Applications		**(2)**	**(9)**
Personnel income	16.2	(1)	-
Transfers and other		(1)	(9)
Closing balance		**-**	**2**

Actuarial assumptions

The assumptions used in the actuarial calculation of the obligations arising under these workforce reduction plans at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Technical interest rate	0.27%	0.78%
CPI	2.00%	2.00%
Mortality Tables	PERM/F2000	PERM/F2000

11.2.2. Agreement on voluntary suspension or termination of employment contracts 2013-2018

At 31 December 2019, there were 280 employees with suspended contracts under the "Agreement on Voluntary Measures to Suspend or Terminate Employment Contracts in the 2013-2018 period of the Framework Agreement on Guarantees for ENDESA, S.A. and its electricity subsidiaries" for which ENDESA has undertaken not to exercise the power to request their return to the company (283 employees at 31 December 2018) (see Note 21).

This agreement, which expired on 31 December 2018, provided the possibility of suspending the employment contract of workers over 50 years of age for a period of one year, renewable for annual periods until the date of the worker's ordinary retirement, provided that neither the employee nor the company requested the worker's return to the company in exchange for receiving a periodic income during the period of suspension of the contract.

The provision covers the total cost to be assumed by the Company during the period for which, in accordance with the commitments acquired at 31 December 2019, the company cannot avoid the employment contract being suspended.

Movements in this non-current provision in 2019 and 2018 were as follows:

Millions of Euros

	Note	2019	2018
Opening balance		**148**	**183**
Amounts charged to profit and loss for the period		**4**	**1**
Financial expense	16.4	4	1
Applications		**(31)**	**(36)**
Personnel income	16.2	(3)	(1)
Financial Income	16.4	-	(1)
Transfers and other		(28)	(34)
Closing balance		**121**	**148**

Actuarial assumptions

The assumptions used in the actuarial calculation of the obligations arising from the contract suspension agreement at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Future increase in guarantee	2.00%	2.00%
Increase in other items	2.00%	2.00%
Discount rate	0.27%	0.78%
Mortality Tables	PERM/F2000	PERM/F2000

11.3. Other non-current provisions

The movements and details of other non-current provisions on the liabilities side of the accompanying statement of financial position at 31 December 2019 and 2018 were as follows.

Millions of Euros

	2019	2018
Opening balance	**60**	**60**
Amounts charged to profit and loss for the period	**1**	**10**
Applications	**(7)**	**(10)**
Closing balance	**54**	**60**

Litigation and arbitration

At the date of preparation of these financial statements, the main lawsuits or arbitration proceedings involving the Company are as follows.

– On 8 May 2008, a ruling was handed down on the appeal lodged by ENDESA, S.A. with the Spanish Supreme Court against a ruling by the Spanish National High Court ("Audiencia Nacional") nullifying the Order of 29 October 2002 regulating the costs of transition to competition (CTC) for 2001 handed down in appeal for judicial review no. 825/2002 filed by Iberdrola, S.A. The Supreme Court dismissed ENDESA, S.A.'s appeal against the ruling of the High Court. Enforcement of the ruling is not expected to have any material economic effect for ENDESA, S.A., among other reasons because the ruling did not mention any possible amounts of competition transition costs (CTC) but merely stated that, in view of the total amount of capital gains obtained by ENDESA, S.A. from the sale of Electra de Viesgo, S.L., there would be some capital gains in relation to the competition transition costs, but neither this ruling nor the subsequent Supreme Court appeal ruling stated any amount on which calculation of the potential impact on ENDESA, S.A. could be based.

– The Supreme Court handed down several judgements in the appeals filed by ENDESA, S.A. (and other companies in the electricity sector) against the obligation to finance the Social Bonus established in the former article 45.4 of Law 24/2013, of 26 December 2013, on the Electricity Sector (declared inapplicable as incompatible with Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009, as established in the Supreme Court Judgements of 24 and 25 October and 2 November 2016). The Supreme Court recognised the right of ENDESA, S.A. to be compensated for the amounts paid as Social Bonus in application of the article declared inapplicable, such that all amounts paid under this head be reimbursed together with interest at the legal rate. The Administration submitted applications for nullification of these rulings, but these were dismissed by the Supreme Court. Faced with this rejection, the Administration filed appeals for *amparo* (constitutional protection of fundamental rights) with the Constitutional Court, which ruled in favour of the Administration, obliging the Supreme Court to backtrack on the appeal process so as to present a preliminary question (question prior to issuing a ruling) on the applicability of European Community law to the case. ENDESA, S.A. first presented arguments to the Constitutional Court and then to the Supreme Court contending that the Supreme Court's rulings did not violate the Administration's right to effective judicial protection and to due process with guarantees, and that therefore the Supreme Court's annulment decision had not been affected at all and should be ratified. On 17 July 2019, the Supreme Court, in proceedings brought by another company in the sector, notified a Resolution with two questions to the Court of Justice of the European Union (CJEU). In the argumentation of these questions it maintains that the obligation to finance the Social Bonus is neither proportional nor transparent (article 3.2 of the Electricity Directive) and that for the Supreme Court the matter is clear: it has no doubt of the correctness of its ruling annulling the system of financing the Social Bonus which the Constitutional Court annulled in the appeal for protection. Five Supreme Court judges voted in favour of this Resolution, but one voted against the majority decision, maintaining that the Social Bonus was a proportional and transparent public service obligation. The CJEU will now decide, and with its decision the Supreme Court will issue new judgements, including that of ENDESA, S.A.

- In 2016, the Tax Agency notified ENDESA S.A. of the start of proceedings on the tax consolidation group to which it belongs in respect of Corporation Tax for the years 2011 to 2014. In April 2018, the consolidated tax group signed notices of disagreement with the corporation tax assessments from 2011 to 2014. On 9 July 2018, the final assessments were issued, and these were appealed on 27 July 2018 before the Central Economic and Administrative Court and is pending resolution.

  The disputed items are, mainly, the result of differing criteria on the deductibility of certain financial expenses during the inspected period. There is a guarantee covering the suspension of the debt.

- Following a large number of meetings of the "Committee responsible for negotiating ENDESA's V Framework Collective Agreement", starting in October 2017 and continuing throughout 2018, and given that no agreement was reached, the Company's management informed its workers and their representatives that, with effect from 1 January 2019, "IV Framework Collective Agreement of ENDESA" would be considered to have ended, in addition to the "Guarantee Framework Agreement" and the "Agreement on voluntary suspension or termination of employment contracts for 2013-2018", from which date the general collective agreement would apply, in addition to all case law established in this regard.

  The different interpretations by ENDESA and by the trade unions representatives of the effects of terminating "IV Framework Collective Agreement of ENDESA", specifically with regard to the social benefits for former employees, led the trade unions representative in ENDESA's companies to file a collective dispute claim with the Spanish High Court at the beginning of 2019. On 26 March 2019, the Spanish High Court ruled in favour of ENDESA, validating the Company's interpretation that recognizes the legality of the completion of the application of certain social benefits for former employees following the termination of "IV Framework Collective Agreement of ENDESA".

  Although this ruling is fully enforceable, the unions with representation in ENDESA's companies presented in April 2019 an appeal to the Supreme Court against it, to which the company responded by means of a written challenge filed on 19 June 2019. In December 2019, the majority trade union in ENDESA, General Workers Union (UGT), agreed to withdraw the aforementioned Appeal as a result of voluntarily submitting to an arbitration in equity for the resolution of certain aspects relating to the "V Framework Collective Agreement of ENDESA". The appeal to the Supreme Court is therefore continuing at the request of the three applicant minority unions (Comisiones Obreras (CCOO), Sindicato Independiente de la Energía (SIE) and Confederación Intersindical Galega (CIG)) and at the time of issue of these Annual Accounts its resolution is pending, with the expectation that it will take place in the second half of 2020.

  In addition to the aforementioned Collective Conflict lawsuit, almost a thousand individual claims have been submitted at the time of issue of these Annual Accounts by passive personnel or personnel under the voluntary departures plan (AVS) who claim that the termination of the "IV Framework Collective Agreement of ENDESA" did not affect them in the terms notified by the Company. At the time of issue of these Annual Accounts, most of these claims are pending or suspended, since the Collective Conflict lawsuit is pending before the Supreme Court determines the stoppage of the individual proceedings affected by the same matter, in accordance with labour law procedural regulations. Consequently, the result of these individual claims, and of any new ones that could be initiated after the issue of these Annual Accounts, will depend to a large extent on the outcome of the appeal filed.

The Company's Directors do not expect that any additional significant liabilities to those already recognised in the accompanying statement of financial position will arise as a result of the above-mentioned lawsuits.

12. Current and non-current financial liabilities

12.1. Current and non-current financial liabilities

The composition of non-current liabilities and of non-current liabilities to Group Companies and Associates in the accompanying statement of financial position at 31 December 2019 and 2018 and the movements in the years then ended were as follows:

Millions of Euros

	Note	Balance at 31 December 2018	Drawdowns	Amortisations	Transfers to Current	Balance at 31 December 2019
Non-current debts		**1,391**	**686**	**(179)**	**(42)**	**1,856**
Owed to credit institutions		1,387	667	(179)	(40)	1,835
Finance lease payables		1	1	-	(1)	1
Derivatives	14	1	17	-	(1)	17
Other financial liabilities		2	1	-	-	3
Non-current debts to Group Companies and Associates	**18.2**	**8,982**	**1**	**(962)**	**(11)**	**8,010**
Debts to Group Companies and Associates		8,971	-	(962)	-	8,009
Derivatives	14	11	1	-	(11)	1
TOTAL		**10,373**	**687**	**(1,141)**	**(53)**	**9,866**

Millions of Euros

	Note	Balance at 31 December 2017	Drawdowns	Amortisations	Transfers to Current	Balance at 31 December 2018
Non-current debts		**743**	**704**	**(1)**	**(55)**	**1,391**
Owed to credit institutions		731	702	(1)	(45)	1,387
Finance lease payables		-	1	-	-	1
Derivatives	14	9	1	-	(9)	1
Other financial liabilities		3	-	-	(1)	2
Non-current debts to Group Companies and Associates	**18.2**	**4,212**	**4,771**	**-**	**(1)**	**8,982**
Debts to Group Companies and Associates		4,211	4,760	-	-	8,971
Derivatives	14	1	11	-	(1)	11
TOTAL		**4,955**	**5,475**	**(1)**	**(56)**	**10,373**

Details of current debts and current debts to Group Companies and Associates in the accompanying statements of financial position at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Note	31 December 2019	31 December 2018
Current debts		**1,076**	**284**
Owed to credit institutions		49	50
Finance lease payables		1	-
Derivatives	14	3	9
Other Financial Liabilities (1)		1,023	225
Current debts to Group Companies and Associates	**18.2**	**637**	**1,575**
Debts to Group Companies and Associates		75	987
Derivatives	14	27	49
Other Financial Liabilities (2)		535	539
TOTAL		**1,713**	**1,859**

(1) At 31 December 2019 this includes the interim dividend to be paid by ENDESA, S.A. to shareholders that are not part of the ENEL Group in an amount of Euros 221 million (Euros 221 million at 31 December 2018) (see Note 10.4) in addition to the outstanding balance of Euro Commercial Paper (ECP) issuances in an amount of Euros 796 million (see Note 12.2).

(2) At 31 December 2019, this includes the interim dividend payable by ENDESA, S.A. to ENEL Iberia, S.L.U. amounting to Euros 520 million (Euros 520 million at 31 December 2018) (see Note 10.4).

The composition of current and non-current "Bank borrowings" and "Debts to Group Companies and Associates" at 31 December 2019 and 2018, was as follows:

Millions of Euros

	Note	31 December 2019		31 December 2018	
		Non-current	Current	Non-current	Current
Owed to credit institutions	**12.2**	**1,835**	**49**	**1,387**	**50**
Credit lines		68	3	208	4
European Investment Bank (EIB) loan		1,467	46	1,179	46
Instituto de Crédito Oficial (ICO) loan		300	-	-	-
Debts to Group Companies and Associates	**12.2 and 18.2**	**8,009**	**75**	**8,971**	**987**
ENEL Finance International, N.V.		3,000	16	3,000	16
ENDESA Financiación Filiales, S.A.U.		5,009	37	5,971	34
International ENDESA, B.V.		-	-	-	905
Other debts		-	22	-	32

12.2. Main transactions

In 2019 extensions of credit lines to mature in March 2022 were signed with various financial institutions and the limits of some of them were increased so that the total now amounts to Euros 2,125 million.

ENDESA, S.A. completed the Euro Commercial Paper (ECP) issuance programme through International ENDESA B.V. and embarked upon a new Euro Commercial Paper (ECP) issuance programme, the outstanding balance at 31 December 2019 being Euros 796 million with renewal backed by irrevocable bank credit lines.

In the framework of the financial transaction arranged by means of a green loan from the European Investment Bank (EIB) in 2018, on 19 March 2019, Euros 335 million were drawn down. This drawdown is at a floating interest rate, with a 15-year maturity, repayments starting in March 2023.

ENDESA, S.A. signed a green loan amounting to Euros 300 million with Spain's Official Credit Institute (ICO), 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.

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 billion, extending its maturity to 30 June 2022.

At 31 December 2019 and 2018, the main current and non-current financial debts corresponds to the following transactions:

Millions of Euros

	Limit	31 December 2019		31 December 2018		Conditions	Maturity
		Non-current	Current	Non-current	Current		
Owed to credit institutions	**3,961**	**1,835**	**49**	**1,387**	**50**		
Credit lines	2,148	68	3	208	4	Floating interest rate	Until 31 March 2022
European Investment Bank (EIB) (1)	1,513	1,467	46	1,179	46	Floating interest rate	Until 20 March 2034
Instituto de Crédito Oficial (ICO) (2)	300	300	-	-	-	Floating interest rate	Until 10 May 2031
Debts to Group Companies and Associates		**8,009**	**75**	**8,971**	**987**		
Credit line with ENEL Finance International, N.V. (3)	1,000	-	-	-	-	Margin of 55 bps and commitment fee of 18 bps	30 June 2022
Inter-company loan from ENEL Finance International, N.V. (4)	3,000	3,000	16	3,000	16	Fixed interest rate 3.0%	29 October 2024
Current account with ENDESA Financiación Filiales, S.A.U. (5)		5,009	37	5,971	34	Average interest rate of 1.9% (2.0% in 2018)	1 July 2021
Current account with ENDESA Financiación Filiales, S.A.U. (6)		-	-	-	-	(Average interest rate of 2.0% in 2018)	1 October 2023
Credit line with International ENDESA, B.V.	3,000	-	-	-	905	Average interest rate - 0.3% (-0.3% in 2018)	21 March 2020
Other debts		-	22	-	32		
Other financial liabilities		**-**	**1,023**	**-**	**225**		
European Commercial Paper (ECP) (7)	3,000	-	796	-	-	Floating interest rate	Annual Renovation
Other financial liabilities		-	227	-	225	-	-
TOTAL		**9,844**	**1,147**	**10,358**	**1,262**		

(1) On 21 December 2018 ENDESA, S.A. arranged financing with the European Investment Bank (EIB) for an amount of Euros 335 million, which was drawn down on 19 March 2019.

(2) On 10 May 2019, ENDESA, S.A. arranged financing with Instituto de Crédito Oficial (ICO) for an amount of Euros 300 million.

(3) Committed and irrevocable credit line (see Note 18.2).

(4) On 23 October 2014, ENDESA, S.A. signed a long-term inter-company loan with ENEL Finance International, N.V. for an amount of Euros 4.5 billion. On 30 June 2015, ENDESA, S.A. made a partial repayment of Euros 1.5 billion on this loan. At 31 December 2019, interest accrued and pending payment on this loan amounted to Euros 16 million (Euros 16 million at 31 December 2018) (see Note 18.2).

(5) The Company has a current account financing contract with ENDESA Financiación Filiales, S.A.U. that is automatically renewable for five-year periods at maturity unless either party notifies its intention of not renewing it at least 13 months prior to the end of the period. The interest rate applied to both credit and debit balances is equal to the average cost of ENDESA's debt. Under this contract the Company can draw down the amounts required to cover its financial needs and invest its surpluses to regulate its cash flows. There is no limit on the cash drawdowns that can be made between the parties. At 31 December 2019, interest accrued and pending payment on this credit line totalled Euros 37 million (Euros 34 million at 31 December 2018) (see Note 18.2).

(6) The Company also has a current account in foreign currency with ENDESA Financiación Filiales, S.A.U. for a term of five years, currently maturing on 1 October 2023. It is automatically renewable for five-year periods unless either party notifies the other of its decision not to renew the account at least 13 months before the end of the period. At 31 December 2019 and 2018, no amount had been drawn down.

(7) This corresponds to the outstanding balance of Euro Commercial Paper (ECP) pursuant to the new issuance programme registered by ENDESA, S.A. on 9 May 2019.

Other debts

At 31 December 2019, Current debt to Group Companies and Associates included the loan received from Nuclenor, S.A. for Euros 15 million (Euros 24 million at 31 December 2018) (see Note 18.2).

Furthermore, at 31 December 2019, "Current debts to Group Companies and Associates" also included an amount due to ENEL Iberia, S.L.U. in respect of Value Added Tax (VAT) for Euros 7 million (Euros 8 million at 31 December 2018) (See Notes 15.9 and 18.2).

12.3. Classification of current and non-current financial liabilities by class and category

The classification of current and non-current financial liabilities items by category and nature, and a comparison of the fair value with the carrying amount at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Note	31 December 2019			
		Debts and payables	Financial liabilities held for trading	Hedging derivatives	Total
Non-current debts		**1,839**	**-**	**17**	**1,856**
Owed to credit institutions		1,835	-	-	1,835
Finance lease payables		1	-	-	1
Derivatives	14	-	-	17	17
Other financial liabilities		3	-	-	3
Non-current debts to Group Companies and Associates	**18.2**	**8,009**	**1**	**-**	**8,010**
Debts to Group Companies and Associates		8,009	-	-	8,009
Derivatives	14	-	1	-	1
Total non-current		**9,848**	**1**	**17**	**9,866**
Current debts		**1,073**	**3**	**-**	**1,076**
Owed to credit institutions		49	-	-	49
Finance lease payables		1	-	-	1
Derivatives	14	-	3	-	3
Other financial liabilities		1,023	-	-	1,023
Current debts to Group Companies and Associates	**18.2**	**610**	**27**	**-**	**637**
Debts to Group Companies and Associates		75	-	-	75
Derivatives	14	-	27	-	27
Other financial liabilities		535	-	-	535
Trade and other payables		**171**	**-**	**-**	**171**
Total current		**1,854**	**30**	**-**	**1,884**
TOTAL		**11,702**	**31**	**17**	**11,750**
TOTAL FAIR VALUE		**12,287**	**31**	**17**	**12,335**

Millions of Euros

	Note	31 December 2018			
		Debts and payables	Financial liabilities held for trading	Hedging derivatives	Total
Non-current debts		**1,390**	**1**	**-**	**1,391**
Owed to credit institutions		1,387	-	-	1,387
Finance lease payables		1	-	-	1
Derivatives	14	-	1		1
Other financial liabilities		2	-	-	2
Non-current debts to Group Companies and Associates	**18.2**	**8,971**	**11**	**-**	**8,982**
Debts to Group Companies and Associates		8,971	-	-	8,971
Derivatives	14	-	11		11
Total non-current		**10,361**	**12**	**-**	**10,373**
Current debts		**275**	**9**	**-**	**284**
Owed to credit institutions		50	-	-	50
Derivatives	14	-	9	-	9
Other financial liabilities		225	-	-	225
Current debts to Group Companies and Associates	**18.2**	**1,526**	**49**	**-**	**1,575**
Debts to Group Companies and Associates		987	-	-	987
Derivatives	14	-	49	-	49
Other financial liabilities		539	-	-	539
Trade and other payables		**133**	**-**	**-**	**133**
Total current		**1,934**	**58**	**-**	**1,992**
TOTAL		**12,295**	**70**	**-**	**12,365**
TOTAL FAIR VALUE		**12,805**	**70**	**-**	**12,875**

Financial liabilities held for trading, financial liabilities at fair value with changes through profit or loss and hedging derivatives are measured at fair value. Financial liabilities held for trading are financial derivatives not designated for accounting purposes as hedging instruments.

In accordance with the valuation criteria, items covered by fair-value hedging derivatives are included under other financial liabilities at fair value with changes through profit or loss.

The fair value of financial liabilities is measured taking into account observable market variables, specifically by estimating discounted future cash flows using zero-coupon yield curves for each currency on the last working day of each closure, translated into euros at the exchange rate prevailing on the last working day of each closure. All these measurements are made using internal tools.

At 31 December 2019 and 2018, the fair value of the Company's non-current debts under "Debts and payables" did not differ from their carrying amount.

12.4. Classification by maturity

Details of non-current financial liabilities at 31 December 2019 and 2018 by maturity are as follows.

Millions of Euros

31 December 2019	Note	2021	2022	2023	2024	Subsequent years	Total
Non-current debts		**80**	**213**	**178**	**178**	**1,207**	**1,856**
Owed to credit institutions		79	213	178	178	1,187	1,835
Finance lease payables		1	-	-	-	-	1
Derivatives	14	-	-	-	-	17	17
Other financial liabilities		1	-	-	-	2	3
Non-current debts to Group Companies and Associates	18.2	**5,010**	**-**	**-**	**3,000**	**-**	**8,010**
Debts to Group Companies and Associates		5,009	-	-	3,000	-	8,009
Derivatives	14	1	-	-	-	-	1
TOTAL		**5,090**	**213**	**178**	**3,178**	**1,207**	**9,866**

Millions of Euros

31 December 2018	Note	2020	2021	2022	2023	Subsequent years	Total
Non-current debts		**120**	**215**	**135**	**136**	**785**	**1,391**
Owed to credit institutions		118	215	135	135	784	1,387
Finance lease payables		1	-	-	-	-	1
Derivatives	14	1	-	-	-	-	1
Other financial liabilities		-	-	-	1	1	2
Non-current debts to Group Companies and Associates	18.2	**10**	**5,972**	**-**	**-**	**3,000**	**8,982**
Debts to Group Companies and Associates		-	5,971	-	-	3,000	8,971
Derivatives	14	10	1	-	-	-	11
TOTAL		**130**	**6,187**	**135**	**136**	**3,785**	**10,373**

In 2019, the average rate of interest was 2.1% on bank borrowings (2.0% in 2018) and 1.6% on debt to Group Companies (0.9% in 2018).

12.5. Items recognised in profit and loss and in equity

In 2019 and 2018, the allocations to profit and loss and equity linked to non-current and current financial liabilities grouped by the various categories were as follows:

Millions of Euros

	2019		2018	
	(Loss)/Profit	Equity	(Loss)/Profit	Equity
Debts and payables	(182)	-	(125)	-
Financial liabilities at fair value with changes through profit or loss	40	-	(130)	-
Held for trading	40	-	(130)	-
Hedging derivatives	-	(18)	-	-
TOTAL	**(142)**	**(18)**	**(255)**	**-**

12.6. Financial liabilities at fair value with changes through profit or loss

The variation in fair value of this type of financial liabilities in 2019 and 2018 was as follows:

Millions of Euros

	Fair Value at 31 December 2018	Change in fair value of derivatives	Settlement of derivatives	Other movements	Fair Value at 31 December 2019
Financial liabilities held for trading	**70**	**57**	**(97)**	**1**	**31**
Non-current	12	1	-	(12)	1
Current	58	56	(97)	13	30
TOTAL	**70**	**57**	**(97)**	**1**	**31**

Millions of Euros

	Fair Value at 31 December 2017	Change in fair value of derivatives	Settlement of derivatives	Other movements	Fair Value at 31 December 2018
Financial liabilities held for trading	**46**	**130**	**(70)**	**(36)**	**70**
Non-current	10	13	-	(11)	12
Current	36	117	(70)	(25)	58
TOTAL	**46**	**130**	**(70)**	**(36)**	**70**

12.7. Covenants

ENDESA, S.A.'s borrowings are subject to the usual covenants in contracts of this type. In no case do these covenants include the obligation to maintain financial ratios breach of which could lead to early repayment of the debt being called for.

At 31 December 2019 and 2018, ENDESA, S.A. was not in breach of covenants or any other financial obligations that could lead to early repayment of its financial obligations being called for.

The most significant covenants contained in the Company's borrowings are as follows:

Millions of Euros

Clauses	Transactions	Covenants	Outstanding debt	
			31 December 2019	31 December 2018
Related to credit rating	Financial transactions with the European Investment Bank (EIB) and Instituto de Crédito Oficial (ICO)	Additional or renegotiated guarantees in the event of credit rating downgrade	1,702	1,100
Relating to change of control.	Loans and other agreements with financial institutions and ENEL Finance International, N.V.	Early repayment may be required in the event of a change of control of ENDESA, S.A.	4,814 (1)	4,225 (1)
Related to asset transfers	Debts	Restrictions if debt exceeds between 7% and 10% of ENDESA's consolidated assets (2)	1,815	1,225

(1) The amount signed by ENDESA was Euros 5,814 million at 31 December 2019 (Euros 4,560 million at 31 December 2018).
(2) Above these percentages, restrictions would generally apply only if no equivalent consideration were received or if ENDESA, S.A.'s solvency were to be significantly and negatively affected.

The Company's directors do not consider that these clauses will change the current/non-current classification in the accompanying statement of financial position at 31 December 2019 and 2018.

12.8. Other matters

At 31 December 2019 and 2018, ENDESA, S.A. had undrawn credit lines available totalling Euros 2,677 million and Euros 3,077 million respectively, of which Euros 1.000 million correspond to a committed and irrevocable credit line arranged with ENEL Finance International, N.V. (see Notes 12.2 and 13.3).

13. General risk control and management policy

ENDESA, S.A. is exposed to certain risks which it manages by applying risk identification, measurement, control and supervision systems, all of which are implemented throughout the Group of which it is the parent company.

The General Risk Control and Management Policy establishes the basic principles and the general framework of management and control of risks of all kinds that might affect the attainment of its objectives, ensuring that they are systematically identified, analysed, evaluated, managed and controlled within the established levels of risk.

The General Risk Control and Management Policy seeks to guide and steer the set of strategic, organisational and operational actions that allow the Board of Directors of ENDESA S.A. to precisely delineate the acceptable level of risk, so that the managers, staff and service functions of the various Business Lines can maximise the profitability of the Company, preserve or increase its equity and ensure a given degree of achievement, preventing uncertain and future events from having a negative influence on the achievement of the company's profitability objectives, its operations, sustainability, resilience or reputation in a sustained manner over time, providing an adequate level of guarantees to shareholders and safeguarding their interests, as well as those of customers and other stakeholders.

The principles of ENDESA's General Risk Control and Management Policy, aimed at controlling and mitigating the possible risks identified, are as follows:

- Existence of a regulatory system, people, means and systems to develop a continuous process of identification, quantification, mitigation and reporting of all significant risks affecting the Company.

- Ensuring appropriate segregation of functions, and coordination mechanisms between the various areas and risk control systems.

- The risks must be consistent with the strategy, objectives and core values of ENDESA, S.A., ensuring the appropriateness of the risk levels to the objectives and limits set by the Board of Directors.

- Optimisation of risk control and management from a consolidated point of view, which is to be given priority over individual management of each risk.

- Continuous assessment of hedging, transfer and mitigation mechanisms to ensure their suitability and the adoption of best market practices.

- Ongoing study of the laws, rules and regulations in force, including on taxation, to ensure that transactions are carried out in accordance with the rules governing the activity.

- Respect for and compliance with internal regulations, with a particular focus on Corporate Governance, the Code of Ethics, the Zero Tolerance of Corruption Plan and the provisions for the Prevention of Criminal Risks and Anti-Bribery.

- Safety is the number one value at ENDESA and the health and safety of the people working in and for ENDESA, S.A. must be safeguarded in all its activities.

- Commitment to sustainable development, efficiency and respect for the environment and Human Rights.

- Responsible optimisation of the use of available resources with a view to providing profits to our shareholders in the context of relationships based on the principles of fairness and transparency.

The General Risk Control and Management Policy is developed and supplemented by other specific risk policies of the Business Lines, staff and service functions, as well as by the limits established for optimal risk management in each of them.

The Internal Control and Risk Management System (SCIGR in the Spanish abbreviation) conforms to a model based on the one hand on an ongoing study of the risk profile, applying current best practices in the energy or benchmark sectors as regards risk management, homogeneous measurement criteria within the same type of risk, segregation of risk managers and controllers, and, on the other hand, on ensuring a link between the risk assumed and the resources needed to operate the business, ensuring an appropriate balance between the risk assumed and the objectives set by the Board of Directors of ENDESA, S.A.

The risk control and management process consists in the identification, evaluation, monitoring and management over time of the various risks, and takes account of the main risks to which the Company is exposed, whether of internal or external origin. The objective of risk management is the performance of the actions aimed at keeping risk levels at optimum levels and in any case always within the established limits.

The risk management and control mechanisms are set out in the following notes.

13.1. Interest rate risk

Interest rate fluctuations change the fair value of assets and liabilities bearing interest at fixed rates and the future flows from assets and liabilities indexed to variable interest rates.

The objective of interest rate risk management is to achieve a balanced debt structure that makes it possible to minimise the cost of the debt over several years with reduced income statement volatility, through diversification of types of financial assets and liabilities and modifications to the risk exposure profile by arranging derivatives.

The goal of reducing the amount of borrowings subject to interest rate fluctuations is achieved by contracting specific hedging transactions, generally by means of interest rate derivatives. In any case, the structure of these hedging contracts is adapted to that of the underlying financial instrument, and in particular their duration never exceeds the maturity of the underlying financial instrument, so that any changes in the fair value or cash flows of these contracts are offset by changes in the fair value or cash flows of the underlying position. At 31 December 2019 the company had contracted interest rate hedges for Euros 835 million (at 31 December 2018 the Company had no interest rate hedges).

The Company has signed two current account financing contracts with ENDESA Financiación Filiales, S.A.U., in euros and US dollars (USD), with interest on both credit and debit balances equal to the average cost of gross debt to ENDESA in Spain (or any other that might replace it in the future) determined in the month immediately prior to the interest period in question, and which may be revised, if applicable, based on the actual rate applying at the end of the interest period .

ENDESA, S.A.'s interest rate risk structure, taking into account the derivatives contracted, at 31 December 2019 and 2018, is as follows:

Millions of Euros

	Net position	
	31 December 2019	31 December 2018
Fixed interest rate	3,853	3,001
Floating interest rate	6,840	8,324
TOTAL	**10,693**	**11,325**

The reference interest rate for the borrowings arranged is basically Euribor.

Details of hedged financial assets and liabilities and the derivative financial instruments used to hedge them are provided in Notes 8, 12 and 14.

Interest-rate sensitivity analysis

At 31 December 2019 and 2018, the impact of interest rate fluctuations on the Income statement and on the Statement of recognised income and expense, *ceteris paribus*, was as follows:

Millions of Euros

	Basis points change	31 December 2019		31 December 2018	
		Income statement	Statement of recognised income and expense	Income statement	Statement of recognised income and expense
Finance costs of variable gross borrowings after derivatives					
Increase in interest rate	+25	18	-	11	-
Interest rate reduction	-25	(18)	-	(11)	-
Fair value of derivative hedging instruments					
Of Cash flows					
Increase in interest rate	+25	-	15	-	-
Interest rate reduction	-25	-	(12)	-	-

13.2. Currency risk

The currency risks correspond, primarily, to debt contracted in foreign currency and payments to be made and received in international markets for the acquisition or sale of energy stocks or for investments in property, plant and equipment.

ENDESA, S.A. has arranged futures to mitigate its currency risk. The Company also tries to balance cash collections and payments for its assets and liabilities in foreign currency.

At 31 December 2019 and 2018, ENDESA, S.A. did not have a significant portion of debt in foreign currency or that was not hedged by derivatives and forward exchange contracts.

Details of hedged financial assets and liabilities and the derivative financial instruments used to hedge them are provided in Notes 8, 12 and 14.

Assets and liabilities in foreign currency are disclosed in Note 9.

Exchange-rate sensitivity analysis

At 31 December 2019 and 2018, the impact on the Income statement and Statement of recognised income and expense of a 10% appreciation or depreciation of the euro against all other currencies, *ceteris paribus*, is not considered material.

13.3. Liquidity risk

ENDESA, S.A.'s liquidity policy consists of arranging committed long-term credit lines with both banks and ENEL Group companies and temporary financial investments in an amount sufficient to cover projected needs over a given period based on the situation and expectations of the debt and capital markets.

At 31 December 2019, ENDESA, S.A.'s liquidity amounted to Euros 3,108 million (Euros 2,809 million at 31 December 2018) as detailed below:

Millions of Euros

	Liquidity	
	31 December 2019	31 December 2018
Cash and cash equivalents	31	13
Unconditional availability in credit lines (1)	3,077	2,796
TOTAL	**3,108**	**2,809**

(1) 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 Note 12.2).

The amount of these credit lines, together with the current assets, provide sufficient coverage of the Company's short-term payment obligations (see Note 2.4).

The classification of financial liabilities by contractual maturities is shown in Note 12.4.

13.4. Credit risk

Credit risk is generated when a counterparty does not meet its obligations set out in a financial or commercial contract, giving rise to financial losses. ENDESA S.A. is exposed to credit risk from its operational and financial activities, including derivatives, deposits with banks, transactions in foreign currency and other financial instruments.

Unexpected changes to the credit rating of a counterparty have an impact on the creditor's position in terms of solvency (non-compliance risk) or changes to market value (spread risk).

The Company mainly trades with counterparties in the Group of companies to which it belongs and therefore is exposed to limited credit risk.

Despite this, the Company monitors credit risk very closely, and takes measures including the following:

– Risk analysis, assessment and monitoring of counterparty credit quality

– Establishing contractual clauses guarantee requests or contracting insurance where necessary.

– Exhaustive monitoring of trade receivables

As regards credit risk in relation to financial instruments, the risk policies followed by ENDESA, S.A. consist in placing its cash surpluses as set forth in the risk management policy, which requires top-tier counterparties in the markets it operates in.

At 31 December 2019, the greatest exposure to cash positions held with a counterparty was Euros 14 million of a total of Euros 31 million, this counterparty has a rating of A+ (Euros 9 million of a total of Euros 13 million at 31 December 2018, the counterparty having a rating of A-).

Details of financial assets exposed to credit risk are provided in Note 8.

14. Derivative financial instruments

Applying the risk management policy described above, the Company mainly uses interest and exchange rate hedging derivatives.

The Company classifies its hedges in the category of cash flow hedges, which are those that allow it to cover the cash flows of the hedged underlying.

Details of the valuation of derivative financial instruments at 31 December 2019 and 2018 are as follows:

Millions of Euros

	31 December 2019			
	Assets (Note 8)		Liabilities (Note 12)	
	Current	Non-current	Current	Non-current
Hedge Derivatives	**-**	**-**	**-**	**17**
Interest rate hedges	-	-	-	17
Cash flow hedges	-	-	-	17
Derivatives not designated as hedging instruments	**26**	**1**	**29**	**1**
Exchange rate	26	1	29	1
Other derivatives	**1**	**-**	**1**	**-**
TOTAL	**27**	**1**	**30**	**18**

Millions of Euros

	31 December 2018			
	Assets (Note 8)		Liabilities (Note 12)	
	Current	Non-current	Current	Non-current
Derivatives not designated as hedging instruments	**57**	**11**	**57**	**12**
Exchange rate	57	11	57	12
Other derivatives	**1**	**-**	**1**	**-**
TOTAL	**58**	**11**	**58**	**12**

Cash flow hedges

At 31 December 2019 the breakdown of derivatives designated as hedging instruments contracted by the Company, their fair value and the breakdown by maturity of the notional or contractual amounts were as follows:

Millions of Euros

	31 December 2019							
	Fair value	Notional value						
		2020	2021	2022	2023	2024	Subsequent years	Total
HEDGING OF PHYSICAL TRANSACTIONS								
Cash flow hedges:	**(17)**	**-**	**-**	**-**	**-**	**-**	**835**	**835**
Interest Rate	(17)	-	-	-	-	-	835	835
Swaps	(17)	-	-	-	-	-	835	835
TOTAL	**(17)**	**-**	**-**	**-**	**-**	**-**	**835**	**835**

Derivatives not designated as hedging instruments

Breakdown by maturity of the notional or contractual amounts of derivatives not designated in books as hedging instruments contracted by the Company, and their fair value at 31 December 2019 and 2018, are as follows:

Millions of Euros

	31 December 2019							
	Fair value	Notional value						
		2020	2021	2022	2023	2024	Subsequent years	Total
Commodity trades:	**(3)**	**667**	**37**	**-**	**-**	**-**	**-**	**704**
Foreign currency:	(3)	667	37	-	-	-	-	704
Futures	(3)	658	37	-	-	-	-	695
Other	-	9	-	-	-	-	-	9

Millions of Euros

	31 December 2018							
	Fair value	Notional value						
		2018	2019	2020	2021	2022	Subsequent years	Total
Commodity trades:	**(1)**	**2,001**	**788**	**36**	**-**	**-**	**-**	**2,825**
Foreign currency:	**(1)**	**2,001**	**788**	**36**	**-**	**-**	**-**	**2,825**
Futures	(1)	1,977	779	36	-	-	-	2,792
Other	-	24	9	-	-	-	-	33

Other derivatives

In 2019 and 2018, expense of less than Euros 1 million was recognised in profit and loss for other derivatives.

15. Taxation

In 2019 and 2018, the Company filed consolidated tax returns as provided by Law 27/2014 of 27 November 2014 on Income tax. The Company forms part of tax group 572/10, of which ENEL S.p.A. is the parent company and ENEL Iberia, S.L.U. the representative in Spain.

At 31 December 2019 and 2018, the amount due from ENEL Iberia, S.L.U. for income tax expense recognised under "Current investments in Group Companies and Associates" in the accompanying statement of financial position amounted to Euros 111 million and Euros 78 million respectively (see Notes 8.1.2, 15.9 and 18.2).

In 2019, the amount of income tax expense resulted in income of Euros 62 million to profit and loss (Euros 50 million income in 2018) and income of Euros 6 million recognised directly in equity (no income or expense in 2018).

The Company forms part of the consolidated Value Added Tax (VAT) group 45/10 headed by ENEL Iberia, S.L.U. as the parent company.

15.1. Reconciliation between accounting profit and tax loss

The reconciliation between accounting profit and tax loss in 2019 and 2018 is as follows.

Millions of Euros

2019	Income statement			Income and expenses recognised directly in equity			Reserves		
	Increases	Decreases	Total	Increases	Decreases	Total	Increases	Decreases	Total
Accounting profit after income tax			**1,642**			**(16)**			**-**
Income tax for the year			(62)			(6)			-
Accounting profit before tax			**1,580**			**(22)**			**-**
Permanent differences	38	(1,858)	(1,820)	-	-	-	-	-	-
Temporary differences	28	(52)	(24)	23	(1)	22	-	-	-
Arising in the year	28	-	28	23	-	23	-	-	-
Arising in prior years	-	(52)	(52)	-	(1)	(1)	-	-	-
Tax loss			**(264)**			**-**			**-**

Millions of Euros

2018	Income statement			Income and expenses recognised directly in equity			Reserves		
	Increases	Decreases	Total	Increases	Decreases	Total	Increases	Decreases	Total
Accounting profit after income tax			**1,511**			**-**			**-**
Income tax for the year			(50)			-			-
Accounting profit before tax			**1,461**			**-**			**-**
Permanent differences	37	(1,692)	(1,655)	-	-	-	-	-	-
Temporary differences	14	(68)	(54)	-	-	-	-	-	-
Arising in the year	14	-	14	-	-	-	-	-	-
Arising in prior years	-	(68)	(68)	-	-	-	-	-	-
Tax loss			**(248)**			**-**			**-**

2019

Increases due to permanent differences, in the year 2019 correspond to differences in valuation rules amounting to Euros 15 million, to other non-deductible expenses amounting to Euros 13 million, to donations and gratuities for Euros 9 million and the loss caused as a result of the impairment of the investee companies amounting to Euros 1 million. The decreases correspond mainly to the application of the exemption to avoid double taxation on dividends received from group Companies and Associates for the sum of Euros 1,855 million (see Note 16.1) and to other non-taxable income in an amount of Euros 2 million.

The increases in temporary differences correspond to long-term provisions for personnel and workforce restructuring plans amounting to Euros 16 million, other non-tax-deductible provisions of Euros 7 million, differences between accounting and tax depreciation and amortisation for Euros 3 million and other non-deductible expenses amounting to Euros 2 million. The decreases correspond to the application of non-current employee provisions and workforce restructuring plans of Euros 49 million, and of a provision for liabilities for Euros 3 million.

2018

Increases in permanent difference in 2018 corresponded to additions to the provision for liabilities amounting to Euros 15 million, differences in valuation rules amounting to Euros 15 million, donations and gratuities amounting to Euros 4 million and other non-deductible expenses amounting to Euros 3 million. The decreases corresponded mainly to the application of the exemption to avoid double taxation on dividends for the sum of Euros 1,692 million (see Note 16.1).

The increases in temporary differences corresponded to long-term employee provisions and workforce restructuring plans for Euros 14 million. The decreases related to the application of non-current employee provisions and workforce restructuring plans for Euros 49 million, application of the provision for liabilities amounting to Euros 18 million, and recovery of the adjustments made for the limitation on tax-deductible depreciation (Law 16/2012 of 27 December 2012) for Euros 1 million.

15.2. Reconciliation between tax payable and income tax expense

The reconciliation between tax payable and income tax expense in 2019 and 2018 is as follows.

Millions of Euros

	2019	2018
Tax loss	**(264)**	**(248)**
Income statement	(264)	(248)
Total taxable income	**(264)**	**(248)**
Tax rate	25.0	25.0
Tax payable	**(66)**	**(62)**
Application of tax credits and rebates	(3)	(2)
Recovery of tax credit	-	(6)
Effective tax	**(69)**	**(70)**
Change in deductions	-	6
Net tax effect, due to temporary differences	-	13
Prior years' adjustments and other	1	1
Income tax for the year	**(68)**	**(50)**
Income tax in income statement	(62)	(50)
Income tax in equity	(6)	-

The regularisations of previous financial years correspond mainly to the adjustment for the effect of the settlement of the Corporation Tax of the previous financial year and the effect of the presentation of the amending declaration for 2015 and of the complementary declarations for 2016 and 2017.

15.3. Deductions and abatements

In 2019 the Company applied deductions and abatements for a total of Euros 3 million corresponding to deductions for contributions to entities regulated by Law 49/2002 of 23 December 2002 (Euros 2 million in 2018). Of the deductions recognised in 2019, Euros 3 million were applied to contributions to entities regulated by Law 49/2002 of 23 December 2002 (Euros 2 million in 2018).

During 2019 no prior years' deductions were applied (Euros 6 million in 2018).

15.4. Reconciliation between accounting profit and income tax expense

In 2019 and 2018, the reconciliation of accounting profit/(loss) to income tax expense is as follows.

Millions of Euros

	2019		
	Income statement	Income and expenses directly recognised in equity	Recognised income and expense
Accounting profit before tax	**1,580**	**(22)**	**1,558**
Permanent differences	**(1,820)**	**-**	**(1,820)**
Total adjusted profit/(loss)	**(240)**	**(22)**	**(262)**
Tax payable at 25%	**(60)**	**(6)**	**(66)**
Deductions	**(3)**	**-**	**(3)**
For donations to non-profit entities and patronage	(3)	-	(3)
Prior years' adjustments and other	1	**-**	**1**
Total income tax expense	**(62)**	**(6)**	**(68)**

Millions of Euros

	2018		
	Income statement	Income and expenses directly recognised in equity	Recognised income and expense
Accounting profit before tax	**1,461**	**-**	**1,461**
Permanent differences	**(1,655)**	**-**	**(1,655)**
Total adjusted profit/(loss)	**(194)**	**-**	**(194)**
Tax payable at 25%	**(49)**	**-**	**(49)**
Deductions	**(2)**	**-**	**(2)**
For donations to non-profit entities and patronage	(2)	-	(2)
Prior years' adjustments and other	**1**	**-**	**1**
Total income tax expense	**(50)**	**-**	**(50)**

15.5. Details of income tax expense

The breakdown of the income tax expense for 2019 and 2018 is as follows:

Millions of Euros

	2019				
	Current Taxation	Change in deferred tax			Total
		Assets		Liabilities	
		Temporary differences	Other credits	Temporary differences	
Recognition in profit and loss, of which:	**(69)**	**6**	**-**	**-**	**(63)**
Continuing operations	(69)	6		-	(63)
Recognition in equity, of which:	**-**	**(6)**	**-**	**-**	**(6)**
From Actuarial Gains and Losses and other Adjustments	-	(2)	-	-	(2)
From measurement of financial instruments	-	(4)	-	-	(4)
Prior years' adjustments and other	**2**	**(1)**	**-**	**-**	**1**
Total	**(67)**	**(1)**	**-**	**-**	**(68)**

Millions of Euros

	2018				
	Current Taxation	Change in deferred tax			Total
		Assets		Liabilities	
		Temporary differences	Other credits	Temporary differences	
Recognition in profit and loss, of which:	**(70)**	**13**	**6**	**-**	**(51)**
Continuing operations	(70)	13	6	-	(51)
Recognition in equity, of which:	**-**	**-**	**-**	**-**	**-**
From Actuarial Gains and Losses and other Adjustments	-	-	-	-	-
Prior years' adjustments and other	**6**	**(5)**	**-**	**-**	**1**
Total	**(64)**	**8**	**6**	**-**	**(50)**

15.6. Deferred tax assets

At 31 December 2019 and 2018, the origin of deferred tax assets recognised in the statement of financial position was as follows:

Millions of Euros

Deferred tax assets from	31 December 2019	31 December 2018
Provisions for long-term employee benefits and workforce restructuring plans	86	88
Other provisions	28	29
Hedging derivatives	4	-
Total	**118**	**117**

The movements in deferred tax assets on the accompanying statement of financial position in 2019 and 2018 were as follows:

Millions of Euros

	2019			2018		
	Temporary differences	Deductions pending	Total	Temporary differences	Deductions pending	Total
Opening balance	**117**	**-**	**117**	**126**	**6**	**132**
Temporary differences originating in the year	7	-	7	4	-	4
Application of temporary differences originating in prior years	(13)	-	(13)	(17)	(6)	(23)
Changes recognised in equity	6	-	6	-	-	-
Prior years' adjustments and other	1	-	1	4	-	4
Closing balance	**118**	**-**	**118**	**117**	**-**	**117**

At 31 December 2019, the Company held deferred tax assets in the amount of Euros 118 million, most of which were expected to be recovered within a 10-year period. For those expected to be recovered over a longer period, the Company's tax group has deferred tax liabilities with the same tax authority and for a sufficient amount, which are expected to be reversed in the same tax year as the aforementioned deferred tax assets (Euros 117 million at 31 December 2018).

The Company has no tax loss carryforwards pending application.

At 31 December 2019 and 2018, the Company had no outstanding credits to apply in future years corresponding to non-applied deductions from previous years.

The information relating to the deductions applied in 2019 and 2018 is included in Note 15.3.

15.7. Deferred tax liabilities

At 31 December 2019 and 2018, the origin of the deferred tax liabilities recognised in the statement of financial position was as follows:

Millions of Euros

Deferred tax liabilities originating from	31 December 2019	31 December 2018
Other	34	34
Total	**34**	**34**

During 2019 and 2018, movements of "Deferred tax liabilities" in the accompanying statement of financial position were not significant.

15.8. Balances with public administrations

The balances receivable that the Company has with public administrations at 31 December 2019 for Euros 2 million (Euros 4 million at 31 December 2018) corresponded to Value Added Tax (VAT).

The balances payable that the Company had with public administrations at 31 December 2019 and 2018, were the following:

Millions of Euros

	31 December 2019	31 December 2018
Spanish personal income tax (IRPF) payable	4	4
Social Security contributions payable	3	2
TOTAL LIABILITIES	**7**	**6**

15.9. Balances with Group companies

At 31 December 2019 and 2018, the Company had recognised an income tax expense credit with ENEL Iberia, S.L.U., for Euros 69 million and Euros 70 million respectively under "Current loans to Group Companies and Associates" in the statement of financial position, as per the following breakdown (see Notes 8.1.2 and 18.2):

Millions of Euros

	31 December 2019	31 December 2018
Tax payable	(66)	(62)
Deductions	(3)	(8)
TOTAL	**(69)**	**(70)**

At 31 December 2019, a corporate income tax credit exists with ENEL Iberia, S.L.U., amounting to Euros 42 million (Euros 8 million at 31 December 2018) (see Notes 8.1.2 and 18.2).

At 31 December 2019, the debt to ENEL Iberia, S.L.U. for Value Added Tax (VAT) recognised under "Current debts to Group Companies and Associates" in the accompanying statement of financial position amounted to Euros 7 million (Euros 8 million at 31 December 2018) (See Notes 12.2 and 18.2).

15.10. Years open to tax inspection

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed. At year-end 2019, the Company had its books open to inspection for 2006 and 2015 and onwards regarding income tax and for 2015 and onwards in respect of all other applicable taxes.

During 2019 the Tax Administration initiated a verification and investigation procedure of the Corporate Tax Group, the Value Added Tax (VAT) Group and Withholdings, from which contingent liabilities could derive. At the date of preparation of this Financial Statements, the actions are in the phase of collecting information and analysis by the Inspection, so it is not possible to estimate the possible economic consequences that could arise from the procedure.

The years and taxes that are being checked are the following:

	Tax years
Corporate Income tax	2015 to 2017
Value Added Tax (VAT)	June 2015 to December 2018
Withholding / Personal Income Tax (P.A.Y.E.)	2015 to 2018
Withholding / Investment Income	June 2015 to December 2018
Withholding Tax on Non-Residents	June 2015 to December 2018

The Company's directors consider that the aforementioned taxes have been appropriately settled, and consequently, even if discrepancies were to arise in the interpretation of prevailing standards with respect to the tax treatment of these operations, the accompanying financial statements would not be significantly affected by any resulting liabilities.

The Company's directors do not expect that the liabilities that could arise in this regard would significantly affect its future profits.

15.11. Corporate restructuring undertaken under the special regime in Title VII, Chapter VII of Law 27/2014 of 27 November 2014 on corporate income tax

The Notes to the Company's financial statements for 1999 to 2018 include the information required under article 86 of Law 27/2014 of 27 November 2014 regarding the corporate restructuring operations carried out in prior years.

16. Profit/(loss)

The Company's main income and expense items for 2019 and 2018 are detailed below:

16.1. Revenue

Details of Revenue in the accompanying income statements for 2019 and 2018 by category of activity and geographical markets are as follows.

Millions of Euros

2019	Note	Spain	Other EU	Other	Total
Provision of services	18.1	277	4	1	282
Dividend income from Group Companies and Associates	8.1.1 and 18.1	1,855		-	1,855
TOTAL		**2,132**	**4**	**1**	**2,137**

Millions of Euros

2018	Note	Spain	Other EU	Other	Total
Provision of services	18.1	274	3	-	277
Dividend income from Group Companies and Associates	8.1.1 and 18.1	1,692	-	-	1,692
TOTAL		**1,966**	**3**	**-**	**1,969**

Dividend income from Group Companies and Associates contains dividends distributed by Group companies (see Note 8.1.1) detailed below:

Millions of Euros

Company	2019	2018
ENDESA Red, S.A.U.	1,383	846
ENDESA Energía, S.A.U.	347	-
ENDESA Financiación Filiales, S.A.U.	118	191
ENDESA Medios y Sistemas, S.L.U.	7	-
ENDESA Generación, S.A.U.	-	655
TOTAL	**1,855**	**1,692**

16.2. Personnel expenses

In 2019 and 2018, details of "Personnel expenses" in the accompanying income statement are as follows:

Millions of Euros

	Note	2019	2018
Wages and salaries		**111**	**112**
Termination benefits		**31**	**7**
Social Charges		**34**	**34**
Social security		20	18
Other		14	16
Provisions		**4**	**6**
Provisions in respect of non-current employee benefits	11.1	8	3
Provisions for workforce reduction plans	11.2.1	(1)	4
Provisions for suspension of contracts	11.2.2	(3)	(1)
TOTAL		**180**	**159**

16.3. Other operating expenses

Details of other operating expenses in the accompanying income statement for 2019 and 2018 are as follows:

Millions of Euros

	Note	2019	2018
External services		**120**	**112**
Leases and royalties	7.1	9	10
Other repairs and upkeep costs		1	1
Independent professional services		18	20
Banking and similar services		1	1
Advertising and public relations		29	21
Other external services		62	59
Taxes other than income tax		**3**	**3**
Other administrative expenses		**50**	**99**
TOTAL		**173**	**214**

In 2019, "Leases and royalties" includes expenses relating to contracts of this type arranged with Group Companies and Associates for the amount of Euros 8 million (Euros 9 million in 2018) (see Notes 7.1 and 18.1).

In 2019, "Other external services" includes other services received from Group companies and associates for the amount of Euros 46 million (Euros 41 million in 2018) (see Note 18.1) by way of structure, auxiliary services and other general services expenses passed on.

16.4. Financial income and expense

In 2019 and 2018, details of financial income and expense in the accompanying income statement are as follows:

Millions of Euros

	Note	2019	2018
Financial Income		**7**	**15**
From marketable securities and other non-current loans		7	15
Interest on loans to Group Companies and Associates	18.1	1	4
Interest on loans to third parties		6	11
Loans and credits		5	8
Expected return on defined benefit plan assets	11.1	1	1
Workforce restructuring plans	11.2	-	1
Suspension of contract	11.2.2	-	1
Other financial income		-	1
Financial expense		**(193)**	**(128)**
Interest on borrowings from Group Companies and Associates	18.1	(172)	(119)
Interest on debts to third parties		(14)	(6)
Provision adjustments		(7)	(3)
Non-current employee benefit obligations		(3)	(2)
Provisions for Pensions and Similar Provisions	11.1	(2)	(2)
Other employee benefits		(1)	-
Suspension of contract	11.2.2	(4)	(1)

17. Guarantees to third parties, commitments and other contingent liabilities

17.1. Guarantees to third parties and other contingent liabilities

At 31 December 2019 and 2018, guarantees provided by ENDESA, S.A. were as follows (see Note 18.1.2):

Millions of Euros

Company	Purpose of guarantee	31 December 2019	31 December 2018
International ENDESA, B.V.	Financing obtained and financial derivatives	12	932
ENDESA Generación, S.A.U.	Long-term gas contracts	54	52
ENDESA Energía, S.A.U.	Gas contracts	114	20
ENDESA Generación, S.A.U.	Elecgas, S.A. electricity production (tolling)	391	407
Group Companies	Workforce Restructuring Plans	30	42
ENDESA Generación, S.A.U.	Girabolhos hydroelectric power plant project (Portugal)	-	2
Other Group Companies	Other commitments	2,712	1,662
ENEL Green Power España, S.L.U. (EGPE)		1,270	318
ENDESA Energía, S.A.U.		810	745
ENDESA Generación, S.A.U.		192	173
Energía XXI Comercializadora de Referencia, S.L.U. (formerly ENDESA Energía XXI, S.L.U.)		117	132
Edistribución Redes Digitales, S.L.U. (formerly ENDESA Distribución Eléctrica, S.L.U.)		105	100
Gas y Electricidad Generación, S.A.U.		33	34
ENDESA Ingeniería, S.L.U.		16	-
Empresa Carbonífera del Sur, S.A.U.		16	22
Unión Eléctrica de Canarias Generación, S.A.U.		13	23
Others		140	115
TOTAL		**3,313**	**3,117**

ENDESA, S.A.'s management does not expect the guarantees issued to result in significant liabilities for the Company.

17.2. Other commitments

ENDESA, S.A. has the commitment to provide ENDESA Financiación Filiales, S.A.U. with the financing required to enable this company to honour its commitments to finance Spanish ENDESA Group companies and their subsidiaries.

In 2014, ENDESA entered into two agreements with Corpus Christi Liquefaction, LLC to acquire liquefied natural gas (LNG) from 2019 for a total of 3 bcm/year. ENDESA, S.A. has signed agreements with ENEL Global Trading, S.p.A. and ENDESA Energía, S.A.U. under which it will transfer to them 1 bcm/year and 2 bcm/year of gas respectively, acquired in accordance with the contract under the same terms and conditions as those agreed with Corpus Christi Liquefaction, LLC. ENEL, S.p.A. has granted a guarantee in favour of ENDESA, S.A. for US$137 million (approximately Euros 122 million at 31 December 2019 and Euros 120 million at 31 December 2018) covering compliance with this contract (see Note 18.2).

18. Related party transactions

During 2019 and 2018, the Directors, or persons acting on their behalf, did not carry out transactions with the Company (or its other subsidiaries) other than in the normal course of business or other than in accordance with market conditions.

In 2019, the amount of transactions carried out with other related parties of certain members of the Board of Directors, did not exceed Euros 8 million combined (Euros 9 million in 2018). These transactions corresponded to the Company's normal business activities and were in all cases carried out under normal market conditions.

Related party transactions during 2019 and 2018 were in the normal course of business and conducted at arm's length.

18.1. Related party transactions.

Transactions conducted with related parties in 2019 and 2018 were as follows:

Millions of Euros

	Note	2019					
		Significant shareholders	Directors and executives (Note 18.3)	Group Companies	Associates	Other related parties	Total
Financial expense	16.4	-	-	(172)	-	-	(172)
Leases	7.1 and 16.3	-	-	(8)	-	-	(8)
Services received	16.1	(3)	-	(43)	-	(8)	(54)
Other Expenses		-	-	(38)	-	-	(38)
Exchange differences		-	-	(22)	-	-	(22)
Variation of the Fair Value of Financial Instruments		-	-	(16)	-	-	(16)
TOTAL EXPENSES		**(3)**	**-**	**(261)**	**-**	**(8)**	**(272)**
Financial Income	16.4	-	-	1	-	-	1
Dividends received	8.1.1 and 16.1	-	-	1,855	-	-	1,855
Provision of services	16.1	1	-	281	-	-	282
Other income		-	-	5	-	-	5
TOTAL INCOME		**1**	**-**	**2,142**	**-**	**-**	**2,143**
Dividends and other Distributed Benefits	3	1,059	-	-	-	-	1,059
Other Operations: Purchase of Intangible Assets	5	-	-	22	-	-	22

Millions of Euros

	Note	2018					
		Significant shareholders	Directors and Executives (Note 18.3)	Group Companies	Associates	Other related parties	Total
Financial expense	16.4	-	-	(119)	-	-	(119)
Leases	7.1 and 16.3	-	-	(9)	-	-	(9)
Services received	16.3	(1)	-	(40)	-	(9)	(50)
Other Expenses		-	-	(77)	-	-	(77)
Exchange differences		-	-	(18)	-	-	(18)
Variation of the Fair Value of Financial Instruments		-	-	(59)	-	-	(59)
TOTAL EXPENSES		**(1)**	**-**	**(245)**	**-**	**(9)**	**(255)**
Financial Income	16.4	-	-	4	-	-	4
Dividends received	8.1.1 and 16.1	-	-	1,692	-	-	1,692
Provision of services	16.1	2	-	275	-	-	277
Other income		-	-	8	-	-	8
TOTAL INCOME		**2**	**-**	**1,979**	**-**	**-**	**1,981**
Dividends and other Distributed Benefits	3	1,026	-	-	-	-	1,026
Other Operations: Purchase of Intangible Assets	5	-	-	20	-	-	20

In addition, the Company has signed with ENDESA Energía, S.A.U. and ENEL Global Trading, S.p.A. contracts for the sale of liquefied natural gas (LNG) for which it transfers, under the same conditions, the purchases that the Company has contracted with Corpus Christi Liquefaction, LLC for the fulfilment of the aforementioned contracts (see Note 17.2). This operation is considered an intermediation and is presented netted in the Income Statement under the heading of "Procurements". Income under this head amounted to Euros 369 million in the year.

18.2. Balances with related parties

At 31 December 2019 and 2018, balances with related parties recognised in the statement of financial position are as follows:

Millions of Euros

	Note	31 December 2019					
		Significant shareholders	Directors and Executives (Note 18.3)	Group Companies	Associates	Other related parties	Total
Non-current financial investments	8	**-**	**-**	**18,893**	**-**	**-**	**18,893**
Equity instruments		-	-	18,893	-	-	18,893
Trade and other receivables		**4**	**-**	**121**	**-**	**-**	**125**
Current Financial Investments	8	**111**	**-**	**804**	**-**	**-**	**915**
Loans to companies		111	-	-	-	-	111
Derivatives	14	-	-	2	-	-	2
Other financial assets		-	-	802	-	-	802
Non-current debts	12	**-**	**-**	**(8,010)**	**-**	**-**	**(8,010)**
Non-current debts to Group Companies and Associates		-	-	(8,009)	-	-	(8,009)
Derivatives	14	-	-	(1)	-	-	(1)
Current debts	12	**(527)**	**-**	**(95)**	**(15)**	**-**	**(637)**
Current debts to Group Companies and Associates		(7)	-	(53)	(15)	-	(75)
Derivatives	14	-	-	(27)	-	-	(27)
Other financial liabilities		(520)	-	(15)	-	-	(535)
Trade and other payables		**(6)**	**-**	**(41)**	**-**	**-**	**(47)**
Warranties and Guarantees Received	17.2	**122**	**-**	**-**	**-**	**-**	**122**
Warranties and Guarantees Provided	17.1 and 18.3	**-**	**7**	**3,313**	**-**	**-**	**3,320**
Financing Agreements	18.3	**-**	**1**	**-**	**-**	**-**	**1**

Millions of Euros

	Note	31 December 2018					
		Significant shareholders	Directors and executives (Note 18.3)	Group Companies	Associates	Other related parties	Total
Non-current financial investments	8	**-**	**-**	**18,894**	**-**	**-**	**18,894**
Equity instruments		-	-	18,893	-	-	18,893
Derivatives	14	-	-	1	-	-	1
Trade and other receivables		**3**	**-**	**89**	**-**	**-**	**92**
Current Financial Investments	8	**78**	**-**	**1,377**	**-**	**-**	**1,455**
Loans to companies		78	-	-	-	-	78
Derivatives	14	-	-	9	-		9
Other financial assets		-	-	1,368	-	-	1,368
Non-current debts	12	**-**	**-**	**(8,982)**	**-**	**-**	**(8,982)**
Non-current debts to Group Companies and Associates		-	-	(8,971)	-	-	(8,971)
Derivatives	14	-	-	(11)	-	-	(11)
Current debts	12	**(528)**	**-**	**(1,023)**	**(24)**	**-**	**(1,575)**
Current debts to Group Companies and Associates		(8)	-	(955)	(24)	-	(987)
Derivatives	14	-	-	(49)	-	-	(49)
Other financial liabilities		(520)	-	(19)	-	-	(539)
Trade and other payables		**(3)**	**-**	**(33)**	**-**	**(1)**	**(37)**
Warranties and Guarantees Received	17.2	**120**	**-**	**-**	**-**	**-**	**120**
Warranties and Guarantees Provided	17.1 and 18.3	**-**	**7**	**3,317**	**-**	**-**	**3,124**
Financing Agreements	18.3	**-**	**1**	**-**	**-**	**-**	**1**

At 31 December 2019 and 2018, ENDESA maintained a committed and irrevocable inter-company credit line arranged with ENEL Finance International N.V. for the amount of Euros 1 billion which at those dates had not been drawn down in any amount (see Note 12.2).

18.3. Information regarding the Directors and Senior Management.

18.3.1. Remuneration of the Board of Directors.

Article 41 of the Articles of Association states that *"the remuneration of Directors will comprise the following items: a fixed monthly salary and per diems for attendance at each meeting of the company's management bodies and their committees.*

Maximum global and annual compensation, for the Board as a whole and including all aforementioned items, shall be established by the General Shareholders' Meeting and will remain in effect until it resolves upon an amendment thereof.

The Board itself shall be in charge of determining the exact amount to be paid in each fiscal year, subject to the limits set forth by the General Shareholders' Meeting, as well as distributing such amount between the aforementioned items and between the directors in the manner, time and proportion as freely determined, taking into account the functions and responsibilities entrusted to each Director, whether they belong to any of the Board's Committees and all other relevant objective circumstances.

Without prejudice to the foregoing, article 30 of the Board of Directors' Regulations states that directors, regardless of their type of directorship, can waive the right to receive remuneration based on a fixed monthly allocation and/or per diems to attend meetings of the Board of Directors, Executive Committee and/or Committees.

The amount of said per diem shall be, at the most, the amount which, in accordance with the above paragraphs, is determined to be the fixed monthly allocation. The Board of Directors may, within such limit, determine the amount of the allowances.

The remuneration contemplated in the preceding sections, deriving from membership on the Board of Directors, shall be compatible with other remuneration, indemnity payments, contributions to insurance schemes or any other professional or labour earnings pertaining to the Directors for any other executive or advisory duties which, as the case may be, they perform for the company other than those of collegiate supervision and decision-making characteristic of their status as Directors, which shall be subject to the appropriate applicable legal scheme.

Without prejudice to the above-mentioned remunerations, the Executive Directors remuneration may also consist of the transfer of Company shares, options over them or remuneration based on the value of the shares. The application of this remuneration model requires the agreement of the General Shareholders' Meeting, *expressing, where appropriate, the maximum number of shares to be assigned during each financial year as part of this remuneration system, the strike price and the system used to calculate the strike price of share options, the value of the shares taken as a reference, when appropriate, the term of the remuneration plan and any other conditions deemed appropriate.*

Thus members of the Board of Directors of ENDESA, S.A. received remuneration in their capacity as Directors of the Company:

- In 2019 and 2018, the monthly fixed salary for each Director was Euros 15.6 thousand, gross.

- The per diems for attendance at meetings of the Board of Directors, Executive Committee, Appointments and Remuneration Committee ("CNR") and Audit and Compliance Committee ("CAC") amounted to Euros 1.5 thousand gross each in 2019 and 2018.

- In addition to the remuneration indicated for the members of the Board of Directors, the following remuneration criteria are established for the positions indicated:

    - Non-executive Chairman of the Board of Directors: shall receive monthly fixed remuneration of Euros 50,000 (gross) (rather than the monthly fixed remuneration of Euros 15,642.56 (gross) provided for other members).

    - Chairmen of Committees: shall receive a monthly fixed remuneration of Euros 1,000 (gross) (in addition to the monthly fixed remuneration as member).

    - Lead Director: shall receive a monthly fixed remuneration of Euros 2,083 (gross) (in addition to the monthly fixed remuneration as member).

- The members of the Board of Directors and executive directors receive remuneration for performing duties other than in their capacity as directors in accordance with the salary structure of senior management of ENDESA. The main components of this remuneration are:

    - Fixed annual remuneration: cash compensation paid monthly in accordance with the complexity and responsibility of the functions entrusted.

    - Short-term variable remuneration: cash remuneration that is not guaranteed and subject to compliance with annual targets established through the Company's assessment systems.

    - Long-term variable remuneration: cash remuneration that is not guaranteed and subject to compliance with multi-year targets.

    - Social and other benefits: remuneration (normally non-cash) received in accordance with certain, special and specific requirements determined voluntarily, legally, contractually or through collective bargaining.

Fixed remuneration.

Details of the annual fixed remuneration received by the members of the Board of Directors, based on the post held, in 2019 and 2018, are as follows:

Thousands of Euros

	2019		2018	
	Salary	Fixed remuneration	Salary	Fixed remuneration
Borja Prado Eulate (1)	320	53	1,132	188
Juan Sánchez-Calero Guilarte (2)	-	432	-	-
Francesco Starace	-	-	-	-
José Bogas Gálvez	740	-	740	-
Alejandro Echevarría Busquet	-	188	-	188
Alberto de Paoli	-	-	-	-
Helena Revoredo Delvecchio (3)	-	188	-	188
Miquel Roca Junyent	-	225	-	225
Enrico Viale (4)	-	-	-	-
Ignacio Garralda Ruiz de Velasco	-	200	-	200
Francisco de Lacerda	-	188	-	188
Maria Patrizia Grieco	-	188	-	188
Antonio Cammisecra (5)	-	-	-	-
TOTAL	**1,060**	**1,662**	**1,872**	**1,365**

(1) Left on 12 April 2019 at the General Meeting of Shareholders.
(2) Appointed on 12 April 2019 at the General Meeting of Shareholders.
(3) Left on 15 January 2020.
(4) Left on 9 September 2019.
(5) Joined on 27 September 2019.

Variable remuneration.

The variable remuneration accrued in 2019 and 2018 by the Chairman and CEO, for performing his executive tasks, are itemised below:

Thousands of Euros

	2019		2018	
	Short-term	Long-term	Short-term	Long-term
Borja Prado Eulate (1)	-	1,023	835	904
José Bogas Gálvez	540	857	530	748
TOTAL	**540**	**1,880**	**1,365**	**1,652**

(1) Left on 12 April 2019 at the General Meeting of Shareholders.

Attendance fees.

Per diems for attendance at each meeting of the Board of Directors and of its Committees in 2019 and 2018 are as follows:

Thousands of Euros

	2019		2018	
	ENDESA, S.A.	Other companies	ENDESA, S.A.	Other companies
Borja Prado Eulate (1)	4	-	19	-
Juan Sánchez-Calero Guilarte (2)	15	-	-	-
Francesco Starace	-	-	-	-
José Bogas Gálvez	-	-	-	-
Alejandro Echevarría Busquet	44	-	48	-
Alberto de Paoli	-	-	-	-
Helena Revoredo Delvecchio (3)	36	-	34	-
Miquel Roca Junyent	53	-	48	-
Enrico Viale (4)	-	-	-	-
Ignacio Garralda Ruiz de Velasco	54	-	50	-
Francisco de Lacerda	54	-	50	-
Maria Patrizia Grieco	19	-	19	-
Antonio Cammisecra (5)	-	-	-	-
TOTAL	**279**		**268**	**-**

(1) Left on 12 April 2019 at the General Meeting of Shareholders.
(2) Appointed on 12 April 2019 at the General Meeting of Shareholders.
(3) Left on 15 January 2020.
(4) Left on 9 September 2019.
(5) Joined on 27 September 2019.

Long-term savings systems.

During 2019, the contribution to funds and pension plans of Executive Directors totalled Euros 645 thousand (Euros 626 thousand in 2018).

Other components.

The Executive Directors, as well as the remaining senior managers, receive remuneration in kind, including a group healthcare policy subsidising 100% of the cost of the payment of the holder and dependent family members, the assignment of a company vehicle under a renting system, together with other social benefits.

During 2019, the total amount of other items amounted to Euros 12,969 thousand (Euros 84 thousand in 2018), of which Euros 12,820 thousand correspond to the termination of Mr. Prado Eulate's contract (Euros 9,615 thousand in compensation and Euros 3,205 thousand as a non-concurrence agreement) and the remaining Euros 149 thousand correspond to remuneration in kind of the Executive Directors.

Life and accident insurance premiums.

Through the Company, Executive Directors have life and accident insurance policy that guarantees certain capital and/or income according to the contingency in question (cover for disability and death).

In 2019, the premium totalled Euros 237 thousand (Euros 267 thousand in 2018).

Advances and loans.

At 31 December 2019 and 2018, loans for the amount of Euros 396 thousand had been extended to Executive Directors, of which Euros 230 thousand corresponded to loans at an average interest rate of 0.402% and Euros 166 thousand to interest-free loans (interest subsidies are treated as remuneration in cash).

Repayment of the principal will be made over the working life of the employee, with full cancellation when they leave the company.

Pension funds and plans: obligations assumed.

At 31 December 2019, Executive Directors held accumulated fund and pension plan rights for the amount of Euros 15,325 thousand (Euros 14,042 thousand in 2018).

Guarantees provided by the Company to Executive Directors.

At 31 December 2019, as regards remuneration, the Company had issued guarantees on behalf of the Chief Executive Officer amounting to Euros 6,555 thousand to cover early retirement entitlements (Euros 6,722 thousand at 31 December 2018) (See Note 18.1.2).

18.3.2. Remuneration of Senior management.

Identification of members of Senior management of ENDESA, S.A. who are not Executive Directors.

Name	Senior executives in 2019
	Position (1)
Alberto Fernández Torres (2)	General Manager - Communication
Juan Mª Moreno Mellado	General Manager - Energy Management
Andrea Lo Faso	General Manager - People and Organisation
Rafael González Sánchez	General Manager - Generation
Francisco de Borja Acha Besga	General Secretary to the Board of Directors and General Manager - Legal and Corporate Affairs
José Casas Marín	General Manager - Institutional Relations and Regulation
José Luis Puche Castillejo	General Manager - Media
Gonzalo Carbó de Haya	General Manager - Nuclear Power
Luca Minzolini (3)	General Manager - Audit
Patricia Fernández Salís (4)	General Manager - Audit
Paolo Bondi	Managing Director
María Malaxechevarría Grande	General Manager - Sustainability
Pablo Azcoitia Lorente	General Manager - Purchasing
Luca Passa	General Manager - Administration, Finance and Control

(1) List of persons included in this table as per the definition of senior management in Spanish National Securities Market Commission ("CNMV") Circular 5/2013, of 12 June 2013.
(2) Left on 31 December 2019.
(3) Left on 28 February 2019.
(4) Joined on 1 March 2019.

Name	Senior executives in 2018
	Position (1)
Alberto Fernández Torres	General Manager - Communication
Álvaro Luis Quiralte Abelló (2)	General Manager - Energy Management
Juan Mª Moreno Mellado (3)	General Manager - Energy Management
Andrea Lo Faso	General Manager - People and Organisation
Francisco de Borja Acha Besga	General Secretary to the Board of Directors and General Manager - Legal and Corporate Affairs
José Casas Marín	General Manager - Institutional Relations and Regulation
José Luis Puche Castillejo	General Manager - Media
Juan Mª Moreno Mellado (4)	General Manager - Nuclear Power
Gonzalo Carbó de Haya (5)	General Manager - Nuclear Power
Luca Minzolini	General Manager - Audit
María Malaxechevarría Grande	General Manager - Sustainability
Pablo Azcoitia Lorente	General Manager - Purchasing
Paolo Bondi (6)	General Manager - Administration, Finance and Control
Luca Passa (7)	General Manager - Administration, Finance and Control

(1) List of persons included in this table as per the definition of senior management in Spanish National Securities Market Commission ("CNMV") Circular 5/2013, of 12 June 2013.
(2) Left on 31 October 2018.
(3) Joined on 1 November 2018.
(4) Left on 31 October 2018.
(5) Joined on 1 November 2018.
(6) Left on 30 April 2018.
(7) Joined on 1 May 2018.

Remuneration of Senior management.

During 2019 and 2018, remuneration of Senior management members who are not Executive Directors was as follows:

Thousands of Euros

	Remuneration			
	In the Company		For membership of boards of directors of companies of the ENDESA Group	
	2019	2018	2019	2018
Fixed remuneration	4,294	4,086	-	-
Variable remuneration	4,295	4,523	-	-
Per Diems for attendance	-	-	-	-
Statutory Emoluments	-	-	-	-
Options on shares and other financial instruments	-	-	-	-
Other	1,700	1,327	-	-
TOTAL	**10,289**	**9,936**	**-**	**-**

Thousands of Euros

	Other Benefits			
	In the Company		For membership of boards of directors of companies of the ENDESA Group	
	2019	2018	2019	2018
Advances	177	217	-	-
Loans granted	-	-	-	-
Pension funds and schemes: Contributions	703	722	-	-
Pension funds and schemes: Obligations assumed	13,602	12,078	-	-
Life and accident insurance premiums	161	167	-	-

Guarantees provided by the Company to Senior management personnel.

At 31 December 2019 and 2018, in terms of remuneration, the Company had not issued any guarantees to senior managers who were not also executive directors.

18.3.3. Guarantee clauses: Board of Directors and Senior management personnel.

Guarantee clauses for dismissal or changes of control.

These clauses are the same in all the contracts of the Executive Directors and senior managers of the Company and of its Group and were approved by the Board of Directors following the report of the Appointments and Remuneration Committee (ARC) and provide for termination benefits in the event of termination of the employment relationship and a post-contractual non-competition clause.

With regard to management personnel, although this type of termination clause is not the norm, the contents of cases in which it arises are similar to the scenarios of general employment relationships.

The regime for these clauses is as follows.

- Termination of the employment relationship:
  - By mutual agreement: termination benefit equal to an amount from 1 to 3 times the annual remuneration, on a case-by-case basis. ENDESA's 2016-2018 Directors' Remuneration Policy established that when new directors are included, a maximum number of two years of total annual remuneration will be set as payment for contract termination, applicable in any case in the same terms to the Executive Director contracts.
  - At the unilateral decision of the executive: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on the serious and culpable breach by the Company of its obligations, the position is eliminated, or in the event of a change of control or any of the other causes for compensation for termination foreseen in Royal Decree 1382/1985 of 1 August 1985.
  - As a result of termination by the Company: termination benefit equal to that described in the first point.
  - At the decision of the Company based on the serious wilful misconduct or negligence of the executive in discharging his duties: no entitlement to termination benefit.

  These conditions are alternatives to those arising from changes to the pre-existing employment relationship or its termination due to early retirement for senior executives.

- Post-contractual non-competition clause: In the vast majority of contracts, senior management personnel are required not to engage in a business activity in competition with ENDESA for a period of 2 years; as consideration, the executive is entitled to an amount of up to 1x the annual fixed remuneration.

At 31 December 2019 and 2018, ENDESA the number of executive directors and senior managers with guarantee clauses was 11 and 13, respectively.

18.3.4. Other disclosures concerning the Board of Directors.

To increase the transparency of listed companies, the members of the Board of Directors have disclosed, to the best of their knowledge, the direct or indirect stakes they and their related parties hold in companies with the same, analogous or similar corporate purpose as that of ENDESA, S.A., and the positions or duties they perform therein.

		At 31 December 2019		
Director	**Personal or company tax ID**	**Company**	**% Stake**	**Position**
Juan Sánchez-Calero Guilarte	A48010615	Iberdrola, SA	0.00006191	-
Francesco Starace	00811720580	ENEL, S.p.A.	0.00504904	Chief Executive Officer and General Manager
Francesco Starace	B85721025	ENEL Iberia, S.L.U.	-	Chairman
José Bogas Gálvez	B85721025	ENEL Iberia, S.L.U.	-	Director
Alberto de Paoli	00811720580	ENEL, S.p.A.	-	Head of Administration, Finance and Control
Antonio Cammisecra	00811720580	ENEL, S.p.A.	-	Head of Global Power Generation
Antonio Cammisecra	00811720580	ENEL, S.p.A.	-	Head of Global Power Generation
Ignacio Garralda	00811720580	ENEL, S.p.A.	0.00027540	Sole Administrator ENEL Green Power, S.p.A.
Maria Patrizia Grieco	00811720580	ENEL, S.p.A.	-	Chairman

At 31 December 2018				
Director	Personal or company tax ID	Company	% Stake	Position
Borja Prado Eulate	B85721025	ENEL Iberia, S.L.U.	-	Director
Francesco Starace	00811720580	ENEL, S.p.A.	0.00406543	Chief Executive Officer and General Manager
Francesco Starace	B85721025	ENEL Iberia, S.L.U.	-	Chairman
José Bogas Gálvez	B85721025	ENEL Iberia, S.L.U.	-	Director
José Bogas Gálvez	A80316672	Elcogas, S.A.	-	Chairman
Alberto de Paoli	00811720580	ENEL, S.p.A.	-	Head of Administration, Finance and Control
Alberto de Paoli	N9022122G	ENEL Green Power, S.p.A.	-	Chairman
Enrico Viale	94271000-3	ENEL Américas, S.A.	-	Director
Enrico Viale	00811720580	ENEL, S.p.A.	0.00007769	Head of Global Thermal Generation, ENEL
Ignacio Garralda	00811720580	ENEL, S.p.A.	0.00027540	-
Maria Patrizia Grieco	00811720580	ENEL, S.p.A.	-	Chairman

In accordance with Article 229 of the Corporate Enterprises Act, the direct or indirect situations of conflict of interest involving members of the Board of Directors with the interest of the Company, along with how they were handled in 2019, were as follows:

- The Executive Directors, in their capacity as Directors of ENEL Iberia S.L.U., appointed by Enel, S.p.A., had conflicts of interest when authorising transactions with Enel, S.p.A. or Enel Group companies. In all the situations arising in 2019, the Executive Directors did not participate in the related items on the agenda of the corresponding Board of Directors meeting.
- The Proprietary Directors, appointed by ENEL, S.p.A., had a conflict of interest when authorising transactions with ENEL, S.p.A. or ENEL Group companies. In all the situations arising in 2019, the Proprietary directors did not participate in the related items on the agenda of the corresponding Board of Directors meeting.
- Helena Revoredo Delvecchio is Chairwoman of Prosegur Compañía de Seguridad, S.A. and performed during the financial year 2019 her functions as an independent director of ENDESA S.A. without prejudice to the possible commercial relationship between the Prosegur and ENDESA Groups. In 2019, the Prosegur Group arranged non-material security and surveillance service provision agreements with the ENDESA Group for the latter's facilities. The services were awarded by ENDESA S.A.'s Board of Directors, based on the results of the corresponding bidding processes, without the involvement of the Director, pursuant to the legislation applicable to conflicts of interests.

Distribution by gender: At 31 December 2019, the Board of Directors of ENDESA, S.A. was composed of 11 directors, 2 of which are women. At 31 December 2018, there were 11 Directors, 2 of which were women.

In 2019 and 2018 there were no damages caused by acts or omissions of the Directors that would have required use to be made of the third-party liability insurance premium held through the Company. This insures both the Company's directors and employees with management responsibilities.

In 2019, this premium totalled Euros 352 thousand (Euros 327 thousand in 2018).

18.3.5. Share-based payment plans tied to the ENDESA, S.A. share price.

ENDESA's variable long-term remuneration is takes the form of the so-called Strategic Incentive, the main purpose of which is to strengthen the commitment of the employees who occupy positions of greatest responsibility in achieving the Group’s strategic objectives. The Plan is structured through successive three-year programmes, which start every year from 1 January 2010. Since 2014, the plans have foreseen a deferral of the payment and the need for the Executive to be active on the date of liquidation thereof; and payments are made on 2 dates: 30% of the incentive will be paid, and the remaining 70%, if applicable, 2 years after the end of the Plan.

Within the framework of the ENDESA Loyalty Plan, the Company's General Shareholders' Meeting, held on 26 April 2017, approved the long-term remuneration schemes for 2017-2019. The Company also submitted the long-term 2018-2020 remuneration scheme for approval to the General Shareholders' Meeting, held on 23 April 2018, and the long-term 2019-2021 remuneration scheme to the General Shareholders' Meeting held on 12 April 2019.

These schemes are linked, among other indicators, to share price performance and are directed at the Chairman, the CEO and ENDESA directors with strategic responsibility.

Specifically, the programmes referred to above have the following objectives:

a) An objective called “Total Shareholders’ Return (TSR) of ENDESA”, defined as the average value of the TSR of ENDESA relative to the average value of the TSR of the Euro-Stoxx Utilities Index, selected as the Comparable Group, for the accrual period.

   This indicator measures the total return of a share as the sum of its parts:

   i. Capital gains: the relation between the change in the share price (the difference between the price recorded at the end and at the beginning of the reference period) and the value established at the start of the period.

   ii. Reinvested dividends: impact of all dividends paid in the period and reinvested in shares at the date of discount of each dividend.

b) An objective called Return on average capital employed (ROACE)[1], defined as ENDESA's accumulated ROACE in the accrual period, represented by the ratio of Ordinary EBIT[2] to average Net Capital Invested (Average NCI)[3] accumulated during the period.

c) Starting with the 2018 Plan, an objective of reducing carbon dioxide (CO_2) emissions is included. This indicator measures ENDESA´s CO_2 emissions in Spain and Portugal, understood as the ratio of absolute CO_2 emissions due to ENDESA’s electricity generation to ENDESA’s net total production for that year.

There is an ex-post control of long-term variable remuneration in the form of a malus clause that allows the Company not to pay variable remuneration accrued and not received, in addition to a clawback clause which obliges participants in these plans to repay the variable remuneration received in the event that data used for its calculation or payment are proved to be clearly erroneous after the settlement date.

The Appointments and Remuneration Committee (ARC) may submit a motion to the Board of Directors not to pay or to demand reimbursement of variable components of remuneration if it is shown that payment was based on data, which later proved to be incorrect.

The amount accrued in relation to these Loyalty Plan programmes in 2019 totalled Euros 4 million (Euros 5 million in 2018).

19. Other information.

19.1. Personnel.

The Company’s average headcount in 2019 and 2018, detailed by category and gender, was as follows:

[1] Return on Average Capital Employed (ROACE) (%) = Ordinary EBIT / Average Net Capital Invested (Average NCI).
[2] Ordinary EBIT (Euros Millions) = EBIT adjusted for unbudgeted extraordinary effects.
[3] Average Net Capital Invested (Average NCI) (Euros Millions) = ((Equity + Net Financial Debt – Cash and cash equivalents)n + (Equity + Net Financial Debt – Cash and other cash equivalents)n-1) / 2

Number of Employees

	2019		Total	2018		Total
	Men	Women		Men	Women	
Executives	98	29	127	102	25	127
Middle management	433	426	859	425	417	842
Administration and Management Staff and manual	105	208	313	109	217	326
TOTAL EMPLOYEES	**636**	**663**	**1,299**	**636**	**659**	**1,295**

At 31 December 2019 and 2018, the breakdown of the headcount by category and gender was as follows.

Number of Employees

	31 December 2019		Total	31 December 2018		Total
	Men	Women		Men	Women	
Executives	96	31	127	102	26	128
Middle management	446	445	891	423	417	840
Administration and Management Staff and manual	106	208	314	108	211	319
TOTAL EMPLOYEES	**648**	**684**	**1.332**	**633**	**654**	**1.287**

The average number of persons with a disability of 33% or more employed in 2019 and 2018, by category and gender, was as follows:

Number of Employees

	2019		Total	2018		Total
	Men	Women		Men	Women	
Middle management	3	3	6	3	3	6
Administration and Management Staff and manual workers	4	4	8	5	4	9
TOTAL EMPLOYEES	**7**	**7**	**14**	**8**	**7**	**15**

19.2. Audit fees.

Details of fees for the services provided in 2019 and 2018 by the auditors of the financial statements of the Company and the consolidated financial statements of ENDESA, S.A. and its subsidiaries are as follows.

Thousands of Euros

	2019	2018
	Ernst & Young, S.L.	Ernst & Young, S.L.
Audit of the Financial Statements	1,145	1,128
Audits other than of the financial statements and other audit-related services	1,263	1,557
Other non-audit services	10	-
TOTAL	**2,418**	**2,685**

The figures reported in the table above include all of the fees accrued for the services rendered during 2019 and 2018, irrespective of when they were actually billed.

19.3. Information on average payment period to suppliers Third additional provision. “Duty of disclosure” under Law 15/2010 of 5 July 2010.

Pursuant to Law 15/2010 of 5 July 2010, details of the degree of compliance by the Company with the limits established for payment to suppliers in 2019 and 2018 are as follows:

Number of days

	2019	2018
Average payment period to suppliers	48	43
Ratio of transactions paid	49	44
Ratio of transactions pending payment	45	32

Thousands of Euros

	2019	2018
Total payments made	168,641	183,448
Total payments pending	20,021	18,824

19.4. Insurance

The Company has taken out insurance policies to cover the risk of damage to property, plant and equipment of the parent company and the subsidiaries in which it has a shareholding of 50% or more or of which it has effective control. The limits and coverage are appropriate to the types of risk and country of operation.

Moreover, in certain assets, the possible loss of profits that could result from stoppages at the plants is covered.

Possible claims against the Company by third parties due to the performance of its activity are also covered.

20. Information on environmental activities

During 2019 and 2018 no current expenses were recognised in respect of environmental activities..

At 31 December 2019 and 2018, the Company did not have any environmental assets and it did not acquire or dispose of any environmental assets or receive any grants for that purpose during 2019 and 2018.

At the date of issue of these consolidated financial statements, The Company's directors consider that there are no known or probable environmental expenses relating to these risks for which provisions should be made.

21. Events after the reporting period

After more than two years of fruitless negotiations, on 4 December 2019, the majority trade union in ENDESA, General Workers Union (UGT), and ENDESA agreed to submit to a "binding equity arbitration" some of the most significant aspects discussed in the negotiation of the "V Framework Collective Agreement of ENDESA". As part of the submission to binding arbitration, in December 2019, the majority trade union in ENDESA, the General Workers Union (UGT), agreed to withdraw the Appeal lodged with the Supreme Court against the Judgment of the National Court of 26 March 2019 in favour of ENDESA, endorsing the Company's interpretation that recognizes the legality of the termination of certain social benefits to passive employees as a consequence of the termination of the "IV Framework Collective Agreement of ENDESA". The other organisations with union representation in ENDESA, that is, Comisiones Obreras (CCOO) and the Independent Energy Trade Union (SIE), declined to submit to the aforementioned arbitration, continuing with the said Appeal in Cassation to the Supreme Court (see Note 11.3).

ENDESA and the majority union, the General Workers Union (UGT), agreed before the Interconfederal Mediation and Arbitration Service ("SIMA") the procedure and matters subject to "binding equity arbitration", and that the terms of the decision of the arbitrator would be incorporated into the Collective Agreement that was agreed upon. Following the appointment by common accord of Mr Manuel Pimentel Siles as sole arbitrator, the procedure was carried out during the months of December 2019 and January 2020 in the terms agreed by the parties, ending with the issue of a mandatory Arbitration Award on 21 January 2020.

In accordance with the agreement between the parties, the content of the Arbitration Award and other aspects resulting from the agreement at the negotiating table not submitted to arbitration, were incorporated into the "V Framework Collective Agreement of ENDESA" which was approved and signed by the Company and the Trade Union Section of the General Union of Workers' Union (UGT), and has effect since the UGT is the majority union in the Company, on 23 January 2020. On the same date, the new "Guarantee Framework Agreement" and "Agreement on Voluntary Suspension or Termination of Employment Contracts" were signed, in this case by all unions represented in ENDESA. Under the terms of Article 90 of the Workers' Statute, at the date of preparation of these Financial Statements, the registration of the Agreement signed by the parties is being processed by the competent labour authority.

Once the "V Framework Collective Agreement of ENDESA" had been signed, a process was initiated within the Monitoring and Interpretation Committee to analyse and interpret the terms and measures of various matters and economic conditions covered by the arbitration decision and transferred in that Agreement, such as economic increases, salary updates, electricity supply, study grants, medical insurance and others. At the date of preparation of these Financial Statements, it is not possible to quantify the financial impact that such actions would have in the year 2020, since significant economic conditions and items such as those mentioned above are pending analysis and interpretation. The parties involved are working together in the transition process necessary to proceed to its definitive economic quantification and formalization.

With regard to the Monitoring Committee of the "Framework Agreement on Guarantees" indicated in the previous paragraphs, on 28 January 2020, the Company informed the trade union representatives that it will not exercise the power to terminate the individual agreement to suspend the employment relationship for certain individual contracts signed with employees. The cost to be borne by the Company during the period for which, in accordance with this commitment, it cannot avoid the contract being suspended amounts to Euros 39 million.

Except for the matters referred to in the foregoing paragraphs, no other significant events have taken place between 31 December 2019 and the date of authorisation for issue of these Financial Statements that have not been reflected therein.

22. Explanation added for translation to English.

These Financial Statements are presented on the basis of accounting principles generally accepted in Spain. Consequently, certain accounting practices applied by the Company that conform to generally accepted accounting principles in Spain may not conform to other generally accepted accounting principles in other countries. Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

The Annual Financial Statements (Balance Sheet; Income Statement; Statement of Changes in Net Equity: Statement of Recognized Income and Expenses, Comprehensive Statement of Changes in Net Equity; Cash-Flow Statement; and Annual Report) of ENDESA, Sociedad Anónima for fiscal year ending December 31, 2019, as provided herein, were drafted by the Board of Directors of the company ENDESA, Sociedad Anónima at its meeting on February 24, 2020 and are hereinbelow signed by all of its Directors in compliance with Article 253 of the Spanish Capital Corporations Law (*Ley de Sociedades de Capital*).

D. Juan Sánchez-Calero Guilarte **Chairman**	**D. Francesco Starace** **Vice Chairman**
D. José Damián Bogas Gálvez **Chief Executive Officer**	**D. Antonio Cammisecra** **Director**
D. Alejandro Echevarría Busquet **Director**	**D. Ignacio Garralda Ruiz de Velasco** **Director**
Dña. Maria Patrizia Grieco **Director**	**D. Francisco de Lacerda** **Director**
D. Alberto de Paoli **Director**	**D. Miguel Roca Junyent** **Director**

Madrid, February 24, 2020

ENDESA, S.A.

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)

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

ENDESA, S.A.

MANAGEMENT REPORT FOR THE

YEAR ENDED

31 DECEMBER 2019

Contents.

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

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

1. Business performance.

ENDESA, S.A., “the Company”, is a holding company, so its income essentially depends on dividends from its subsidiaries and its expenses on the cost of its debt. Provisions for investments can also be made or reversed based on changes in the value of its subsidiaries.

Net revenues in 2019 amounted to Euros 2,137 million, of which Euros 1,855 million corresponded to income from dividends from Group Companies and Associates and Euros 282 million to income from the provision of services to dependent companies.

The details of ENDESA’s income from dividends in 2019 are as follows.

Millions of Euros

Company	Dividend
ENDESA Red, S.A.U.	1,383
ENDESA Energía, S.A.U.	347
ENDESA Financiación Filiales, S.A.U.	118
ENDESA Medios y Sistemas, S.L.U.	7
TOTAL	**1,855**

In 2019, operating income amounted to Euros 2,147 million, while operating expenses totalled Euros 384 million, generating operating profit for the year of Euros 1,763 million.

A financial loss amounting to Euros 183 million was reported for 2019, basically as a consequence of the financial expenses on loans from Group Companies and Associates amounting to Euros 172 million.

Pre-tax profit for the period was Euros 1,580 million.

In 2019, Euros 62 million of income was recognised from accrued income tax. This is because the dividends received from Group Companies, which are the Company’s main source of income, are not taxed since these companies’ profits have already been taxed in the consolidated income tax return filed for the Group, which is represented in Spain by ENEL Iberia, S.L.U.

Net income for 2019 amounted to Euros 1,642 million.

2. Main Financial Transactions.

In 2019 extensions of credit lineslines to mature in March 2022 were signed with various financial institutions and the limits of some of them were increased so that the total now amounts to Euros 2,125 million.

ENDESA, S.A. completed the Euro Commercial Paper (ECP) issuance programme through International ENDESA B.V. and embarked upon a new Euro Commercial Paper (ECP) issuance programme through ENDESA S.A., the outstanding balance at 31 December 2019 being Euros 796 million with renewal backed by irrevocable bank credit lines.

In the framework of the financial transaction arranged by means of a green loan from the European Investment Bank (EIB) in 2018, on 19 March 2019, Euros 335 million were drawn down. This drawdown is at a floating interest rate, with a 15-year maturity, repayments starting in March 2023.

ENDESA, S.A. signed a green loan amounting to Euros 300 million with Spain's Official Credit Institute (ICO), 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.

On 30 June 2019, ENDESA, S.A. signed the extension of the inter-company credit line with ENEL Finance International N.V. for an amount of Euros 1 billion, extending its maturity to 30 June 2022.

3. Events after the reporting period.

Events after the reporting period are described in Note 21 to the Financial Statements for the year ended 31 December 2019.

4. Outlook.

ENDESA, S.A.'s future profits will essentially depend on the dividends it receives from its subsidiaries, which are basically determined by the profits made by those companies.

The Company's Directors believe that ENDESA S.A. will receive sufficient dividends from its subsidiaries to meet its operating and financial costs.

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

- 2019 to 2020: The ordinary dividend per share to be distributed in respect of these years will be equal to 100% of ordinary net income attributable to the Parent set down in the Consolidated Financial Statements of the Group headed by ENDESA S.A.

- For financial year 2021, the Board of Directors of ENDESA 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 profit attributable to the Parent Company in the Group's consolidated financial statements.

- For financial year 2022, the Board of Directors of ENDESA 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 profit attributable to the Parent Company in the Group's consolidated financial statements.

The intention of the Board of Directors is that the ordinary dividend be paid exclusively in cash in two payments (January and July) on such specific date as may be determined in each case and which will be appropriately publicised. Notwithstanding the foregoing, the ability of ENDESA, S.A. to distribute dividends among its shareholders depends on numerous factors, including the generation of profits and the availability of distributable reserves, and no assurance can be given as to such dividends as may be paid in future years or as to their amount.

With regard to the year 2019, in its meeting of 26 November 2019, the Board of Directors of ENDESA, S.A. resolved to distribute to its shareholders an interim dividend from 2019 profit for a gross amount of Euros 0.70 per share, for a total of Euros 741 million paid on 2 January 2020.

The proposed appropriation of profit for 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 foregoing paragraph, the complementary dividend in respect of 2019 will be a gross amount of Euros 0.775 per share.

5. Risk control and management policy and main risks associated with ENDESA's business

Information on ENDESA, S.A.'s General Risk Control and Management Policy is included in Note 13 to the financial statements of ENDESA S.A. for the year ended 31 December 2019.

5.1. General risk management and control policy

The General Risk Management and Control Policy establishes the basic principles and the general framework of management and control of risks of all kinds that might affect the attainment of its objectives, ensuring that they are systematically identified, analysed, evaluated, managed and controlled within the established levels of risk.

The General Risk Control and Management Policy seeks to guide and steer the set of strategic, organisational and operational actions that allow the Board of Directors of ENDESA S.A. to precisely delineate the acceptable level of risk, so that the managers, staff and service functions of the various Business Lines can maximise the profitability of the Company, preserve or increase its equity and ensure a given degree of achievement, preventing uncertain and future events from having a negative influence on the achievement of the company's profitability objectives, its operations, sustainability, resilience or reputation in a sustained manner over time, providing an adequate level of guarantees to shareholders and safeguarding their interests, as well as those of customers and other stakeholders.

The General Risk Management and Control Policy is developed and supplemented by other specific risk policies of the Business Lines, staff and service functions, as well as by the limits established for optimal risk management in each of them.

The General Risk Control and Management Policy is implemented through an Internal Risk Control and Management System (Spanish acronym: SCIGR), which comprises an organisation, principles, a regulatory system and a risk control and management process.

The Internal Control and Risk Management System (SCIGR in the Spanish abbreviation) conforms to a model based on the one hand on an ongoing study of the risk profile, applying current best practices in the energy or benchmark sectors as regards risk management, homogeneous measurement criteria within the same type of risk, segregation of risk managers and controllers, and, on the other hand, on ensuring a link between the risk assumed and the resources needed to operate the business, ensuring an appropriate balance between the risk assumed and the objectives set by the Board of Directors of ENDESA S.A.

The Company's risk control and management model is aligned with international standards following a methodology based on the three lines of defence model.

The organisation of the Internal Control and Risk Management System (SCIGR) is implemented through independent risk management and control functions that ensure appropriate segregation of duties. The main governing bodies in the risk control process are:

- **Crime Risk Prevention Model Supervisory Committee**: This is a collegiate body with autonomous powers of initiative and control with regard to criminal risks, which is directly supervised by the Audit and Compliance Committee (CAC). It supervises compliance and updating of the model for preventing risks of crime for which ENDESA, S.A. may be held liable.

- **Transparency Committee**: The Transparency Committee is the ENDESA, S.A. management body that evaluates the conclusions on compliance and effectiveness of the controls of the Internal Control System for Financial Reporting (SCIIF in the Spanish abbreviation) and internal controls and procedures for external dissemination of information, formulating corrective and/or preventive actions in this regard. The conclusions of the Transparency Committee are then forwarded to the Audit and Compliance Committee (CAC).

- **Risk Committee**: The Risk Committee supervises the management and monitoring of all risks other than those of a criminal nature and those related to the Internal Control System for Financial Reporting (SCIIF), referring the results of its deliberations and conclusions to the Audit and Compliance Committee (CAC).

The General Risk Management and Control Policy defines the Internal Control and Risk Management System (SCIGR) as an interwoven system of rules, processes, controls and reporting systems in which overall risk is defined as the risk resulting from the overall view of all risks to which the Company is exposed, taking into account the mitigating effects for the various exposures and risk classes, allowing for consolidation and appraisal of risk exposure of the Company's various business units and the development of the corresponding management information for taking decisions on risk and the appropriate use of capital.

The risk control and management process consists in the identification, evaluation, monitoring and management over time of the various risks, and takes account of the main risks to which the Company is exposed, whether of internal or external origin:

- **Identification**: The purpose of the risk identification process is to generate the risk inventory based on events that could prevent, degrade or delay the achievement of the objectives. The identification must include risks whether their origin is under the control of the organisation or whether it is due to unmanageable external causes.

- **Evaluation**: The objective is to obtain the parameters that allow the measurement of the economic and reputational impact of all risks for their subsequent prioritisation. Evaluation includes different methodologies according to the characteristics of the risk, such as the assessment of scenarios and the estimation of potential loss based on an assessment of impact distributions and probability.

- **Monitoring**: The objective is to monitor the risks and establish management mechanisms allowing the risks to be kept within the established limits and the appropriate management actions to be taken.

- **Management**: The objective is the performance of the actions aimed at keeping risk levels at optimum levels and in any case within the established limits.

The General Risk Control and Management Policy set and approved by the Board of Directors of ENDESA, SA, constitutes the central element of the system from which other specific documents and policies are derived, for example, the “Policy on Management and Control of Tax Risks” and the “Criminal Compliance and Anti-Bribery Policy”, which are approved by the Board of Directors of ENDESA, SA and in which catalogues of risks and controls are defined.

In addition, in view of the growing interest in the control and management of the risks to which companies are exposed and given how complicated it is becoming to identify them from a comprehensive point of view, it is important for employees to take part at all levels in this process. In this regard a risk mailbox has been created for employees to help identify market risks and come up with suggestions for measures to mitigate them, thereby complementing the existing top-down risk control and management systems and mailboxes and specific procedures for reporting breaches of ethical behaviour, criminal risks and employment risks.

Information regarding ENDESA’s risk management and derivative financial instruments is provided in Notes 13.1 and 14 to the financial statements for the year ended 31 December 2019.

The Annual Corporate Governance Report, which describes ENDESA, S.A.'s risk management and control systems, forms an integral part of this Management Report (see Section 12. Annual Corporate Governance Report required by Article 538 of Royal Decree Law 1/2010 of 2 July 2010 approving the Consolidated Text of the Spanish Corporate Enterprises Act in this Management Report).

5.2. ENDESA's Criminal and anti-bribery risk prevention model

ENDESA, S.A. is aware that the sustainable compliance of its corporate responsibilities must be accompanied by a constant quest for excellence in the areas of business ethics in all its decision-making processes, something that must be understood in a corporate environment where strict respect for the most advanced national and international rules, practices and principles in this area is one of the cornerstones of its business activities.

As regards the prevention of criminal behaviour, Organic Law 5/2010 of 22 June 2010, amending Organic Law 10/1995 of 23 November 1995 on the Criminal Code not only included offences applicable to legal persons, but also referred to the need to establish surveillance and control measures to prevent and detect them. This legal regime was reformed by Organic Law 1/2015 of 30 March 2015, detailing the requirements for control and management systems that allow legal persons to prove their diligence in the field of criminal prevention and detection. The Organic Law 1/2019, of 20 February 2019, again amended the Organic Law 10/1995, of 23 November 1995, of the Criminal Code, to transpose European Union Directives in the financial and terrorism fields, and to address issues of a nature international.

In line with these legal requirements, ENDESA, S.A. has developed internal regulatory instruments that have satisfied the need for adequate control and management systems applied in the area of criminal detection and prevention, particularly in conduct aimed at preventing bribery.

This system comprises the following standards applicable to ENDESA, S.A.:

- Criminal Risk Prevention and Anti-Bribery Model: A document that provides ENDESA, S.A. with a control system for preventing criminal offences within the company, complying with the provisions of the applicable regulations on the criminal liability of legal persons.

- Protocol in case of an Authority’s Action under Article 31 bis of the Criminal Code: Procedure for an appropriate response in case of risk of criminal responsibility of any ENDESA, S.A. company.

- Code of Ethics of the Company: A document setting out the ethical commitments and responsibilities in the management of the businesses and business activities, assumed by ENDESA, S.A.'s employees, whether directors or employees of any kind, in these companies.

- Zero Tolerance Plan with Corruption: A document that represents ENDESA, S.A.'s firm commitment to the fight against corruption, which is the result of its adherence to the United Nations Global Compact.

- Corporate Integrity Protocols:

    - Action protocols in matters of conflicts of interest, exclusive dedication and commercial competition

    - Protocol for accepting presents, gifts and favours

    - Action protocol for dealing with civil servants and the authorities

The Criminal and Anti-Bribery Compliance Policy was added to these internal rules. Together with those mentioned above, they all make up ENDESA, S.A.'s Criminal Regulatory and Anti-Bribery Compliance Management System, an integrated body of provisions that not only respects Spanish legal requirements in this area, but is also sufficient to meet the expectations reasonably placed on organisations that operate with the highest levels of commitment in advanced markets, such as ENDESA, S.A.

Since October 2017, ENDESA, S.A.'s Criminal and Anti-bribery Compliance Management System has been certified by the Spanish standards body AENOR in accordance with “UNE 19601” (Compliance Management) and “UNE-ISO 37001” (Anti-bribery Management) Standards.

Verification of the correct application of the “Criminal Regulatory and Anti-Bribery Compliance Management System” corresponds to the Audit and Compliance Committee, for which purposes it uses the Supervision Committee, which is a collegiate body endowed with autonomous powers of initiative and control and independence in the exercise of its functions and whose powers and principles of action are established in its Regulations. The Supervision Committee reports solely and exclusively to the Audit and Compliance Committee (CAC), which has specific functions including the prevention of criminal risks according to its operating Regulations.

In 2019, the company complied in full with all the processes established for the correct application of the Code of Ethics.

In 2019, ENDESA received, either through the Ethical Channel or other means, a complaint related to corruption, the investigation of which is closed at the date of preparation of this Management Report.

From this complaint received and closed related to corruption, it has been verified a breach of the Code of Ethics, which has been derived for the management of a specialist following the established protocol.

5.3. The Internal Control System for Financial Reporting (SCIIF).

The quality and reliability of the financial reporting that listed companies disseminate to the market is a fundamental element for the Company’s credibility, which significantly affects the value that the market assigns to it, such that the dissemination of incorrect or low quality financial information could cause a significant decrease in the value of the Company, with the consequent damage to its shareholders.

The Internal Control System for Financial Reporting (SCIIF) is a component of the company's internal control system and consists of a complete set of processes that ensure reasonable certainty regarding the reliability of both internal and external financial information. The ENDESA, S.A.’s Internal Control Unit is the area responsible for identifying the most relevant processes, activities, risks and controls of the Internal Control System for Financial Reporting (SCIIF) that it considers material to provide reasonable assurance that the information disclosed externally by ENDESA, S.A. is reliable and appropriate.

The documentation of the processes forming part of the Internal Control System for Financial Reporting (SCIIF) of ENDESA, S.A.contains detailed descriptions of the activities relating to the preparation of financial information from its beginning to its registration in accounting and its subsequent external publication, through its authorisation and process and has been prepared with the following basic objectives:

- Identify the critical processes linked directly and indirectly to the generation of financial information.
- Identify the risks inherent in the processes that could generate material errors in the financial information (typically related to the attributes of integrity, validity, recognition, accounting period, valuation and presentation).
- Identify and characterise the controls established to mitigate these risks.

Every six months, ENDESA, S.A. carries out an evaluation process of the Internal Control System for Financial Reporting (SCIIF) in which each person responsible for the controls of the SCIIF evaluates both its design and its effectiveness. Within the model, an ongoing verification process of the SCIIF is also carried out by an independent expert. The results of both processes are reported to:

a) The Board of Directors, to which in accordance with the Corporate Enterprises Act (CEA) the power of supervision of internal information and control systems is reserved; and

b) The Audit and Compliance Committee (CAC), which, in accordance with the Corporate Enterprises Act (CEA) has among its functions the supervision of the effectiveness of the internal control of the Company.

5.4. Risk control and management

ENDESA, S.A. has established a process of control and management of risks that allows it to obtain a complete vision of all the risks to which it is exposed, considering the mitigation effects between the different exposures and categories thereof, as well as the preparation of the corresponding management information for decision-making in terms of risk and appropriate use of capital.

The Risk Committee supervises the management and monitoring of all risks excluding those of a criminal nature and those related to the Internal Control System for Financial Reporting (SCIIF). The mission of the Risk Committee is:

- Actively participate in drawing up the risk strategy and in important decisions regarding its management;

- Ensure the proper functioning of the risk control and management systems, identifying, managing and adequately quantifying the significant risks affecting the Company;

- Ensure that the Internal Control and Risk Management System (SCIGR) mitigates risks appropriately;

- Ensure that senior management participates in strategic risk management and control decisions.

- Regularly provide the ENDESA, S.A. Board of Directors with an integrated view of current and foreseeable risk exposure.

- Ensure coordination between the risk management units and the units in charge of their control;

- Promote a culture in which risk is considered as a factor to be taken into account in all decisions and at all levels of the Company.

The Risk Control Area is the area delegated by the Risk Committee to define the procedures and norms of the Internal Control and Risk Management System (SCIGR), to ensure that all the risks in its area of responsibility that affect the entity are homogeneously and periodically identified, characterised, quantified and properly managed, including off-balance sheet risks, and to monitor risk exposure and the control activities implemented.

Following the provisions of the internal operating instructions, Risk Control unit is responsible for developing, for the risks in its scope of application:

- **ENDESA, S.A.'s Risk Appetite Framework**, which determines the main risk indicators, the risk levels considered acceptable and management and mitigation mechanisms and is approved by the Board of Directors of ENDESA S.A.

- **ENDESA, S.A.'s Risk Map**, which provides a prioritised view of the significant risks and is approved by the Board of Directors of ENDESA, S.A.

- **Follow-up Reports,** which guarantee compliance with the limits set and the effectiveness of mitigation measures to respond to risks, and the conclusions of which are periodically reported to the Audit and Compliance Committee (CAC).

To carry out its functions, Risk Control relies on other areas and committees that have specific and complementary risk control and management models and policies. Thus, for example, in tax matters, the Board of Directors of ENDESA, S.A. has also approved a Policy for the Management and Control of Tax Risks that seeks to guide and direct all the strategic, organisational and operational actions that allow the managers of the Tax Affairs Unit and of the different areas of the organisation whose functions affect the company's taxation to achieve the objectives set by the company's Tax Strategy regarding the control and management of tax risks.

5.5. Main risks and uncertainties

As the Parent of a group of companies, ENDESA, S.A. is exposed to the same risks as Group of companies that it heads, since any risk materialising in a subsidiary will affect the value of ENDESA, S.A.'s portfolio of investments and associated dividend payments.

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

The main risks that may affect ENDESA's operations are as follows:

Risk	Section	Description	Metric	Significance (3)
Strategic and Regulatory Risks	a.1 a.2 and a.3	Risk deriving from the possible loss of value or results due to strategic uncertainties, changes in the environment and the market, and changes in the regulatory framework, including those relating to climate change, which could affect compliance with the Strategic Plan reported and ENDESA, S.A.'s sustainability and attractiveness to Stakeholders.	Scenarios (1)	High
Market Risks	b.1 and b.2	ENDESA, S.A.'s business is largely dependent on the constant supply of large amounts of fuel to generate electricity; on the supply of electricity and natural gas used for its own consumption and supply; and on the supply of other commodities, the prices of which are subject to market forces which may affect the price and the amount of energy sold by ENDESA, S.A..	Stochastic (2)	High
	b.3	ENDESA, S.A.'s business could be affected by adverse economic or political conditions in Spain, Portugal, the euro zone and in international markets.	Scenarios (1)	Medium
	b.4	ENDESA, S.A.'s activities could be affected by natural resources, climate and weather conditions.	Stochastic (2)	Medium
	b.5	ENDESA, S.A. is exposed to competition in its commercial activities.	Scenarios (1)	Medium
	b.6 and b.7	Interest rate risks and free cash flow (liquidity).	Stochastic (2)	Low
Counterparty Risks	c.1	ENDESA, S.A. is exposed to credit risk.	Stochastic (2)	High
	c.2	ENDESA, S.A.'s business could be negatively affected by inability to maintain its relations with suppliers or because the supply of suppliers available was insufficient in terms of quantity and/or quality, or due to suppliers' failing to maintain the conditions of service provided, limiting the possibilities of operability and business continuity.	Stochastic (2)	Low
Operational Risks	d.1	ENDESA, S.A. is exposed to risks associated with the construction of new electricity generation and supply facilities	Scenarios (1)	Medium
	d.2 and d.3	ENDESA, S.A.'s activity may be affected by failures, breakdowns, problems in carrying out the planned work, or other problems that may result in unscheduled unavailability and other operational risks.	Scenarios (1)	Medium
Other Risks	e.1 and e.2	Risk related to Occupational Health and Safety of people working for ENDESA, S.A., talent management, as well as the difficulty of maintaining a fluid social dialogue.	-	(4)
	e.3	ENDESA, S.A. manages its activities through information technologies, key to its business, that could be affected by external attacks.	-	(4)
	e.4, e.5, e.6, e.7, e.8 and e.9	Risk arising from uncertainty relating to legal actions or actions of Public Administrations in relation to compliance and interpretation of agreements, laws or regulations. This risk is associated both with compliance with current regulations and with changes in the interpretation of the same (commercial, corporate governance, Internal Control System for Financial Reporting (SCIIF), criminal, fiscal, environmental, nuclear, etc.).	-	(4)
	e.10.	The risk of the perception, assessment or opinion of the Company on the part of the main sectors of the public with which it interacts being seriously damaged by the Company's actions, by events wrongly or unfairly attributed to it, or by events of a similar nature that affect the entire sector and are projected onto the Company in a more pointed or damaging fashion.	-	(4)

(1) Scenario: calculated as the loss resulting from different hypothetical situations.
(2) Stochastic: calculated as the loss that could be suffered with a certain level of probability or confidence.
(3) The significance of the risks is measured based on the potential expected loss: High (over Euros 75 million), Medium (between Euros 10 million and Euros 75 million) and Low (less than Euros 10 million).
(4) They correspond to risks whose impact could be difficult to quantify economically (in general, high impact and probability, after the mitigation mechanisms implemented, very low or very difficult to determine).

a) Strategic and regulatory risks.

a.1. ENDESA's activities are subject to extensive regulation, and regulatory changes could have an adverse impact on its business activities, results, financial position and cash flows.

ENDESA's activities are subject to extensive regulation regarding tariffs and other factors of its activities in Spain and Portugal, which in many regards determines how ENDESA carries on its activity and the income it receives from its products and services.

ENDESA is subject to a complex set of regulations applied by both public and private agencies, including Spanish National Commission on Markets and Competition ("CNMC"). The introduction of new standards, or the amendment of those already in effect could have a negative impact on ENDESA's business, results, financial position and cash flows.

In addition, the European Union has established an operating framework for the various Member States, which includes, *inter alia*, objectives related to emissions, efficiency and renewable energies.

The introduction of new requirements, or amendments to existing ones, could adversely affect ENDESA's business activities, results, financial positions and cash flows if it were to be unable to adapt and manage correctly the environment arising from them.

a.2. ENDESA is affected by changes in the climate deriving from human action and which have an impact on both physical aspects and those relating to the transition.

ENDESA maintains a firm commitment in the fight against climate change and therefore decisions are made at the highest level of Management. Climate change is one of the main pillars of the Company's strategy, and it is the Board of Directors that is responsible for its development and implementation.

As proof of this commitment, ENDESA has assumed the objective of achieving a mix of emission-free generation in 2050 and a reduction of specific carbon dioxide (CO_2) emissions of 70% in 2030 relative to 2017. These objectives, which involve the evolution of the existing generation facilities towards an emission-free model, imply the alignment of the company with the objectives of the Paris Agreement and with the latest findings of Science .

In developing the business strategy, ENDESA uses scenarios on climate change. For the physical risks, the climatic scenarios published in the fifth report of the Intergovernmental Panel on Climate Change (IPCC) are used, while for the transition risks, the Drafts National Integrated Energy and Climate Plans (PNIEC) of Spain and Portugal are used.

The effects of climate change are already noticeable in the global socio-economic reality and, in the most likely scenario, will have significant consequences for the viability and development of sectors such as energy. Climate change planning must necessarily incorporate a new vision in which the transition to a decarbonised economy and adaptation to its effects are integrated into the decision-making process.

Climate change has consequences for the operation of assets due to the increase in temperature, the availability of renewable resources (water, wind and solar) and the frequency and intensity of extreme events.

The risks associated with climate change affect the price of commodities (coal, gas, oil, etc.) and can cause regulatory changes that modify or preclude the operation of the most carbon-intensive assets, which imply a high price within the framework of the Emissions Trading Regime, hindering the operation of the most carbon-intensive technologies and making it difficult for electricity to compete with other energy alternatives which do not have to pass on the cost of CO_2 emission rights.

Additionally, climate change promotes and encourages the development and extensive use of technologies such as renewable energy, energy storage through batteries, energy efficiency and smart grids, which requires monitoring and leading innovation, as well as new investments to maintain the competitive position of the Company and protect the image of ENDESA in a context in which society's and customers' perceptions of its contributing to or turning its back on organising the transition to an economy with low CO_2 emissions are subject to change.

a.3. ENDESA makes decisions that affect the future of the company and its sustainability. These decisions are subject to significant risks, uncertainties, changing circumstances and other factors that may be beyond ENDESA's control or difficult to predict.

ENDESA presents each year its Strategic Plan, which includes the strategic guidelines and objectives for the company's economic, financial and equity growth, as well as its contribution to society.

The main assumptions on which the forecasts and objectives of the Strategic Plan are based are related to:

- The regulatory environment, exchange rates, commodities, investments and divestments, increases in production and installed capacity in markets where ENDESA operates and increases in demand in such markets;

- The allocation of production among the different technologies, with increases in costs associated with greater activity that do not exceed certain limits, with a price of electricity not less than certain levels, with the cost of combined cycle plants and with the availability and cost of raw materials and CO_2 emission rights necessary to operate the business at the desired levels; and the general evolution of the social, environmental and ethical trends of the context in which it operates, among which we would mention factors relating to loss of biodiversity, terrorism, water stress, cybersecurity, inequality and social instability, large-scale involuntary migration, extreme weather events, environmental disasters and climate change.

ENDESA cannot guarantee that its prospects will be fulfilled in the terms communicated, since these are based, among other issues:

- On assumptions relating to future events that Management expects to occur and on actions that the Management itself plans to perform at the time of writing; and

- On general assumptions regarding future events and actions of the Management itself that do not necessarily have to come about and that depend substantially on variables beyond the control of Management.

The ENDESA Strategic Plan foresees a significant investment effort in electricity production and distribution systems and facilities. The execution of these investments is dependent on market and regulatory conditions. If the necessary conditions for the viability of the plants do not exist, ENDESA may have to cease production at the facilities and, if necessary, begin the task of dismantling them. These closures would involve a reduction in installed capacity and output that support customer energy sales and, therefore, could adversely affect ENDESA's business activities, results, financial position and cash flows.

Consequently, and in accordance with accounting standards, ENDESA assesses throughout the year and in any case at the end of each year whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount to determine the extent of any impairment loss.

b) Market risks.

b.1. ENDESA's business is largely dependent on the constant supply of large amounts of fuel to generate electricity; on the supply of electricity and natural gas used for its own consumption and supply; and on the supply of other commodities, the prices of which are subject to market forces which may affect the price and the amount of energy sold by ENDESA.

The contribution margin on ENDESA's liberalised businesses in 2019 was Euros 2,722 million, most of which corresponds to liberalised activities subject to the effects of competition and market volatility. These activities require purchases of gas, electricity and raw materials, as follows:

- During 2019, 4,070 metric tons of coal and 1,362 million m^3 of natural gas were consumed for electricity generation.

- At 31 December 2019, electricity and fuel stock purchase commitments amounted to Euros 19,578 million, a portion of which corresponds to agreements with "take or pay" clauses.

ENDESA is exposed to market price risks in relation to the purchase of fuel (including gas and coal) and the price of carbon emission rights required to generate electricity, for procuring gas and supply activities. In this connection, fuel price fluctuations in international markets may affect the contribution margin.

ENDESA has entered into electricity and natural gas supply contracts based on certain assumptions regarding future market prices for electricity and natural gas. Any deviation from the assumptions made when these supply contracts were signed could give rise to an obligation to purchase electricity or natural gas at prices that are higher than those envisaged in the contracts. In the event of a market price adjustment relative to the estimates made, a deviation in ENDESA's assumptions relative to its fuel needs, or a regulatory change affecting prices as a whole and how they have been established, and if its risk management strategies were inadequate in the face of such changes, ENDESA's business activities, results, financial position and cash flows could be affected adversely.

ENDESA has signed certain natural gas supply contracts which include binding "take or pay" clauses which compel it to either acquire the fuel it has agreed to contractually or to pay even if it does not acquire such fuel. The terms of these contracts have been established based on certain assumptions regarding future electricity and gas demand. Any deviation from the assumptions used could give rise to an obligation to purchase more fuel than necessary or to sell excess fuel on the market at current prices.

b.2. ENDESA is exposed to foreign currency risk.

ENDESA is exposed to foreign currency risk, mainly in relation to the payments it must make in international markets to acquire energy-related commodities, especially natural gas and international coal, where the prices of these commodities are usually denominated in US dollars.

Therefore, this means that the fluctuations in the foreign exchange rate could adversely affect ENDESA's business activities, results, financial position and cash flows.

Information relating to currency risk and an exchange rate sensitivity analysis are provided in Note 13.2 to the Financial Statements for the year ended 31 December 2019.

b.3. ENDESA's business could be affected by adverse economic or political conditions in Spain, Portugal, the euro zone and in international markets.

Adverse economic conditions could have a negative impact on energy demand and the ability of ENDESA's consumers to fulfil their payment obligations. In times of economic recession, as experienced by Spain and Portugal in recent years, electricity demand usually falls off, adversely affecting the Company's results.

If the economic situation in Spain, Portugal or other euro zone economies deteriorates, it could adversely affect energy consumption and, consequently, ENDESA's business activities, financial position, operating results and cash flows would be negatively affected.

Apart from this, the financial conditions in the international markets pose a challenge for ENDESA's economic situation due to the potential impact on its business of the level of public debt, low growth rates, the rating of sovereign bonds at the international level and in particular in euro zone countries, and the monetary expansion measures in the credit market. Changes in any of these factors could affect ENDESA's access to capital markets and the terms on which it obtains financing, consequently affecting its business activities, results, financial position and cash flows.

In addition to any economic problems which could arise at the international level, ENDESA faces a situation of uncertainty at the political level, in Spain and internationally, which could adversely affect the Company's economic and financial position. Specifically, it is considered that the impact of Brexit and other international events is not material for ENDESA.

ENDESA cannot guarantee that the international or euro zone economic situation will not deteriorate, or that an event of a political nature will not have a significant impact on the markets, thus affecting its business, its economic situation, results and cash flows.

b.4. ENDESA’s activities could be affected by natural resources, climate and weather conditions.

ENDESA's electricity production depends on levels of natural resources, availability of plants and market conditions. The production of renewable power plants depends on levels of rainfall, sunshine and wind existing in the geographical areas where the hydroelectric, wind and photovoltaic generation facilities are located. Therefore, if there are droughts or low levels of wind or sunshine or other circumstances adversely affecting generation from renewable sources, ENDESA's business, results, financial position and cash flows could be adversely affected.

Demand not covered by renewable sources is produced by thermal power plants, whose production, as well as their margin, depends on the competitiveness between different technologies. A year with low rainfall, few hours of sunshine or little wind leads to a decline in hydroelectric, solar or wind output, in turn increasing the output of thermal power plants, at greater cost, and therefore an increase in the price of electricity and costs of buying energy. In a wet year, with more sunshine and wind, the opposite effects occur. In the event of adverse conditions due to low levels of resources, electricity generation will come more from thermal plants and ENDESA's operating expenses will increase. ENDESA's inability to manage changes in natural resource conditions could adversely affect its business, results, financial position and cash flows.

In an average year, it has been estimated that hydroelectric production can vary by ± 28%, wind by ± 5% and photovoltaic by ± 1%. Thus, in 2019 the generation of electricity in hydroelectric plants in ENDESA was 5,861 GWh, when for an equivalent power, the production in 2018 was 8,459 GWh.

Weather conditions and in particular seasonality have a significant impact on demand for electricity, with electricity consumption peaking in summer and winter. Seasonal changes in demand are attributed to various weather-related factors such as the climate, the amount of natural light, and the use of light, heating and air conditioning. Changes in demand due to weather conditions can have a significant effect on the profitability of the business. Additionally, ENDESA must make certain projections and estimates regarding weather conditions when negotiating its contracts and a significant divergence in rainfall and other weather conditions envisaged could adversely affect ENDESA's business, results, financial position and cash flows.

Likewise, adverse weather conditions could impact the regular supply of energy due to damage to the network, with the resulting interruption in services which could compel ENDESA to compensate its customers due to delays or disruptions in the supply of energy.

The occurrence of any of the foregoing circumstances could adversely affect its business, results, financial position and cash flows.

b.5. ENDESA is exposed to competition in its commercial activities.

ENDESA maintains relationships with a large number of customers, 10.6 million electricity customers and 1.6 million gas customers at 31 December 2019.

ENDESA's business activities are carried out in an environment of fierce competition. Although ENDESA’s losing individual customers would not have a significant impact on its business as a whole, inability to maintain stable relationships with customers could adversely affect ENDESA's business, results, financial position and cash flows.

b.6. ENDESA is exposed to interest rate risk.

Interest rate fluctuations change the fair value of assets and liabilities bearing interest at fixed rates and the future flows from assets and liabilities indexed to variable interest rates. Changes in interest rates could adversely affect ENDESA’s business, results, financial position and cash flows.

At 31 December 2019, gross financial debt amounted to Euros 5,715 million. 53% of gross financial debt before cash flows and fair value hedges accrued interest at a fixed rate, while the remaining 47% was referenced to variable interest. Borrowings at floating interest rates are mainly linked to EURIBOR.

Taking account of cash flow hedges considered effective, 67% of gross financial debt was protected from interest rate risk at 31 December 2019. Taking account of fair value hedges too, this percentage was 67% at 31 December 2019.

Information relating to interest rate risk and an interest rate sensitivity analysis are provided in Note 13.1 to the Financial Statements for the year ended 31 December 2019.

b.7. ENDESA's business depends on its ability to obtain the funds necessary to refinance its debt and finance its capital expenditure.

ENDESA is confident that it will be able to generate funds internally (self-financing), access bank financing through long-term credit lines, access short-term capital markets as a source of liquidity and access the long-term debt market in order to finance its organic growth programme and other capital requirements, including its commitments arising from the ongoing maintenance of its current facilities. Furthermore, ENDESA occasionally needs to refinance its existing debt. This debt includes long-term credit lines, obtained from both banks and companies of the ENEL Group, and financial investments.

If ENDESA were to be unable to access capital on reasonable terms, refinance its debt, settle its capital expenses and implement its strategy, the Company could be adversely affected. Turmoil on the capital markets, a possible reduction in ENDESA's creditworthiness or possible restrictions on financing conditions imposed on the credit lines in the event that financial ratios were to deteriorate, could increase the Company's financing costs or adversely affect its ability to access the capital markets.

A lack of financing could force ENDESA to dispose of or sell its assets to offset the liquidity shortfall in order to pay the amounts owed and this sale could occur in circumstances that prevent ENDESA from obtaining the best price for said assets. Therefore, if ENDESA were unable to access financing on acceptable terms, its business, results, financial position and cash flows could be adversely affected.

At 31 December 2019, ENDESA had negative working capital of Euros 802 million. The undrawn amount on the Company's long-term credit lines provide assurance that ENDESA can obtain sufficient financial resources to continue its operations, realise its assets and settle its liabilities for the amounts shown in the statement of financial position.

The information on liquidity risk is included in Note 13.3 of the Notes to the Financial Statements for the year ended 31 December 2019 and the information on the main transactions carried out by ENDESA is set out in Section 2 of this Management Report.

Apart from this, the conditions in which ENDESA accesses the capital markets or other means of financing, whether within the Company or on the credit market, are highly dependent on its credit rating, which in turn is dependent on that of its parent company, ENEL. ENDESA's capacity to access the markets and financing could therefore be affected, in part, by the credit and financial position of ENEL, to the extent that ENEL can influence the availability of inter-company financing for ENDESA or the conditions under which the Company accesses the capital market.

In this connection, the deterioration of ENEL's credit rating and, consequently, that of ENDESA, could limit ENDESA's ability to access the capital markets or any other means of financing (or refinancing) from third parties or increase the cost of these transactions which could adversely affect ENDESA's business, results, financial position and cash flows.

c) Counterparty risk

c.1. ENDESA is exposed to credit risk.

In its commercial and financial activities, ENDESA is exposed to the risk that its counterparty may be unable to meet all or some of its obligations, both payment obligations arising from goods already delivered and services already rendered and payment obligations related to expected cash flows, in accordance with the financial derivative contracts entered into, cash deposits or financial assets. In particular, ENDESA assumes the risk that the consumer may not be able to fulfil its payment obligations for the supply of energy, including all transmission and distribution costs.

ENDESA cannot guarantee that it will not incur losses as a result of the non-payment of commercial or financial receivables and, therefore, the failure of one or various significant counterparties to fulfil their obligations could adversely affect ENDESA's business, results, financial position and cash flows.

Information relating to credit risk is provided in Note 13.4 to the Financial Statements for the year ended 31 December 2019.

c.2. ENDESA's business could be negatively affected by inability to maintain its relations with suppliers or because the supply of suppliers available was insufficient in terms of quantity and/or quality, or due to suppliers' failing to maintain the conditions of service provided, limiting the possibilities of operability and business continuity.

The relationships ENDESA currently maintains with the main industry suppliers and service providers are essential for the development and growth of its business, and will continue to be so in the future. Furthermore, certain of these relationships are and will continue to be managed by ENEL, S.p.A.

ENDESA's dependence on these relationships could affect its ability to negotiate contracts with these parties under favourable conditions. Although ENDESA's supplier portfolio is sufficiently diverse, if any of these relationships is severed or terminated, ENDESA cannot guarantee the replacement of any significant supplier or service provider within an appropriate time frame or on similar terms.

ENDESA makes significant purchases of fuels, materials and services. In this regard, it is worth mentioning that:

- Some thermal power plants have had their consumption highly concentrated in few suppliers and countries, which represents a risk in case of supply interruption;

- Fuel supply contracts, basically for gas, are in areas with significant geopolitical risk that could materialise in the interruption of supply; and

- In the case of the power stations in the Non-mainland Territories (TNP) (Balearic Islands, Canary Islands, Ceuta and Melilla), a situation of geographical isolation is combined with heavy dependence on liquid fuels.

If ENDESA is unable to negotiate contracts with its suppliers on favourable terms, if such suppliers are unable to comply with their obligations or if their relationship with ENDESA is severed, and ENDESA is unable to find an appropriate replacement, its business, results, financial position and cash flows could be affected adversely.

d) Operational risks.

d.1. ENDESA is exposed to risks associated with the construction of new electricity generation and supply facilities

The construction of power generation and supply facilities can be time-consuming and highly complex. This means that investment needs to be planned well in advance of the estimated start-up date of the facility and, therefore, the Group may need to adapt its decisions to changes in market conditions. This may entail significant additional costs not originally planned that may affect the return on these types of projects.

In connection with the development of such facilities, ENDESA generally has to obtain the related administrative authorisations and permits, acquire land purchase or lease agreements, sign equipment procurement and construction contracts, operation and maintenance agreements, fuel supply and transport agreements, off-take arrangements and obtain sufficient financing to meet its capital and debt requirements.

The Industrial Plan approved by the Board of ENDESA, S.A. on 26 November 2019 contemplates an investment target, net of subsidies and assets assigned by customers, of Euros 7.7 billion between 2019 and 2022.

Factors that may affect ENDESA's ability to construct new facilities include:

- Delays in obtaining regulatory approvals, including environmental permits;
- Shortages or changes in the price of equipment, materials or labour;
- Opposition from local groups, political groups or other stakeholders;
- Adverse changes in the political environment and environmental regulations;
- Adverse weather conditions, natural disasters, accidents and other unforeseen events that could delay the completion of power plants or substations;
- Non-compliance by suppliers with the agreed contractual conditions; and
- Inability to obtain financing on terms that are satisfactory to ENDESA.

Any of these factors may cause delays in completion or commencement of the Group's construction projects and may increase the cost of planned projects. In addition, if ENDESA is unable to complete these projects, any costs incurred in connection with such projects may not be recoverable.

If ENDESA faces problems relating to the development and construction of new facilities, its business, results, financial position and cash flows may be adversely affected.

d.2. ENDESA's activity may be affected by failures, breakdowns, problems in carrying out the planned work, or other problems that may result in unscheduled unavailability and other operational risks.

For the development of its activities, ENDESA has a large volume of assets relating to its activities which include, among others:

- Energy generation: At 31 December 2019, the total net installed capacity of ENDESA in Spain amounted to 23,365 MW, of which 19,026 MW were in the Peninsular Electric System and 4,339 MW in the Non-mainland Territories (TNP) of the Balearic Islands, Canary Islands, Ceuta and Melilla. At that date, the net power installed in renewables was 7,408 MW.
- Energy Distribution: At 31 December 2019, ENDESA distributed electricity in 27 Spanish provinces of 10 Autonomous Regions and in the Autonomous City of Ceuta, with a total area of 195,500 km^2 and a population close to 21 million inhabitants. The total energy distributed by ENDESA networks, measured in plant bars, reached 116,611 GWh in 2019.
- Energy Supply: At 31 December 2019, ENDESA had more than 12 million electricity and gas customers.

ENDESA is exposed to risks of breakdowns or accidents that temporarily interrupt the operation of the plants or interrupt the service to customers. To mitigate these risks there are prevention and protection strategies, including predictive and preventive maintenance techniques in line with international best practices.

ENDESA cannot guarantee that during the development of the activities, direct or indirect losses cannot arise from inappropriate internal processes, technological failures, human error or certain external events, such as accidents at facilities, labour disputes and natural disasters. These risks and dangers could cause explosions, floods or other circumstances which could cause the total loss of the energy generation and distribution facilities; damage to or the deterioration or destruction of ENDESA's facilities or those of third parties, environmental damage, delays in electricity generation and partial or total disruption of the activity. The occurrence of any of these circumstances could adversely affect its business, results, financial position and cash flows.

d.3. ENDESA's insurance cover and guarantees might not be appropriate or might not cover all of the damage.

ENDESA tries to obtain appropriate insurance cover in relation to the main risks associated with its business, including damage to the Company itself, general civil liability, environmental and nuclear power plant liability, and it is possible that insurance cover may not be available on the market on commercially reasonable terms. Likewise, the amounts for which ENDESA is insured may not be sufficient to cover the incurred losses in their entirety.

In the event of a partial or total loss of ENDESA's facilities or other assets, or a disruption to its activities, the funds ENDESA receives from its insurance may not be sufficient to cover the complete repair or replacement of the assets or losses incurred. Furthermore, in the event of a total or partial loss of ENDESA's facilities or other assets, part of the equipment may not be easily replaced, given its high value or its specific nature, or may not be easily or immediately available.

Similarly, the cover for this equipment or the limits to ENDESA's ability to replace it could disrupt or hinder its operations or significantly delay the course of its ordinary operations. Consequently, all of the above could adversely affect ENDESA's business, results, financial position and cash flows.

Likewise, ENDESA's insurance contracts are subject to constant review by its insurers. It is therefore possible that ENDESA may be unable to maintain its insurance contracts on terms similar to those currently in place in order to meet possible increases to premiums or coverage that becomes inaccessible. If ENDESA is unable to pass on a possible premium increase to its customers, these additional costs may adversely affect its business, results, financial position, and cash flows.

e) Other risks.

e.1. The success of ENDESA's business depends on the continuity of the services provided by the Company's Management and key workers.

For the development of its activities ENDESA, S.A., at 31 December 2019 had a workforce of 1,332 employees (see Note 19.1 to the financial statements for the year ended 31 December 2019). In order for ENDESA to continue maintaining its position in the sector, it needs to guarantee talent management, especially with regard to digital skills.

The qualified labour market is highly competitive and ENDESA may not be able to successfully hire additional qualified staff or to replace outgoing staff with sufficiently qualified or effective employees. ENDESA's inability to retain or recruit essential staff could adversely affect its business, results, financial position and cash flows.

e.2. ENDESA considers Occupational Health and Safety (OHS) and maintaining a fluid social dialogue as priority objectives. Inability to meet these objectives could adversely affect ENDESA's business, results, financial position and cash flows.

ENDESA considers Occupational Health and Safety (OHS) a priority and a fundamental value to preserve at all times for all who work for the Company, without distinction between its own personnel and that of its partner companies. The inclusion of this target in ENDESA's strategy finds specific expression in:

– Implementation of OHS policies at all the Group companies.

– The implementation of specific work plans.

– The application of a unique and global system of observation of labour behaviours.

ENDESA also carries out various annual initiatives in its long-term strategy of continuous improvement of Occupational Health and Safety (OHS).

The information related to Occupational Health and Safety (OHS) of ENDESA is presented in Section 7 of this Management Report and is detailed in the 2019 Sustainability Report.

The freedom of association of workers is guaranteed in ENDESA and in all contractor companies and suppliers with which it maintains a relationship.

The information relating to Social Dialogue is detailed in the 2019 Sustainability Report.

Within the scope of ENDESA in Spain, it should be noted that on 23 January 2020, the 5th ENDESA Framework Collective Agreement was signed, which implies that, since that date, a collective labour framework has been available, which adapts the labour regulation to the new requirements of the environment (see Note 21 to the financial statements for the year ended 31 December 2019).

Inability to meet these objectives could adversely affect ENDESA's business, results, financial position and cash flows.

e.3. ENDESA manages its activities with information technology that uses the highest security and contingency standards according to the state of the art, such that it guarantees operating efficiencies, the protection of personal data, as well as the continuity of the businesses, systems and processes which contribute to attaining its corporate objectives.

The use of information technologies in ENDESA is essential for the management of its activity. ENDESA's systems constitute a strategic element of differentiation with respect to the companies in the sector, given the magnitudes of business they handle in terms of technical complexity, volume, granularity, functionality and diversity of logic. Specifically, the main information systems available to ENDESA and the business processes they support are the following:

- Sales systems: marketing processes, demand forecasts, profitability, sales, customer service, claim management, hiring and the basic revenue cycle (validation of meter reading, invoicing, collection management and debt processing).

- Technical distribution systems: processes for managing the grid, meter-reading management, handling of new supplies, network planning, field work management, management of meter-reading equipment with advanced remote management and energy management capabilities.

- Generation systems, energy management and renewables: fuel management processes, meter-reading management, trading risk management, etc.

- Economic and financial systems: economic management, accounting, financial consolidation and balance sheet processes of the Company.

Management of ENDESA's business activity through these systems is key in order to perform its activity efficiently and achieve its corporate objectives. In constructing and operating these systems, ENDESA incorporates the highest security and contingency standards such that it guarantees operating efficiencies, as well as the continuity of the businesses and processes which contribute to attaining its corporate objectives.

These standards acquire an especially significant role in the process of digital transformation through which ENDESA is going, which leads to a growing exposure to potential cyberattacks, increasingly numerous and complex, and which can compromise the security of its systems, data, including those of a personal nature, affecting the continuity of operations, and consequently the quality in the relationship with its customers and the results, financial situation and cash flows of the organisation.

Security, therefore, has become a global and strategic issue. In this regard, ENDESA has policies, processes, methodologies, tools and protocols based on international standards and government initiatives properly audited. In particular, ENDESA has a cybersecurity performance and management model promoted by Senior Management which involves all business areas and the area responsible for the management of computer systems. This model is based on the identification, prioritisation and quantification of existing security risks, taking into account the impact of each system on ENDESA's business, and with the objective of adopting security actions for minimisation and mitigation.

e.4. ENDESA's activities are subject to wide-reaching environmental regulations and its inability to comply with current environmental regulations or requirements or any changes to the environmental regulations or requirements applicable could adversely affect its business activities, results, financial position and cash flows.

ENDESA is subject to environmental regulations, which affect both the normal course of its operations and the development of its projects, leading to increased risks and costs. This regulatory framework requires licences, permits and other administrative authorisations be obtained in advance, as well as fulfilment of all the requirements provided for in such licences, permits and authorisations. As in any regulated company, ENDESA cannot guarantee that:

- The regulation will not be amended or interpreted in such a way as to increase the expenses necessary to comply with such laws or as to affect ENDESA's operations, facilities or plants;

- Public opposition will not lead to delays or changes in the projects that are proposed; and

- The authorities will grant the environmental permits, licences and authorisations required to develop new projects.

In addition, ENDESA is exposed to environmental risks inherent to its business, including those risks relating to the management of the waste, spills and emissions of the electricity production facilities, particularly nuclear power plants. ENDESA may be held responsible for environmental damage, for harm to employees or third parties, or for other types of damage associated with its energy generation, supply and distribution facilities, as well as port terminal activities.

Although the plants are prepared to comply with the prevailing environmental requirements, ENDESA cannot guarantee that it will be able to comply with the requirements imposed or that it will be able to avoid fines, administrative or other sanctions, or any other penalties and expenses related to compliance matters, including those related to the management of waste, spills and emissions from the electricity production units. Failure to comply with these regulations may give rise to liabilities, as well as fines, damages, sanctions and expenses, and even possibly to facility closures. Government authorities may also impose charges or taxes on the parties responsible in order to guarantee obligations are repaid. In the event ENDESA were accused of failing to comply with environmental regulations, its business activities, results, financial position and cash flows could be affected adversely.

In this connection, ENDESA has taken out the following insurance policies:

- An environmental liability insurance policy which covers, up to a maximum of Euros 150 million, claims arising from contamination.

- A third-party liability insurance policy which covers claims relating to damage to third parties or their property up to a maximum of Euros 200 million and an additional Euros 800 million for hydroelectric plants.

- In relation to risks arising from operating nuclear power plants, the storage and handling of low-level radioactive materials and the potential decommissioning of its nuclear power plants, an insurance policy up to Euros 700 million to cover any liabilities related to nuclear power plants up to the liability limit established by Spanish legislation.

The nuclear power plants are also insured against damage to their installations (including feedstock) and machinery breakdowns, with maximum coverage of US$1.5 billion (approximately Euros 1.34 billion) for each power plant.

On 28 May 2011 the Spanish government published Law 12/2011 of 27 May 2011 on civil liability for nuclear damage or damage produced by radioactive materials, which raises operator liability to Euros 1.2 billion and allows coverage of this liability to be ensured in several ways. The entry into force of this regulation is in turn subject to the prior entry into force of the Protocol of 12 February 2004, amending the Convention on Civil Liability for Nuclear Damage (Paris Convention), and the Protocol of 12 February 2004, amending the Convention which complements the latter (Brussels Convention) which, at the date on which this Management Report was drawn up, was pending ratification by some European Union member states.

However, it is possible ENDESA may face third-party damage claims. If ENDESA were to be held liable for damages generated by its facilities for amounts greater than its insurance policy cover or for damages which exceed the scope of the insurance policy's cover, its business, financial position or operating results could be adversely affected.

ENDESA is subject to compliance with the legislation and regulations on emissions of pollutants and on the storage and treatments of waste from fuel from nuclear power plants. It is possible that the Company will be subject to even stricter environmental regulations in the future. In the past, the approval of new regulations has required, and could require in the future, significant capital investment expenditures in order to comply with legal requirements. ENDESA cannot predict the increase in capital investments or the increase in operating costs or other expenses it may have to incur in order to comply with all environmental requirements and regulations. Nor can it predict whether it will be possible to pass on these costs. Thus, the costs associated with compliance with the regulations applicable could adversely affect ENDESA's business, results, financial position and cash flows.

e.5. Past or future infringements of competition and antitrust laws could adversely affect ENDESA's business, results, financial position and cash flows.

ENDESA is subject to antitrust laws in the markets in which it operates. Infractions of these laws and other applicable regulations, especially in Spain where ENDESA's main market is located, could lead to the initiation of legal proceedings against ENDESA.

Pursuant to Organic Law 5/2010 of 22 June 2010, which amended Organic Law 10/1995 of 23 November 1995 on the Criminal Code incorporating offences applicable to legal persons, subsequently amended by Organic Law 1/2015 of 30 March 2015, ENDESA is subject to criminal liability for certain offences. The Organic Law 1/2019, of 20 February 2019, again amended the Organic Law 10/1995, of November 23 1995, of the Criminal Code, to transpose European Union Directives in the financial and terrorism fields, and to address issues of a nature international. Any violations of these laws could give rise to legal proceedings against ENDESA.

ENDESA has been, is and could be the object of legal investigations and proceedings regarding competition matters. Investigations regarding the infringement of competition and antitrust laws usually last several years and may be subject to rules that prevent the disclosure of information. Furthermore, infringements of these regulations may give rise to fines and other types of sanctions, which could adversely affect ENDESA's business, results, financial position and cash flows.

Information on litigation and arbitration is provided in Note 11.3 to the Financial Statements for the year ended 31 December 2019.

ENDESA's growth strategy has traditionally included, and continues to include, acquisition transactions which are subject to various competition laws. These regulations may affect ENDESA's ability to carry out strategic transactions.

e.6. ENDESA is involved in court and arbitration proceedings.

ENDESA is party to various ongoing legal proceedings related to its business activities, including tax, regulatory and antitrust disputes. It is also subject to ongoing or possible tax audits. In general, ENDESA is exposed to third-party claims from all jurisdictions (criminal, civil, commercial, labour and economic-administrative) and in national and international arbitration proceedings.

ENDESA makes its best estimate to establish its provisions for legal contingencies, provided that the need to meet this obligation is probable and its amount can be reasonably quantified.

No guarantee can be given that ENDESA has allocated adequate provisions for contingencies, that it will be successful in the proceedings in which it expects a positive outcome, or that an unfavourable decision will not adversely affect ENDESA's business, results, financial position and cash flows. Furthermore, the Company cannot give any assurance that it will not be the object of new legal proceedings in the future, which, if the outcome were unfavourable, would have an adverse effect on its business, operating results, financial position or cash flows.

Information on litigation and arbitration is provided in Note 11.3 to the Financial Statements for the year ended 31 December 2019.

e.7. In general, ENDESA could be affected by tax risks deriving either from a possible interpretation of the rules by the Tax Authorities that differs from that adopted by the Company or from an incorrect perception by third parties of the tax position adopted by the Company.

Currently, the tax risks to be managed and controlled are those deriving from uncertainties caused either by the possibility of the Tax Authorities demanding amounts in addition to those that ENDESA considers due (either due to failure to file returns or to a different interpretation of the applicable regulations) or by incorrect perception or assessment by third parties of events of a tax nature that are erroneously or unfairly attributed to the Company.

In 2019, ENDESA's total tax contribution amounted to Euros 4,113 million, of which 41% corresponded to taxes incurred that represented a cost to ENDESA and 59% referred to taxes collected by ENDESA in carrying out its economic activity. Spain has been the jurisdiction where ENDESA has most contributed to the payment of taxes, representing more than 92% of the total taxes paid and collected in the year 2019.

The information regarding ENDESA's tax contribution is detailed in the 2019 Sustainability Report.

With reference to ENDESA's situation framework regarding tax risks, it is worth highlighting:

- The periods open for review by the relevant Tax Authorities and Inspections for the period and their effects (see Note 15.10 to the financial statements for the year ended 31 December 2019); and

- The significant tax disputes that are likely to generate a contingency (see Note 11.3 to the financial statements for the year ended 31 December 2019).

ENDESA mitigates the occurrence of these risks through:

- Compliance with its Tax Risk Management and Control Policy, which is the base document of the Tax Control Framework that the Company has implemented; and

- Its subscribing to the cooperative compliance system, embodied in the Code of Good Tax Practices and in the annual presentation to the Tax Administration of the Tax Transparency Report. This subscription implies that ENDESA voluntarily commits vis-à-vis the Tax Administration to the promotion of good practices that lead to the reduction of significant tax risks and the prevention of behaviours likely to generate them.

In spite of this firm commitment, any change in the interpretation of the tax regulations by the Tax Administration or the Administrative or Judicial Courts may have an impact on the fulfilment of ENDESA's fiscal obligations, being capable of affecting its financial situation and its cash flows .

e.8. ENDESA could be held liable for corporate income tax and Value Added Tax (VAT) charges corresponding to the tax group of which it forms part or has formed part.

Since 2010, ENDESA has filed consolidated tax returns for income tax purposes, as part of consolidated tax group no. 572/10, the parent of which is ENEL, S.p.A., ENEL Iberia, S.L.U. being its representative in Spain. Likewise, since January 2010, ENDESA has formed part of the Spanish consolidated VAT group no. 45/10, the Parent of which is ENEL Iberia, S.L.U. Until 2009, ENDESA filed consolidated tax returns as the Parent under group no. 42/1998 for income tax and under group no. 145/08 for VAT.

Also, ENEL Green Power España, S.L.U. (EGPE), a wholly-owned ENDESA subsidiary, paid tax between 2010 and 2016 as a consolidated member of Group number 574/10 of which ENEL Green Power España, S.L.U. (EGPE) was the Parent. From 1 January 2017, ENEL Green Power España, S.L.U. (EGPE) paid taxes as part of tax group number 572/10 of which ENEL, S.p.A. is the Parent and ENEL Iberia, S.L.U. is the representative in Spain.

After ENDESA took control of Empresa de Alumbrado Eléctrico de Ceuta, S.A., in which, at 31 December 2019, it held a 96.3% share of the capital, the Consolidated Tax Group number 21/02 was incorporated, consisting of the following three companies: Empresa de Alumbrado Eléctrico de Ceuta, S.A. (as the parent company and representative of the Consolidated Fiscal Group), Energía Ceuta XXI Comercializadora de Referencia, S.A.U. and Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U.

In accordance with the regime for filing consolidated tax returns for purposes of income tax and VAT for company groups, all of the Group companies that file consolidated tax returns are jointly responsible for paying the Group's tax charge. This includes certain sanctions arising from failure to comply with specific obligations imposed under the VAT regime for company groups.

As a result of this, ENDESA is jointly responsible for paying the tax charge of the other members of the consolidated tax Groups to which it belongs or has belonged for all tax periods still open for review. ENEL Green Power España, S.L.U. (EGPE) is so responsible for the other members of the Tax Consolidation Group to which it has belonged and Empresa de Alumbrado Eléctrico de Ceuta, S.A. with respect to its.

Even though ENDESA, ENEL Green Power España, S.L.U. (EGPE) or Empresa de Alumbrado Eléctrico de Ceuta, S.A., as the case may be, has the right of recourse against the other members of the corresponding tax consolidated group, any of them could be held jointly and severally liable if any outstanding tax charge were to arise which had not been duly settled by another member of the consolidated tax Groups of which ENDESA, ENEL Green Power España, S.L.U. (EGPE) or Empresa de Alumbrado Eléctrico de Ceuta, S.A., as the case may be, forms or has formed part. Any material tax liability could adversely affect ENDESA's business, results, financial position and cash flows.

e.9. The ENEL Group controls the majority of ENDESA's share capital and voting rights and the interests of the ENEL Group could conflict with those of ENDESA.

At 31 December 2019, the ENEL Group, through ENEL Iberia, S.L.U., held 70.101% of ENDESA, S.A.'s share capital and voting rights, enabling it to appoint the majority of ENDESA, S.A.'s Board members and, therefore, to control management of the business and its management policies.

The ENEL Group's interests may differ from those of ENDESA or of ENDESA’s other shareholders. Furthermore, both the ENEL Group and ENDESA compete in the European electricity market. It is not possible to give any assurance that the interests of the ENEL Group will coincide with the interests of ENDESA's other shareholders or that the ENEL Group will act in support of ENDESA's interests.

Information on balances and transactions with related parties is provided in Note 18 to the Financial Statements for the year ended 31 December 2019.

e.10. ENDESA is exposed to image and reputational impairment risk.

ENDESA is exposed to the opinion and perception projected to different interest groups. This perception could deteriorate as a result of events produced by the Company or third parties over which it has little or no control. Should this occur, this could lead to economic damage to the Company due, among other factors, to increased requirements on the part of regulators, higher borrowing costs or increased efforts to attract customers.

Although ENDESA actively works to identify and monitor potential reputational events and interest groups affected, and transparency forms part of its communications policy, there is no guarantee that it will not suffer impairment of its image or reputation which, if resolved unfavourably, will have an adverse effect on its business, operating results, financial position or cash flows.

Furthermore, ENDESA cannot guarantee that it will maintain solid relationships and ongoing communication with consumers and users and with the associations that represent them and, therefore, any change in these relationships could entail negative publicity and a significant loss of customers, which could adversely affect ENDESA's business, results, financial position and cash flows.

6. Policy on derivative financial instruments

Information on derivative financial instruments is provided in Note 14 to the financial statements of ENDESA S.A., for the year ended 31 December 2019.

7. Human resources

At 31 December 2019, the Company had a total of 1,332 employees (1,287 employees at 31 December 2018).

The Company's average workforce in 2019 was 1,299 employees (1,295 employees in 2018).

By gender, at 31 December 2019, 48.6% of ENDESA's workforce were male, and 51.4% were female.

Information on the workforce is provided in Note 19.1 to the Financial Statements of ENDESA S.A. for the year ended 31 December 2019.

Occupational health and safety (OHS)

ENDESA S.A. considers the occupational health and safety (OHS) of its employees to be a fundamental principle and preserves it by developing a strong culture between employees and shareholders. In this regard, it ensures that employees have a healthy and safe workplace environment at all times and in all areas in which they act.

In 2019 and 2018, the main variations in occupational health and safety indicators were as follows:

	Main figures	
	2019	2018
Own frequency index (1)	0.00	0.00
Own severity index (2)	0.00	0.00
Combined frequency index (3)	0.47	1.39
Combined severity index (4)	0.01	0.05
Number of accidents (5)	2	6

(1) Own frequency index (own personnel) = (Number of accidents / Number of hours worked) x 106.
(2) Own severity index (own personnel) = (Number of days lost / Number of hours worked) x 103.
(3) Combined frequency index (own and subcontracted personnel) = (Number of accidents / Number of hours worked) x 106.
(4) Combined severity index (own and subcontracted personnel) = (Number of days lost / Number of hours worked) x 103.
(5) Of which zero in 2019 and zero in 2018 were serious and fatal accidents.

8. Treasury shares

The Company did not hold any treasury shares at 31 December 2019 and did not carry out any transactions involving treasury shares in 2019.

9. Environmental protection

Information on environmental activities is provided in Note 20 to the financial statements of ENDESA, S.A. for the year ended 31 December 2019.

10. Research and development activities

The Company did not carry out any research and development activities directly as these fall within the remit of its subsidiaries.

11. Information on average payment period to suppliers

Information on the average payment period to suppliers is provided in Note 19.3 to the financial statements of ENDESA S.A. for the year ended 31 December 2019.

12. Annual Corporate Governance Report as required by Article 538 of Royal Decree Law 1/2010 of 2 July 2010 approving the Consolidated Text of the Corporate Enterprises Act

The 2019 Annual Corporate Governance Report, as required by Article 538 of Royal Decree Law 1/2010 of 2 July 2010 approving the Consolidated Text of the Corporate Enterprises Act, forms an integral part of this Management Report, and its contents are available on the website of the Spanish National Securities Market Commission ("CNMV") at the following address:

https://www.cnmv.es/portal/consultas/EE/InformacionGobCorp.aspx?nif=A-28023430&lang=en

13. Statement of Non-financial information as required by Law 11/2018 of 28 December 2018 amending the Commercial Code, the Consolidated Text of the Corporate Enterprises Act approved by Royal Decree Law 1/2010 of 2 July 2010 and Law 22/2015 of 20 July 2015 on the auditing of financial statements, on non-financial information and diversity.

The Statement of Non-financial Information as required by Law 11/2018 of 28 December 2018 amending the Commercial Code, the Consolidated Text of the Corporate Enterprises Act approved by Royal Decree Law 1/2010 of 2 July 2010 and Law 22/2015 of 20 July 2015 on the auditing of financial statements, on non-financial information and diversity, is included in Appendix II to the Consolidated Management Report of ENDESA S.A. and Subsidiaries for the year ended 31 December 2019.

This Statement of Non-Financial Information, as part of the Consolidated Annual Accounts of ENDESA, S.A. and Subsidiaries, will be filed with the Madrid Mercantile Registry after its approval by the General Meeting of Shareholders.

24 February 2020

The Management Report of ENDESA, Sociedad Anónima for fiscal year ending December 31, 2019, as provided herein, was drafted by the Board of Directors of the company ENDESA, Sociedad Anónima at its meeting on February 24, 2020 and is hereinbelow signed by all of its Directors in compliance with Article 253 of the Spanish Capital Corporations Law (*Ley de Sociedades de Capital*).

D. Juan Sánchez-Calero Guilarte **Chairman**	**D. Francesco Starace** **Vice Chairman**
D. José Damián Bogas Gálvez **Chief Executive Officer**	**D. Antonio Cammisecra** **Director**
D. Alejandro Echevarría Busquet **Director**	**D. Ignacio Garralda Ruiz de Velasco** **Director**
Dña. Maria Patrizia Grieco **Director**	**D. Francisco de Lacerda** **Director**
D. Alberto de Paoli **Director**	**D. Miguel Roca Junyent** **Director**

Madrid, February 24, 2020

Audit Report on Consolidated Financial Statements
issued by an Independent Auditor

ENDESA, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2019

Building a better working world

Ernst & Young, S.L.
C/ Raimundo Fernández Villaverde, 65
28003 Madrid

Tel.: 902 365 456
Fax.: 915 727 300
ey.com

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 39)

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the shareholders of
ENDESA, S.A.:

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of ENDESA, S.A. (the Parent Company) and its Subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2019, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements, give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2019 and of its consolidated financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of non-financial assets

Description

At year-end 2019, the Group recognized property, plant, and equipment under non-current assets in the amount of 21,329 million euros, intangible assets totalling 1,375 million euros, and goodwill amounting to 462 million euros.

As a result of the decision of the Board of Directors of Endesa, S.A. of September 27, 2019 to discontinue the operation of mainland coal-fired thermal power plants, and the regulatory changes approved in 2019 related to the electricity production activity in the Non-Mainland Territories, the Group, as indicated in Note 28 of the accompanying consolidated financial statements, has recognized impairment loss of non-financial assets amounting to 1,352 million euros corresponding to property, plant and equipment of mainland coal-fired thermal power plants, 401 million euros corresponding to the property, plant and equipment of the Non-Mainland Territories and 17 million euros corresponding to goodwill.

The recoverable amount of the above assets is subject to the existence of potential impairment, which is determined based on complex estimates and assumptions made by Group Management using criteria, judgments, and hypotheses. We consider this to be a key audit matter due to the significant amounts and the inherent complexity of assigning a value to key assumptions made and changes therein.

The Group applied the following key criteria, hypotheses and judgments: Electricity and gas demand, regulatory measures, average hydraulic and wind energy, installed capacity, production mix determination, sales and energy purchase prices, electricity and gas sales prices, fuel costs, fixed costs, as well as discount and growth rates.

Additional information on the criteria applied by Group Management, as well as key assumptions used during the determination of impaired value of non-financial assets is disclosed in Note 3.e) of the accompanying consolidated financial statements.

Our response

Our audit procedures include, among others, the following:

- Understanding the processes established by Group Management to determine impairment of the value of non-financial assets, including assessment of the design and implementation of relevant controls.
- Reviewing the model used by Group Management with the assistance of our valuation specialists, encompassing its mathematical coherence, reasonableness of the projected cash flows, discount rates, and long-term growth rates, as well as the outcome of the sensitivity analyses carried out by Group Management. Throughout the performance of our work, we held interviews with the business heads and using renowned external sources and other available information to contrast data.
- Review disclosures included in the accompanying consolidated financial statements in accordance with the applicable financial reporting framework.

Revenue recognition. Electricity and gas sales supplied yet not billed

Description	At year-end 2019, the Group recognized 876 million euros and 411 million euros on the consolidated income statement for electricity and gas sales, respectively, which have been supplied but thus far have not yet been billed; this is due to the fact that the customary meter reading does not coincide with the financial statement year end. We consider this to be a key audit matter due to the valuation of these unbilled sales is based on a series of complex estimates requiring the application of certain criteria, judgments, and hypotheses by Group Management. The main estimates to which Group Management applies criteria and hypotheses to determine these unbilled sales are the following: energy consumption, energy costs, average selling prices, and toll costs. Information on the Group's income recognition criteria, as well as a breakdown of sales pending billing are disclosed in Notes 3.ñ) and 12, respectively, of the accompanying consolidated financial statements.
Our response	Our audit procedures include, among others, the following: ▶ Understand Group criteria and procedures used to estimate billed sales, including assessment of the design and implementation and the effectiveness of relevant controls. ▶ Analyze Group energy balance to verify the reasonableness of the hypotheses applied (consumption, cost, prices), comparing the results obtained against business performance, prior years' experience, data and historical trends. ▶ Perform analytical procedures involving a review of energy consumption trends, costs, average prices, and toll costs, as well an analysis of correlations between associated accounts.

Provisions for litigation, termination benefits, and other legal or contractual obligations

Description	At year end, the Group recognized provisions for litigation, termination benefits, and other legal or contractual obligations totalling 541 million euros, of which 510 million euros are recognized as non-current and 31 million euros as current liabilities. Group Management makes complex estimates and applies certain judgments and hypotheses to value these provisions. We have considered this a key audit matter due to the complexity of assigning value to the main assumptions considered, as well as how changes therein might have a significant effect on the consolidated statement of financial position, and on the consolidated income statement, considering the significance of the amounts of the recognized provisions. Disclosures for the recognition and valuation criteria used on these provisions, as well as the breakdown of these provisions in accordance with their nature, which are recognized as current and non-current liabilities are respectively included under Notes 3.k), 16 and 23 of the accompanying consolidated financial statements.

Our response Our audit procedures include, among others, the following:

- Understand the processes applied by Group Management to estimate provisions, including assessment of the design and implementation of relevant controls.
- Obtain confirmation letters from the internal and external legal advisors of the Group.
- Involve our internal legal specialists to analyze the reasonableness of the conclusions reached by Group Management.
- Review disclosures included in the consolidated financial statements in accordance with the applicable financial reporting framework.

Provisions for pensions and other similar provisions and provisions for workforce restructuring plans

Description At year end, the Group recognized provisions for pensions and other similar provisions as well as provisions for workforce restructuring plans totalling 1,825 million euros. Of this total, 1,644 million were recognized as long term and 181 million euros as short term.

Determination of the related recognition criteria, as well as the valuation of these provisions, requires that Group management make certain judgments, assumptions, and complex estimates.

In relation to the commitments derived from this area, on December 4, 2019, it was agreed to submit to a "binding equity arbitration" some of the most relevant matters of the negotiation of the "V Framework Collective Agreement of ENDESA". On January 21, 2020, a mandatory Arbitration Award was issued for the parties whose content was incorporated into the "V Framework Collective Agreement of ENDESA" which became effective on January 23, 2020 and whose registration, as of the date of this audit report, is in process on the competent labor authority. In this regard, Note 38 of the accompanying consolidated financial statements includes the statement that cannot be made, at the date of the preparation of the accompanying consolidated financial statements, an estimate of the financial effect in 2020 resulting from said Framework Collective Agreement.

We have considered this a key audit matter due to the complexity of assigning value to the key assumptions and judgments used at year end and to the fact that changes in these assumptions could have a significant impact on the consolidated income statement and also due to the complexity of the evaluation of the accounting effects that come from the decisions taken in the negotiating process of the "V Framework Collective Agreement of ENDESA" and the "binding equity arbitration".

Disclosures for the recognition and valuation criteria used on these provisions, as well as the breakdown of these provisions, which are recognized as current and non-current liabilities, and the description of the subsequent events at year end which affect these commitments, are respectively included in Notes 3.k), 16, 23 and 38 of the accompanying consolidated financial statements.

Our response Our audit procedures include, among others, the following:

- Understand the processes applied by Group Management to estimate provisions, including assessment of the design and implementation of relevant controls.
- Analyse and evaluate the accounting effects because of the decisions taken during the negotiation process of the "V Framework Collective Agreement of ENDESA" and the "binding equity arbitration".
- Obtain confirmation letters from external insurance companies.
- Involve our internal actuarial specialists to analyse the reasonableness of conclusions reached by Group Management.
- Review disclosures included in the consolidated financial statements in accordance with the applicable financial reporting framework.

Other information: consolidated management report

Other information refers exclusively to the 2019 consolidated management report, the preparation of which is the responsibility of the Parent Company's Directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

a) A specific level applicable to the non-financial information statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the consolidated management report or where applicable, that the consolidated management report includes the corresponding reference to the separate non-financial report as stipulated by prevailing regulations and if not, disclose this fact.

b) A general level applicable to the remaining information included in the consolidated management report, which requires us to evaluate and report on the consistency of said information in the consolidated financial statements, based on knowledge of the Group obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided in the consolidated management report, and that the remaining the information contained therein is consistent with that provided in the 2019 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the Parent Company's Directors and the Audit and Compliance Committee for the consolidated financial statements

The Directors of the Parent Company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and consolidated results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors of the Parent Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Compliance Committee of the Parent Company is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Parent Company.

- Conclude on the appropriateness of the use, by the Directors of the Parent Company, of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Compliance Committee of the Parent Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Compliance Committee of the Parent Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Compliance Committee of the Parent Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report to the Audit and Compliance Committee of the Parent Company

The opinion expressed in this audit report is consistent with the additional report we issued to the Audit and Compliance Committee of the Parent Company on February 24, 2020.

Term of engagement

The annual general shareholders' meeting held on April 26, 2017 appointed us as auditors for 3 years, commencing for the year ended December 31, 2017.

Previously, we were appointed as auditors by the shareholders for 3 years and we have been carrying out the audit of the financial statements continuously since January 1, 2011.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under No. S0530)

(Signed on the original version in Spanish)

Olatz Díez de Artazcoz Herreros
(Registered in the Official Register of Auditors under No. 23208)

February 24, 2020

ENDESA, S.A.
and Subsidiaries

Consolidated Financial Statements
for the year ended 31 December 2019

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

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

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

Millions of Euros

	Notes	31 December 2019	31 December 2018
ASSETS			
NON-CURRENT ASSETS		**25,881**	**26,001**
Property, plant and equipment	6	21,329	21,840
Investment Property	7	61	62
Intangible assets	8	1,375	1,355
Goodwill	9	462	479
Investments accounted for using the equity method	10.1	232	249
Non-current Financial Assets	18	908	858
Deferred Tax Assets	21.1	1,514	1,158
CURRENT ASSETS		**6,100**	**5,655**
Inventories	11	1,177	1,473
Trade and other receivables	12	3,485	2,955
Customers for Sales & Services and other Debtors		3,194	2,782
Current income tax assets		291	173
Current financial assets	18.1.1	1,215	983
Cash and Cash Equivalents	13	223	244
Non-current assets held for sale and discontinued operations		-	-
TOTAL ASSETS		**31,981**	**31,656**
EQUITY AND LIABILITIES			
EQUITY	**14**	**7,837**	**9,181**
Of the Parent	14.1	7,688	9,037
Share Capital		1,271	1,271
Share premium and reserves		6,928	7,157
Profit for the period of the Parent		171	1,417
Interim dividend		(741)	(741)
Valuation adjustments		59	(67)
Of non-controlling interests	14.2	**149**	**144**
NON-CURRENT LIABILITIES		**15,679**	**14,781**
Deferred income	15	4,576	4,587
Non-current provisions	16	3,686	3,325
Provisions for pensions and other similar provisions	16.1	1,148	989
Other non-current provisions		2,538	2,336
Non-current financial debt	17	5,652	4,975
Other non-current Liabilities	20	678	757
Deferred Tax Liabilities	21.2	1,087	1,137
CURRENT LIABILITIES		**8,465**	**7,694**
Current financial debt	17	955	1,046
Current provisions	23	576	571
Provisions for pensions and other similar provisions		-	-
Other current provisions		576	571
Trade Payables and Other Current Liabilities	22	6,934	6,077
Suppliers and other payables		6,549	5,918
Current income tax liabilities		385	159
Liabilities associated with non-current assets classified as held for sale and discontinued operations		-	-
TOTAL EQUITY AND LIABILITIES		**31,981**	**31,656**

The accompanying notes 1 to 39 to the Consolidated Financial Statements form an integral part of the Consolidated Statements of Financial Position at 31December 2019 and 2018.

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

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED
31 DECEMBER 2019 AND 2018

Millions of Euros

	Notes	2019	2018
INCOME	**24**	**20,158**	**20,195**
Sales	24.1	19,258	19,555
Other Operating Income	24.2	900	640
PROCUREMENTS AND SERVICES		**(14,252)**	**(14,567)**
Energy purchased	25.1	(4,904)	(4,784)
Fuel consumption	25.2	(1,780)	(2,269)
Transmission expenses		(5,302)	(5,463)
Other Variable Procurements and Services	25.3	(2,266)	(2,051)
CONTRIBUTION MARGIN		**5,906**	**5,628**
Self-constructed Assets	3a.1 and 3d.3	295	270
Personnel Expenses	26	(1,022)	(947)
Other Fixed Operating Expenses	27	(1,338)	(1,324)
EBITDA		**3,841**	**3,627**
Depreciation, Amortisation and Impairment Losses	28	(3,453)	(1,708)
EBIT		**388**	**1,919**
NET FINANCE INCOME/(EXPENSE)	**29**	**(184)**	**(139)**
Finance income		27	36
Finance expense		(212)	(173)
Net Exchange Differences		1	(2)
Net Profit/(Loss) of Companies accounted for using the Equity Method	10.1	15	35
Gains/(losses) from other investments		-	-
Net gains/(losses) on disposal of assets	30	11	3
PROFIT/(LOSS) BEFORE TAX		**230**	**1,818**
Income Tax Expense	31	(50)	(392)
PROFIT AFTER TAX FOR THE PERIOD FROM CONTINUING OPERATIONS		**180**	**1,426**
PROFIT AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS		**-**	**-**
PROFIT FOR THE YEAR		**180**	**1,426**
Parent company		171	1,417
Non-controlling interests	14.2	9	9
BASIC EARNINGS PER SHARE OF CONTINUING OPERATIONS (in Euros)		***0.16***	***1.34***
DILUTED EARNINGS PER SHARE OF CONTINUING OPERATIONS (in Euros)		***0.16***	***1.34***
BASIC EARNINGS PER SHARE OF DISCONTINUED OPERATIONS (in Euros)		***-***	***-***
DILUTED EARNINGS PER SHARE OF DISCONTINUED OPERATIONS (in Euros)		***-***	***-***
BASIC EARNINGS PER SHARE (in Euros)		***0.16***	***1.34***
DILUTED EARNINGS PER SHARE (in Euros)		***0.16***	***1.34***

The accompanying notes 1 to 39 to the Consolidated Financial Statements form an integral part of the Consolidated Income Statementsfor the years ended 31 December 2019 and 2018.

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

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

Millions of Euros

	Notes	31 December 2019			31 December 2018		
		Of the Parent	Of non-controlling interests	Total	Of the Parent	Of non-controlling interests	Total
CONSOLIDATED PROFIT FOR THE YEAR		**171**	**9**	**180**	**1,417**	**9**	**1,426**
OTHER COMPREHENSIVE INCOME:							
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		**(37)**	**-**	**(37)**	**14**	**-**	**14**
Items that may be Reclassified to Profit or Loss:		**98**	**-**	**98**	**43**	**-**	**43**
Cash flow hedges	14.1.6 & 14.1.10	135	-	135	54	-	54
Translation differences	14/01/2010	-	-	-	1	-	1
Companies accounted for using the equity method	14.1.6 & 14.1.10	(2)	-	(2)	1	-	1
Other income and expense recognised directly in equity		-	-	-	-	-	-
Tax effect	14.1.6, 14.1.10 & 31	(35)	-	(35)	(13)	-	(13)
Items that cannot be reclassified to profit and loss:		**(135)**	**-**	**(135)**	**(29)**	**-**	**(29)**
Revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets		-	-	-	-	-	-
Valuation of financial instruments		-	-	-	-	-	-
Financial assets at Fair Value		-	-	-	-	-	-
Other income / (expense)		-	-	-	-	-	-
Actuarial Gains and Losses and other Adjustments	14.1.10 & 16.1	(169)	-	(169)	(33)	-	(33)
Tax effect	14.1.10 & 31	34	-	34	4	-	4
AMOUNTS TRANSFERRED TO PROFIT & LOSS AND/OR INVESTMENTS	**14.1.6**	**28**	**-**	**28**	**(58)**	**-**	**(58)**
Cash flow hedges	14/01/2010	36	-	36	(77)	-	(77)
Translation differences		-	-	-	-	-	-
Companies accounted for using the equity method	14/01/2010	-	-	-	-	-	-
Other income and expense recognised directly in equity		-	-	-	-	-	-
Tax effect	14.1.10 & 31	(8)	-	(8)	19	-	19
TOTAL COMPREHENSIVE INCOME		**162**	**9**	**171**	**1,373**	**9**	**1,382**

The accompanying explanatory Notes 1 to 39 form an integral part of the Consolidated Statements of Comprehensive Income for the years ended 31 December 2019 and 2018.

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

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

Millions of Euros

	Notes	Equity attributable to owners of the Parent (Note 14.1)						Non-Controlling Interests (Note 14.2)	Total Equity Net profit/(loss)
		Capital and reserves							
		Capital	Share premium, reserves and interim dividend	Treasury shares and own equity instruments	Profit for the year	Other equity instruments	Valuation adjustments		
Balance at 1 January 2019		**1,271**	**6,416**	**-**	**1,417**	**-**	**(67)**	**144**	**9,181**
Adjustments due to changes in accounting policies		-	-	-	-	-	-	-	-
Corrections of errors		-	-	-	-	-	-	-	-
Adjusted opening balance		**1,271**	**6,416**	**-**	**1,417**	**-**	**(67)**	**144**	**9,181**
Total comprehensive income		**-**	**(135)**	**-**	**171**	**-**	**126**	**9**	**171**
Transactions with shareholders or owners		**-**	**(1,511)**	**-**	**-**	**-**	**-**	**(4)**	**(1,515)**
Capital Increases/(reductions)		-	-	-	-	-	-	-	-
Conversion of liabilities into equity		-	-	-	-	-	-	-	-
Dividends paid	14.1.9	-	(1,511)	-	-	-	-	(14)	(1,525)
Transactions with treasury shares or own equity instruments (net)		-	-	-	-	-	-	-	-
Increases/(reductions) due to business combinations		-	-	-	-	-	-	-	-
Other transactions with shareholders or owners	14.2 & 32.3	-	-	-	-	-	-	10	10
Other changes in equity		**-**	**1,417**	**-**	**(1,417)**	**-**	**-**	**-**	**-**
Share-based payments		-	-	-	-	-	-	-	-
Transfers between equity items		-	1,417	-	(1,417)	-	-	-	-
Other changes		-	-	-	-	-	-	-	-
Balance at 31 December 2019		**1,271**	**6,187**	**-**	**171**	**-**	**59**	**149**	**7,837**

The accompanying notes 1 to 39 to the Consolidated Financial Statements form an integral part of the Consolidated Statement of Changes in Equity for the year ended 31 December 2019.

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

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

Millions of Euros

	Notes	Equity attributable to owners of the Parent (Note 14.1)						Non-Controlling Interests (Note 14.2)	Total equity Net profit/(loss)
		Capital and reserves					Valuation adjustments		
		Capital	Share premium, reserves and interim dividend	Treasury shares and own equity instruments	Profit for the year	Other equity instruments			
Balance at 1 January 2018		**1,271**	**6,414**	**-**	**1,463**	**-**	**(52)**	**137**	**9,233**
Adjustments due to changes in accounting policies		-	31 (1)	-	-	-	-	-	31
Corrections of errors		-	-	-	-	-	-	-	-
Adjusted opening balance		**1,271**	**6,445**	**-**	**1,463**	**-**	**(52)**	**137**	**9,264**
Total comprehensive income		**-**	**(29)**	**-**	**1,417**	**-**	**(15)**	**9**	**1,382**
Transactions with shareholders or owners		**-**	**(1,463)**	**-**	**-**	**-**	**-**	**(2)**	**(1,465)**
Capital Increases/(reductions)	14.2 & 32.3	-	-	-	-	-	-	(1)	**(1)**
Conversion of liabilities into equity		-	-	-	-	-	-	-	-
Dividends paid	14.1.9	-	(1,463)	-	-	-	-	(9)	(1,472)
Transactions with treasury shares or own equity instruments (net)		-	-	-	-	-	-	-	-
Increases/(reductions) due to business combinations	5.4	-	-	-	-	-	-	2	2
Other transactions with shareholders or owners	14.2 & 32.3	-	-	-	-	-	-	6	6
Other changes in equity		**-**	**1,463**	**-**	**(1,463)**	**-**	**-**	**-**	**-**
Share-based payments		-	-	-	-	-	-	-	-
Transfers between equity items		-	1,463	-	(1,463)	-	-	-	-
Other changes		-	-	-	-	-	-	-	-
Balance at 31 December 2018		**1,271**	**6,416**	**-**	**1,417**	**-**	**(67)**	**144**	**9,181**

(1) Corresponding to the effect of initial application of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers amounting to Euros 40 million, negative, and Euros 71 million, positive, respectively.

The accompanying notes 1 to 39 to the Consolidated Financial Statements form an integral part of the Consolidated Statement of Changes in Equity for the year ended 31 December 2018.

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

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR

FOR THE YEARS ENDED

31 DECEMBER 2019 AND 2018

Millions of Euros

	Notes	2019	2018
Profit before tax and non-controlling interests		230	1,818
Adjustments for:		3,981	1,910
Depreciation and amortisation, and impairment losses	28	3,453	1,708
Other adjustments (net)		528	202
Changes in working capital:	32.1	(230)	(653)
Trade and other receivables		(157)	298
Inventories		(296)	(361)
Current financial assets		(85)	(285)
Trade Payables and Other Current Liabilities		308	(305)
Other cash flows from/(used in) operating activities:	32.1	(800)	(655)
Interest received		27	29
Dividends received		26	30
Interest paid		(136)	(142)
Corporation tax paid		(440)	(326)
Other receipts and payments in respect of operating activities		(277)	(246)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**32**	**3,181**	**2,420**
Acquisitions of property, plant and equipment and intangible assets	32.2	(1,821)	(1,425)
Proceeds from sales of property, plant and equipment and intangible assets	32.2	94	8
Equity investments in Group Companies	32.2	(37)	(136)
Disposals of investments in Group Companies	32.2	-	20
Purchase of other investments		(352)	(226)
Proceeds from disposals of other investments		28	46
Cash flows from changes in the scope of consolidation		-	-
Grants and other deferred income	32.2	137	86
NET CASH FLOWS FROM INVESTING ACTIVITIES	**32**	**(1,951)**	**(1,627)**
Cash Flows from equity instruments	14.2 & 32.3	10	5
Proceeds from non-current borrowings	17.1 & 32.3	670	721
Repayment of non-current borrowings	17.1 & 32.3	(197)	(56)
Net cash flows used in current borrowings	17.1 & 32.3	(214)	(146)
Dividends of the Parent paid	14.1.9, 14/01/2011 & 32.3	(1,511)	(1,463)
Payments to Non-controlling Interests	14.2 & 32.3	(9)	(9)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**32**	**(1,251)**	**(948)**
TOTAL NET CASH FLOWS		**(21)**	**(155)**
Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents		-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(21)**	**(155)**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**13**	**244**	**399**
Cash in Hand and at Banks		244	399
Other Cash Equivalents		-	-
CASH AND CASH EQUIVALENTS AT YEAR-END	**13**	**223**	**244**
Cash in Hand and at Banks		223	244
Other Cash Equivalents		-	-

The accompanying notes 1 to 39 to the Consolidated Financial Statements form an integral part of the Consolidated Statements of Cash Flows for the years ended 31 December 2019 and 2018.

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

ENDESA, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

AT 31 DECEMBER 2019

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

ENDESA, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

AT 31 DECEMBER 2019

1. Group activity and financial statements

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

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

Its corporate object is the electricity business in its various industrial and commercial areas; the exploitation of primary energy resources of all types; the provision of industrial services, particularly in the areas of telecommunications, water and gas and those preparatory or supplementary to the Group's corporate object, and the management of the corporate Group, comprising investments in other companies. ENDESA carries out the activities forming its corporate object in Spain and abroad directly or through its investments in other companies.

ENDESA's Consolidated Financial Statements for the year ended 31 December 2018 were approved by the shareholders at the General Shareholders' Meeting held on 12 April 2019 and filed with the Madrid Trade & Companies Register.

ENDESA's Consolidated Financial Statements for the year ended 31 December 2019, and the financial statements of all the companies forming the Group for 2019, which were used in the preparation of these Consolidated Financial Statements, are mostly pending approval by their respective general meetings of shareholders. However, the Directors of the Parent Company consider that these Financial Statements will be approved as presented without modification.

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

The Company forms part of the ENEL Group, the ultimate Parent of which is ENEL, S.p.A., which is governed by Italian legislation. Its registered office is at Viale Regina Margherita, 137, Rome, Italy. In Spain, the ENEL Group is headed by ENEL Iberia, S.L.U., with its registered office at Madrid, calle Ribera del Loira, 60,. The ENEL Group, through ENEL Iberia, S.L.U., holds 70,101% of ENDESA, S.A.'s share capital (see Note 14.1.1).

The ENEL Group's Consolidated Financial Statements for the year ended 31 December 2018 were approved by the General Shareholders' Meeting held on 16 May 2019 and filed with the Rome and Madrid Trade & Companies Registers.

2. Basis of preparation of the Consolidated Financial Statements

2.1. Accounting policies

ENDESA's Consolidated Financial Statements for the year ended 31 December 2019, which were authorised for issue by the Directors of the Parent Company at a board meeting held on 24 February 2020, were prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee ("IFRIC") as adopted by the European Union at the date of the Consolidated Statement of Financial Position in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council and other regulations regarding financial reporting applicable to ENDESA.

These Consolidated Financial Statements present fairly the equity and financial position of ENDESA at 31 December 2019, as well as the consolidated comprehensive result of its operations, changes in consolidated equity and consolidated cash flows for the year then ended.

The Consolidated Financial Statements have been prepared following the same Accounting Policies, Basis of Presentation and Valuation Rules as those applied to the Consolidated Financial Statements for the year ended 31 December 2018, with the exception of the new International Financial Reporting Standards (IFRS) and Interpretations of the IFRS Interpretations Committee (IFRIC) published in the Official Journal of the European Union and first applied by ENDESA in the Consolidated Financial Statements for the year ended 31 December 2019 (see Note 2.1.a), and in accordance with the going concern principle by applying the cost method, with the exception of items that, in accordance with IFRS, are measured at fair value, as indicated in the Valuation Standards for each item. Items in the Consolidated Income Statement are classified by types of costs.

ENDESA's Consolidated Financial Statements for the years ended 31 December 2019 and 2018 have been prepared from the accounting records of the Company and those of the rest of the companies forming the ENDESA Group.

Each subsidiary prepares its financial statements in accordance with the accounting policies and standards in force in the country in which it operates, so in the process of consolidation the necessary adjustments and reclassifications are made to make bring these policies and standards into line with one another and with IFRS and IFRIC interpretations.

a) Standards and interpretations approved by the European Union applied for the first time in the Consolidated Financial Statements for the year ended 31 December 2019.

Standards, Amendments to Standards and Interpretations	Mandatory Application: Financial Years Starting on or after
IFRS 16 “Leases”.	1 January 2019
Amendments to IFRS 9 “Financial Instruments”: “Prepayment Features with Negative Compensation”.	1 January 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”.	1 January 2019
Amendments to IAS 28 "Investments in Associates and Joint Ventures": Long-Term Interests in Associates and Joint Ventures.	1 January 2019
Amendment to IAS 19 “Employee Benefits”: Plan Amendment, Curtailment or Settlement.	1 January 2019
Annual Improvements to International Financial Reporting Standards (IFRS), 2015-2017 Cycle. Aimed at correcting a series of problems deriving from possible inconsistencies in the International Financial Reporting Standards (IFRS) or the need for a clearer formulation, amending the following Standards: - IFRS 3 “Business Combinations” and IFRS 11 “Joint Arrangements”: Previously Held Interests in a Joint Operation. - IAS 12 “Income Taxes”: Income Tax Consequences of Payments on Financial Instruments Classified as Equity. IAS 23 “Borrowing Costs”.	1 January 2019

The application of these standards, interpretations and amendments had no significant impact on the Consolidated Financial Statements for the year ended 31 December 2019, except for IFRS 16 “Leases”.

IFRS 16 “Leases”.

IFRS 16 “Leases” establishes that a lessee will recognise a right-of-use asset, representing the right to use the underlying asset, and a lease liability, representing the obligation to make lease payments during 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 chosen to apply this Standard retroactively with the cumulative effect of the first application, which means that the comparative period is not restated and the cumulative effect of the initial application of the Standard is presented as of 1 January 2019, recording the asset at the same value as the liability.

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

Details of the lease agreements entered into by the entity and subject to the scope of IFRS 16 "Leases", from the points of view of lessee and lessor, are set out in Notes 6.1.1 and 6.1.2 respectively.

Based on the foregoing, and taking into the consideration the practical solutions that have been adopted, the impact on ENDESA's Consolidated Financial Statements at the date of first application of IFRS 16 Leases, is as follows:

Millions of Euros

Consolidated Statement of Financial Position	Notes	1 January 2019			
		Generation and Supply	Distribution	Structure and Other (1)	Total
Non-current assets		**106**	**19**	**61**	**186**
Property, plant and equipment	6 & 6.1	106	19	61	186
TOTAL ASSETS		**106**	**19**	**61**	**186**
Equity		**-**	**-**	**-**	**-**
Of the Parent		-	-	-	-
Of non-controlling interests		-	-	-	-
Non-Current liabilities		**97**	**16**	**46**	**159**
Non-current financial debt	17.1	97	16	46	159
Current liabilities		**9**	**3**	**15**	**27**
Current financial debt	17.1	9	3	15	27
TOTAL EQUITY AND LIABILITIES		**106**	**19**	**61**	**186**

(1) Structure, Services and Adjustments.

The average incremental interest rate used to recognise lease liabilities in the Consolidated Statement of Financial Position at 1 January 2019 was 2.38%.

At 1 January 2019 the reconciliation of total minimum future lease payments deriving from operating lease contracts and the financial lease liability, from the standpoint of the lessee, was as follows:

Millions of Euros

	1 January 2019
Minimum future payments under operating lease contracts	227
Effect of discounting the future payments to present value using the effective incremental interest rate	(39)
Lease contracts covered by the exception (1)	(1)
Extensions of reasonably certain contracts	-
Variable index-based payments	(1)
Financial lease liability	**186**

(1) Contracts with an expiry date of less than 12 months or that are associated with assets which have a low individual value (less than USD 5,000).

In 2019, the impact of the application of IFRS 16 “Leases” is as follows:

Millions of Euros

Consolidated Income Statement	Notes	2019			
		Generation and Supply	Distribution	Structure Other (1)	Total
INCOME		**-**	**-**	**-**	**-**
PROCUREMENTS AND SERVICES		**-**	**-**	**-**	**-**
CONTRIBUTION MARGIN		**-**	**-**	**-**	**-**
Other Fixed Operating Expenses		19	3	16	38
EBITDA		**19**	**3**	**16**	**38**
Depreciation, Amortisation and Impairment Losses	28	(15)	(3)	(16)	(34)
EBIT		**4**	**-**	**-**	**4**
NET FINANCE INCOME/(EXPENSE)	**6.1**	**(3)**	**-**	**(1)**	**(4)**
PROFIT/(LOSS) BEFORE TAX		**-**	**-**	**-**	**-**
Income Tax		-	-	-	-
NET INCOME FOR THE PERIOD		**1**	**-**	**(1)**	**-**
Parent company		-	-	-	-
Non-controlling interests		-	-	-	-

(1) Structure, Services and Adjustments.

At 31 December 2019, due to the application of IFRS 16 Leases, net financial debt was recognised for the payment obligation deriving from rights of use contracts for the amount of Euros 274 million (see Note 17.1).

As a result of the entry into force of IFRS 16 "Leases", from 1 January 2019, payments under operating leases that were previously considered as cash flows used in operating activities are now recognised as cash flows used in financing activities. In 2019 the amount recognised under this head was Euros 35 million (see Note 32.3).

IFRIC 23 "Uncertainty over Income Tax Treatments".

IFRIC 23 "Uncertainty over Income Tax Treatments" clarifies how the recognition and measurement requirements of IAS 12 "Income Taxes" should be applied when there is uncertainty over income tax treatments. In this case, a company will recognise and measure its current or deferred tax assets or liabilities applying the requirements of IAS 12 "Income Taxes" based on the tax gain or loss, tax base, unused tax losses, unused tax credits and tax rates as established by this interpretation.

The application of this interpretation has not had a significant effect on the Consolidated Financial Statements for the year ended 31 December 2019 (see Notes 3n, 16, 21.1, 21.2 and 22).

b) Standards and interpretations approved by the European Union to be applied for the first time in financial years beginning in 2020.

Standards, Amendments to Standards and Interpretations	Mandatory Application: Financial Years Starting on or after
Improvements to the references in the conceptual framework of International Financial Reporting Standards.	01 January 2020
Amendments to IAS 1 Presentation of Financial Statements" and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	01 January 2020
Reform of the Reference Interest Rate - Amendments to IFRS 9 Financial Instruments", IAS 39 Financial Instruments: Recognition and Valuation and IFRS 7 Financial Instruments: Disclosures.	01 January 2020

ENDESA's management is assessing the impact of the application of these improvements and amendments, and had not concluded this analysis at the date of preparation of these Consolidated Financial Statements.

c) Standards and interpretations issued by the International Accounting Standards Board (IASB) pending approval by the European Union.

The International Accounting Standards Board (IASB) has approved the following IFRS which could affect ENDESA and which at the date of preparation of these Consolidated Financial Statements had yet to be adopted by the European Union:

Standards, Amendments to Standards and Interpretations	Mandatory Application: (1) Financial years beginning on or
Amendments to IFRS 3 Business Combinations (2)	01 January 2020
IFRS 17 Insurance Contracts	01 January 2021

(1) If adopted without changes by the European Union.
(2) Expected date of approval: first quarter of 2020.

At the date of authorisation for issue of these Consolidated Financial Statements, ENDESA's management was assessing the impact that the application of these standards and modifications would have on ENDESA's Consolidated Financial Statements if they were finally adopted by the European Union.

2.2. Responsibility for information and estimates.

The information contained in these Consolidated Financial Statements is the responsibility of the Directors of the Parent Company, who expressly declare that all IFRS principles and criteria have been applied.

In preparing these Consolidated Financial Statements, use was made of certain estimates made by ENDESA's Management to measure some of the assets, liabilities, income, expenses and commitments shown in them. These estimates were essentially as follows.

- Valuation of assets to determine any impairment losses (see Note 3e).
- Assumptions used in the actuarial calculation of liabilities and provisions for obligations to employees and the leaving dates and conditions for employees involved in workforce reduction plans and contract suspension agreements (see Notes 3k.1, 3k.2, 16.1, 16.2 and 38).
- Useful lives of property, plant and equipment and intangible assets (see Notes 3a and 3d).
- Assumptions used to calculate the fair value of financial instruments (see Notes 3g and 18.6).
- Unmetered power supplied to customers (see Notes 3o & 12).
- Certain figures for the electricity system, including those relating to other companies, such as output, billing to customers, power consumed, distribution activity incentives, etc., which can be used to estimate the overall settlements in the electricity system to be made in the corresponding final statements. These settlements, which were pending at the date of authorisation for issue of the Consolidated Financial Statements, could affect the assets, liabilities, income and expenses related with electricity system activities (see Note 4).
- Interpretation of existing or new electricity system regulations, the final economic effects of which will ultimately depend on rulings by the authorities responsible for settlements. Certain rulings were pending at the date of authorisation of these Consolidated Financial Statements (see Note 4).
- The likelihood and amount of undetermined or contingent assets and liabilities (see Notes 3k and 16.3). In particular, for uncertainties over tax treatments, the most probable amount method is applied to reflect the effect of the uncertainty (see Notes 3n, 21.1, 21.2, 22 and 31).
- Future costs for the closure of facilities and land restoration (see Notes 3a, 3b, 3d, 3k.4 and 16.3).

– The assumptions used to value deferred tax assets and tax credits (see Notes 3n and 21.1).

– Taxable income of the various ENDESA companies that will be declared to the tax authorities in the future and that have been used as the basis of the various income tax balances relating to Tax on Income in the accompanying Consolidated Financial Statements (see Notes 3n, 21 and 31).

Although these estimates have been based on the best information available at the date of preparation of these Consolidated Financial Statements on the events analysed, future events could require the estimates to be increased or decreased in subsequent years. Changes in accounting estimates would be applied prospectively, the effects of the change in estimates being recognised in the corresponding future Consolidated Financial Statements.

2.3. Subsidiaries.

Subsidiaries are companies which the Parent controls, directly or indirectly, through power over the investee, exposure to its variable returns or rights giving it the ability to direct the significant activities of the investee. In this respect, a company is exposed to variable returns from its investee when these returns vary depending on the investee's economic performance, and the company can use its power to influence these variable returns.

Control arises from substantive rights over the investee, whereby ENDESA Management applies its judgement to assess whether these substantive rights give it the power to direct the investee's significant activities in order to affect its returns. To this end, account is taken of all the facts and circumstances pertaining in assessing whether or not it controls an investee, and factors such as contracts with third parties, rights deriving from other contractual agreements and actual and potential voting rights are analysed, potential voting rights for this purpose meaning those held by ENDESA or third parties that are exercisable or convertible at the accounting close.

When events occur that affect control of the investee, exposure to variable returns due to continued involvement, or the ability to use control of the investee to influence its returns, the existence of control of the investee is reassessed.

Subsidiaries are fully consolidated as described in Note 2.7.

At 31 December 2019 and 31 December 2018, ENDESA had no structured entities that, as defined by IFRS 12 "Disclosure of Interests in Other Entities", had been designed so that voting or similar rights were not the dominant factor in deciding who controls the entity.

Appendix I to these Consolidated Financial Statements lists ENDESA's subsidiaries at 31 December 2019 and 2018.

2.3.1. Changes in consolidation scope

Companies added to the consolidation scope

The following subsidiaries were added to the consolidation scope in the years ended 31 December 2019 and 2018:

	Notes	Transaction	Activity	Companies added 2019 and 2018					
				Stake at 31 December 2019 (%)		Stake at 31 December 2018 (%)		Stake at 31 December 2017 (%)	
				Economic	Control	Economic	Control	Economic	Control
Energía Neta Sa Caseta Llucmajor, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
ENDESA Energía Renovable, S.L.U. (2)		Incorporation	Supply	100.00	100.00	-	-	-	-
Baleares Energy, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Baikal Enterprise, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Renovables La Pedrera, S.L.U. (1)	5.1	Acquisition	Wind	100.00	100.00	-	-	-	-
Renovables Mediavilla, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
ENDESA Soluciones, S.L.U. (2)		Incorporation	Supply	100.00	100.00	-	-	-	-
Dehesa PV Farm 03, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Dehesa PV Farm 04, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Emintegral Cycle, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Envatios Promoción I, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Envatios Promoción II, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Envatios Promoción III, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Envatios Promoción XX, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Fotovoltaica Yunclillos, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Olivum PV Farm 01, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Pampinus PV Farm 01, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Torrepalma Energy, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Xaloc Solar, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Bogaris PV1, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	-	-	-	-
Valdecaballero Solar, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	100.00	100.00	-	-
Navalvillar Solar, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	100.00	100.00	-	-
Castiblanco Solar, S.L.U. (1)	5.1	Acquisition	Photovoltaic	100.00	100.00	100.00	100.00	-	-
Parque Eólico Muniesa, S.L.U. (1)	5.1	Acquisition	Wind	100.00	100.00	100.00	100.00	-	-
Parque Eólico Farlán, S.L.U. (1)	5.1	Acquisition	Wind	100.00	100.00	100.00	100.00	-	-
Aranort Desarrollos, S.L.U. (1)	5.1	Acquisition	Wind	100.00	100.00	100.00	100.00	-	-
Bosa del Ebro, S.L. (1)	5.1	Acquisition	Wind	51.00	51.00	51.00	51.00	-	-
Tauste Energía Distribuida, S.L. (1)	5.1	Acquisition	Wind	51.00	51.00	51.00	51.00	-	-
Eólica del Cierzo, S.L.U. (1)	5.1	Acquisition	Wind	100.00	100.00	100.00	100.00	-	-
San Francisco de Borja, S.A. (1)	5.1	Acquisition	Wind	66.67	66.67	66.67	66.67	-	-
Parques Eólicos Gestinver, S.L.U. (1)	5.2	Acquisition	Wind	100.00	100.00	100.00	100.00	-	-
Parques Eólicos Gestinver Gestión, S.L.U. (1)	5.2	Acquisition	Wind	100.00	100.00	100.00	100.00	-	-
Energía Eólica Alto del Llano, S.L.U. (1)	5.1	Acquisition	Wind	100.00	100.00	100.00	100.00	-	-
Eólica del Principado, S.A.U. (1)	2.4, 5.3 and 10.1	Acquisition	Wind	100.00	100.00	100.00	100.00	40.00	40.00
ENDESA X, S.A.U. (3)		Incorporation	Supply	100.00	100.00	100.00	100.00	-	-
Sistemas Energéticos Campoliva, S.A.U. (1)	5.1	Acquisition	Wind	100.00	100.00	100.00	100.00	-	-
Empresa de Alumbrado Eléctrico de Ceuta, S.A. (4)	5.4	Acquisition	Supply and Distribution	96.29	96.29	96.29	96.29	-	-
Energía Ceuta XXI Comercializadora de Referencia, S.A.U. (4) (5) (6)	5.4	Acquisition	Supply	100.00	96.29	100.00	96.29	-	-
Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U. (4) (5)	5.4	Acquisition	Distribution	100.00	96.29	100.00	96.29	-	-
Sistemas Energéticos Sierra del Carazo, S.L.U. (1)	5.1	Acquisition	Wind	100.00	100.00	100.00	100.00	-	-
Sistemas Energéticos Alcohujate, S.A.U. (1)	5.1	Acquisition	Wind	100.00	100.00	100.00	100.00	-	-

(1) Companies acquired by ENEL Green Power España, S.L.U. (EGPE) for a total amount of Euros 40 million, of which Euros 3 million were pending payment at 31 December 2019 (Euros 51 million for companies acquired in 2018) (see Notes 5.1, 5.2 , 5.3 and 32.2).
(2) Companies established by ENDESA Energía, S.A.U.
(3) Company established by ENDESA, S.A.
(4) Companies acquired by ENDESA Red, S.A.U. for an amount of Euros 83 million (see Notes 5.4 and 32.2).
(5) Companies acquired indirectly through the acquisition of Empresa de Alumbrado Eléctrico de Ceuta, S.A., which holds 100% of their share capital.
(6) Formerly Empresa de Alumbrado Eléctrico de Ceuta Comercialización de Referencia, S.A.U.

Companies removed

The following companies were removed from the consolidation scope in the year ended 31 December 2019:

	Transaction	Activity	Removals of Companies 2019			
			Stake at 31 December 2019 (%)		Stake at 31 December 2018 (%)	
			Economic	Control	Economic	Control
Eólica del Noroeste, S.L. (1) (2)	Sale	Wind	-	-	51.00	51.00
Pereda Power, S.L. (2)	Final winding up	Generation	-	-	70.00	70.00
Energía Eléctrica del Ebro, S.A.U. (In Liquidation) (2)	Final winding up	Distribution and Supply	-	-	100.00	100.00

(1) The gross gain on the divestment transaction was less than Euros 1 million.
(2) The magnitudes of these societies were not significant.

The following mergers between subsidiaries took place in the year ended 31 December 2019:

Absorbing Company	Effective merger date	Companies Absorbed	Stake at 31 December 2019 (%) (Company Absorbed)		Stake at 31 December 2018 (%)	
			Economic	Control	Economic	Control
ENEL Green Power España, S.L.U. (EGPE)	25 September 2019	Parques Eólicos Gestinver, S.L.U.	-	-	100.00	100.00
		Parques Eólicos Gestinver Gestión, S.L.U.	-	-	100.00	100.00
		Productor Regional de Energía Renovable, S.L.U.	-	-	100.00	100.00
		Productor Regional de Energías Renovables III, S.A.U.	-	-	100.00	100.00
	30 October 2019	ENEL Green Power Granadilla, S.L.U.	-	-	65.00	65.00
	31 October 2019	Energías de Aragón II, S.L.U.	-	-	100.00	100.00

No companies were removed from the consolidation scope in the year ended 31 December 2018.

Changes

The following changes occurred in the percentage control of and economic stake in the following subsidiaries in the year ended 31 December 2019:

	Transaction	Activity	Changes in Companies 2019			
			Stake at 29 October 2019 (%)		Stake at 31 December 2018 (%)	
			Economic	Control	Economic	Control
ENEL Green Power Granadilla, S.L.U. (1) (2)	Acquisition	Wind	100.00	100.00	65.00	65.00

(1) Company absorbed by ENEL Green Power, S.L.U. (EGPE) on 30 October 2019.
(2) Effect on equity of less than Euros 1 million (see Note 14.2).

In the year ended 31 December 2018 there were no changes in the percentage control of or economic stakes in subsidiaries.

2.3.2. Non-consolidated companies by the global integration method in which ENDESA holds an interest of more than 50%.

Although ENDESA holds more than 50% of Asociación Nuclear Ascó-Vandellós II, A.I.E., this investee is considered to be a Joint Operation Entity because, through shareholder pacts or agreements, ENDESA exercises joint control with the other shareholder and has rights to its assets and obligations in respect of its liabilities (see Note 2.5.1).

Likewise, ENDESA owns more than 50% of Front Marítim del Besòs, S.L., although this investee is considered a Joint Venture since ENDESA, under the signed shareholders' agreement, exercises joint control with the other partner and is entitled to the net assets of the company (see Notes 2.5.2 and 10.1) .

2.4. Associates.

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

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

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

Associates are accounted for in the Consolidated Financial Statements using the equity method, as described in Note 3h.

Appendix II to these Consolidated Financial Statements lists ENDESA's Associates at 31 December 2019 and 2018.

Additions and changes

In the years ended 31 December 2019 and 2018 there were no additions of any associates to the consolidation scope or other changes in the percentage of control and economic ownership.

Companies removed

The following associates were removed from the consolidation scope in the year ended 31 December 2019:

	Transaction	Activity	Removals of Companies 2019			
			Stake at 31 December 2019 (%)		Stake at 31 December 2018 (%)	
			Economic	Control	Economic	Control
Ufefys, S.L. (in Liquidation) (1)	Sale	Renewable energy	-	-	40.00	40.00
Erecosalz, S.L. (In Liquidation) (2)	Final winding up	Energy Generation	-	-	33.00	33.00

(1) The gross gain on the divestment transaction was less than Euros 1 million.
(2) The figures for this company were not material.

In the year ended 31 December 2018, after control was obtained of Eólica del Principado, S.A.U. on 22 May 2018, this investee was recognised as a subsidiary (see Notes 2.3.1, 5.3 and 10.1).

2.5. Joint Arrangements.

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

Joint arrangements may be joint operations or joint ventures, depending on the rights and obligations of the parties to the agreement.

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

2.5.1. Joint operations

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

The assets and liabilities concerned by joint operations are consolidated proportionately, as described in Note 2.7.

Appendix I to the Consolidated Financial Statements lists the Joint Operations of ENDESA at 31 December 2019 and 2018.

Additions and changes

In the year ended 31 December 2019 and 2018 there were no additions of any joint operations to the consolidation scope or other changes in the percentage of control and economic ownership.

Companies removed

In the year ended 31 December 2019 the following Joint Operation was removed from the consolidation scope:

	Transaction	Activity	Removals of Companies 2019			
			Stake at 31 December 2019 (%)		Stake at 31 December 2018 (%)	
			Economic	Control	Economic	Control
La Pereda CO_2, A.I.E. (1)	Final winding up	Generation	-	-	33.33	33.33

(1) The figures for this company were not material.

During the year ended 31 December 2018 no Joint Operations were removed from the consolidation scope.

2.5.2. Joint ventures

Joint ventures are companies governed by a joint arrangement whereby ENDESA and the other parties have rights over the net assets.

Joint ventures are accounted for in these Consolidated Financial Statements using the equity method, as described in Note 3h.

Appendix II to the Consolidated Financial Statements lists the Joint Ventures of ENDESA at 31 December 2019 and 2018.

Companies added to the consolidation scope

During the year ended 31 December 2019, there were no additions of any Joint Ventures to the consolidation scope.

On 18 December 2018, ENDESA Generación S.A.U. acquired 61.37% of the capital of Front Marítim del Besòs, S.L. (See Notes 2.3.2 and 10.1)

	Companies added in 2018			
	% stake at 31 December 2018		% stake at 31 December 2017	
	Economic	Control	Economic	Control
Front Marítim del Besòs, S.L.	61.37	61.37	-	-

Companies removed

The following companies were removed from the consolidation scope in the year ended 31 December 2019:

In the year ended 31 December 2018 the following Joint Venture was removed from the consolidation scope:

	Transaction	Activity	Removals of Companies 2018			
			Stake at 31 December 2018 (%)		Stake at 31 December 2017 (%)	
			Economic	Control	Economic	Control
Consorcio Eólico Marino Cabo de Trafalgar, S.L. (In Liquidation) (1) (2)	Final winding up	Wind	-	-	50.00	50.00

(1) Company in which ENEL Green Power España, S.L.U. (EGPE) held a stake.
(2) The figures for this company were not material.

Changes

In the years ended 31 December 2019 and 2018 there were no changes in the percentage of control and economic ownership of any Joint Venture.

2.6. Other investments.

The financial data of ENDESA’s investees that are not considered Subsidiaries, Joint Operations, Joint Ventures or Associates have a minimal impact as regards the fair presentation required of the Consolidated Financial Statements.

2.7. Basis of consolidation and business combinations.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which ENDESA obtains control, and all their assets, liabilities, income, expenses and cash flows are included in the Consolidated Financial Statements after the corresponding adjustments and elimination of intragroup transactions.

Results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal as the case may be.

Joint Operations Entities are consolidated using the proportional integration method, the proportional part of their assets, liabilities, income, expenses and cash flows being integrated into the Consolidated Financial Statements based on the percentage of ENDESA's holding in the companies, once the corresponding adjustments and eliminations of the operations carried out within ENDESA have been made.

The operations of the Parent Company and its subsidiaries are consolidated in accordance with the following basic principles:

– At acquisition date, the assets, liabilities and contingent liabilities of the subsidiary which constitute a business are recognised at fair value, except for certain assets and liabilities which are measured in accordance with the valuation principles set out in the IFRS. If fair value is determined on a provisional basis, the value of the business combination is measured using provisional values. Any adjustments arising from completion of the valuation process are made within 12 months of the business combination, and consequently the comparative figures are restated. Where the acquisition cost of the subsidiary exceeds the fair value of the Parent Company's share of its assets and liabilities, including contingent liabilities, the difference is recognised as goodwill. If this difference is negative, it is credited to consolidated profit and loss. Costs attributable to the acquisition are recognised as an expense as incurred.

– Any contingent consideration arising from a business combination is recognised at fair value at the acquisition date. Payment obligations arising from a contingent consideration are recognised as liabilities or equity in the Consolidated Statement of Financial Position, as per the definition of these items in IAS 32 “Financial Instruments: Presentation”. Collection rights in connection with a contingent consideration arising from the return of considerations previously transferred are recognised as an asset in the Consolidated Statement of Financial Position.

– Non-controlling interests in the fair value of the net assets acquired and in the profit or loss of fully consolidated subsidiaries are recognised in “Equity: of Non-controlling Interests” in the Consolidated Statement of Financial Position and “Non-controlling Interests” in the Consolidated Statement of Comprehensive Income, respectively.

– If at the date of acquisition the assets and liabilities acquired in a subsidiary do not constitute a business, ENDESA will identify and recognise the individually identifiable assets acquired and the liabilities assumed, so that the cost must be distributed among the individually identifiable assets and the liabilities based on their relative fair values at the date of purchase. This transaction will not result in goodwill.

– The financial statements of foreign companies with a functional currency other than the Euro are translated to Euros as follows:

  o Assets and liabilities at the rate of exchange in force at the reporting date.

  o Income and expenses items at the average exchange rate for the year.

  o Equity at the historical rate at the acquisition date and retained earnings and contributions at the average exchange rate for the year in which they were generated or occurred, as appropriate.

  Exchange differences arising on translation of financial statements are recognised net of their tax effect under “Translation differences” in the Consolidated Statement of Comprehensive Income: “Other Comprehensive Income”.

  Translation differences generated prior to 1 January 2004 were transferred to reserves as in its initial application of IFRS the Company made use of the exception provided for the conversion of Financial Statements prepared in accordance with Spanish accounting principles and criteria to IFRS.

- All balances and transactions between fully consolidated companies have been eliminated upon consolidation, as has the corresponding portion in the case of proportionately consolidated companies,

- When a transaction results in the loss of control of a subsidiary, any investment retained in the company is measured at its fair value at the date when control is lost. The difference between the fair value of the consideration received plus the fair value of the investment retained and the carrying amounts of the non-controlling interests in the former subsidiary, and the assets and liabilities derecognised from the Consolidated Statement of Financial Position following the loss of control of the previously controlled subsidiary is recognised under "Gains/(losses) on disposal of assets" in the Consolidated Income Statement. Amounts recognised in "Other Comprehensive Income" are booked as if the assets and liabilities concerned had been disposed of.

- When a transaction results in control being acquired over a company in which a stake was previously held, the previous investment is recognised at its fair value at the date when control is acquired. The difference between the fair value and the carrying amount of the previously-held investment is recognised in the Consolidated Income Statement. Amounts recognised in "Other Comprehensive Income" are accounted for as if the assets and liabilities concerned had been disposed of.

- If the transaction is between entities or businesses under joint control, the economic substance of the business combination is determined in order to assign a fair value to the net assets acquired.

- Changes in investments in subsidiaries that do not result in the Parent's gaining or losing control of the subsidiary are accounted for as equity transactions, with the carrying amounts of the controlling and non-controlling interests adjusted to reflect changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity of the parent.

3. Measurement criteria.

The main measurement criteria used in preparing the accompanying Consolidated Financial Statements were as follows:

a) Property, plant and equipment.

a.1. Acquisition costs.

Property, plant and equipment is valued at cost, net of accumulated depreciation and any accumulated impairment losses. In addition to the price paid for the acquisition of each item, cost also includes, where applicable, the following items:

- Borrowing costs accrued during the construction period that are directly attributable to the acquisition, construction or production of qualifying assets. Qualifying assets are assets requiring a substantial time before they are ready for use, such as electricity generating or distribution facilities. The interest rate used is that applicable to the specific financing or, in the absence of such rate, the average financing rate of the company making the investment. The average financing rate in 2019 was 1.8% (1.9% in 2018) (see Note 17.1) Euros 5 million were capitalised in this respect in 2019 (Euros 2 million in 2018) (see Note 29).

- Personnel expenses relating directly to work in progress. The amounts capitalised are recognised under Personnel Expenses in the Consolidated Income Statement and as income under Self-constructed Assets in the Consolidated Statement of Financial Position. In 2019, the amount capitalised in this respect amounted to Euros 112 million (Euros 100 million in 2018).

- ENDESA recognises the costs it will incur in the future to decommission its facilities in the cost of the asset, at their present value, and recognises the corresponding provision. ENDESA reviews its estimate of these future costs annually, increasing or decreasing the value of the related asset based on the outcome of the review. For nuclear power plants, this provision includes the amount that ENDESA estimates that it will have to pay until such time as the government-owned company Empresa Nacional de Residuos Radioactivos, S.A. (ENRESA) takes charge of decommissioning these plants (see Note 16.3).

The acquisition cost of assets acquired before 31 December 2003 includes any asset revaluations permitted in the various countries to adjust the value of the property, plant and equipment for the effect of inflation until that date.

Assets under construction are transferred to property, plant and equipment in use once the trial period has ended and they are available for use, at which time depreciation begins.

Costs of expansion, modernisation or improvements which increase the productivity, capacity or efficiency or lengthen the useful lives of assets are capitalised as an increase in the cost of the related assets.

Replacements or renewals of complete items that extend the useful life or increase the economic benefits of the assets are recognised as increases in the value of property, plant and equipment and the items replaced or renewed are derecognised.

Regular maintenance, upkeep and repair expenses are expensed as incurred (see Note 27).

Indivisible assets shared by ENDESA with other owners are recognised in proportion to ENDESA's ownership of those assets (see Note 6.4).

Based on the results of the impairment test described in Note 3e, the Parent Company's Directors consider that the carrying amount of the assets does not exceed their recoverable amount, with the exception of the mainland coal-fired thermal power plants and the Cash Generating Units (CGUs) of the Non-mainland Territories (TNP) of the Balearic Islands, Canary Islands, Ceuta and Melilla (see Notes 3e.4, 4 and 6.4).

a.2. Depreciation.

Items of property, plant and equipment, less residual value if any, are depreciated from the time they become available for use on a straight-line basis over their estimated useful lives, which are the periods of expected use. Useful lives are reviewed whenever there are indications of possible changes, and adjusted prospectively where necessary.

The useful lives of assets for the purposes of calculating depreciation are as follows:

	Years of estimated useful life	
	2019	2018
Generating facilities:		
Hydroelectric plants		
Civil works	100	100
Electromechanical Equipment	50	50
Coal Plants	25-48 (1)	25-59
Nuclear power plants	44-50 (2)	50
Combined cycle plants	40	40
Renewables		
Photovoltaic	30	30
Wind	30	30
Transmission and distribution facilities		
Low and Medium Voltage Network	40	40
Metering and Remote Control Equipment	6-15	6-15
Other Facilities	25	25

(1) As a consequence of the decommissioning of the mainland coal-fired thermal power plants, their estimated useful life has been altered (see Notes 3e.4 and 6.4)
(2) The useful lives of Units I and II of the Almaraz Nuclear Power Plant have been changed to 45 and 44 years respectively, effective 1 April 2019.

Land is not depreciated since it has an indefinite useful life.

ENDESA has modified the useful life of Units I and II of the Almaraz Nuclear Power Plant (Cáceres), with effect from 1 April 2019, as a result of the renewal request submitted for the operation permits for these plants, from 1 April 2020, for a period of 7.4 years for Group I and 8.2 years for Group II, as these application periods are less than the usual 10 years, in anticipation that the assumptions of the Draft Integrated National Energy and Climate Plan (PNIEC) will be fulfilled for both Almaraz Units.

The effect of this change on the Consolidated Income Statement for the year ended 31 December 2019 is an increase of Euros 10 million in the depreciation charge relative to the previous year.

a.3. Other matters.

Pursuant to Law 29/1985 of 2 August 1985, partially amended by Law 46/1999 of 13 December 1999, all Spanish hydroelectric power plants are subject to the temporary administrative concession regime. Under the terms of these administrative concessions, at the end of the established terms the facilities must revert to state ownership in good condition. At 31 December 2019 these reversions were between 2020 and 2067 (see Note 16.3). These facilities are depreciated over the shorter of the concession term or their useful lives.

ENDESA has assessed the specific situations of these concessions and concluded that in no case do the factors requiring application of IFRIC 12: “Service Concession Agreements” apply (see Note 3d.1).

Items of property, plant and equipment are derecognised when they are sold or otherwise disposed of, or when no further economic benefits are expected to be obtained from their use, sale or disposal by other means.

Any gains or losses arising on the disposal or decommissioning of property, plant and equipment are recognised in profit or loss and are calculated as the difference between the net sale proceeds and the carrying amount.

b) Investment property

The “Investment Property” heading in the Consolidated Statement of Financial Position comprises land and buildings not expected to be used in the ordinary course of the businesses constituting ENDESA’s corporate object.

Investment properties are measured at acquisition cost net of accumulated depreciation and any accumulated impairment losses.

The market values of investment property have been calculated based on external appraisals carried out during the last quarter of 2019 (see Notes 7.1 and 18.6.2).

To determine the fair market value of investment property, appraisals from officially recognised independent experts are requested. They make best estimates of value based on the greatest and best use of the property in accordance with its town planning status and current state of repair in the case of buildings.

Investment property, excluding land, is depreciated on a straight-line basis over the useful lives of the assets, which are estimated using the same criteria as for property, plant and equipment

Investment property is derecognised when it is sold or otherwise disposed of, or when no further economic benefits are expected to be obtained from its use, sale or disposal by other means.

Any gains or losses arising on the disposal or derecognition of investment property are recognised in profit or loss and are calculated as the difference between the net sale proceeds and the carrying amount.

c) Goodwill.

Goodwill on consolidation represents the excess of the acquisition cost over the acquisition-date fair value of ENDESA's interest in the identifiable assets acquired and liabilities assumed, including contingent liabilities, of a subsidiary or jointly-controlled entity.

The assets and liabilities acquired are measured provisionally at the date on which control of the company is obtained, and reviewed within a maximum period of one year from the acquisition date. The difference between the acquisition cost and the carrying amount of the acquiree is recognised provisionally as goodwill, until the actual fair value of the assets and liabilities is determined.

When the actual amount of goodwill is determined in the Consolidated Financial Statements for the year following that of the acquisition of the interest, the previous year's financial statements presented for comparison purposes are adjusted to include the value of the assets and liabilities acquired and the definitive goodwill from the date of acquisition of that interest.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the acquiree and translated to Euros at the exchange rate in force at the reporting date.

Goodwill is not amortised, but is assigned to each Cash Generating Unit (CGU) or set of CGUs, and at the end of each accounting year an assessment is made as to whether there has been any impairment reducing their recoverable value to an amount lower than the recognised net cost, in which case the necessary value adjustments are made (see Note 3e).

At 31 December 2019 the goodwill recognised in the Consolidated Statement of Financial Position had been generated as a result of the acquisition of the systems and telecommunications (ICT) activity and of taking control of ENEL Green Power España, S.L.U. (EGPE), Eléctrica del Ebro, S.A.U. and Empresa de Alumbrado Eléctrico de Ceuta, S.A. (see Note 5.4).

The Directors of the Parent Company, based on the result of the impairment test explained in Note 3e, consider that the carrying amount of the assets does not exceed their recoverable value, with the exception of the goodwill of the systems and telecommunications (ICT) business assigned to the CGUs of Mainland Generation as a result of the decommissioning of the mainland coal-fired thermal power plants, and of the Non-mainland Territories (TNP) Generation (NPT) of the Canary Islands (see Notes 3e.4 and 9).

d) Intangible assets

Intangible assets are initially recognised at cost of acquisition or production and subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over their useful lives, except for those with indefinite useful lives, which are not amortised.

At 31 December 2019 and 2018, there were no intangible assets with indefinite useful lives.

The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years are described in Note 3e.

Intangible assets are derecognised when they are sold or otherwise disposed of, or when no further economic benefits are expected to be obtained from their use, sale or other form of disposal.

Any gains or losses arising on the disposal or retirement of intangible assets are recognised in profit or loss and are calculated as the difference between the net disposal proceeds and the carrying amount of the assets.

d.1. Concessions

IFRIC 12 "Service Concession Arrangements" gives guidance on accounting for concessions of public services to private operators. This accounting interpretation applies to concessions in which:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

- the grantor controls, through ownership, usufruct or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Where both the above conditions are met simultaneously, the consideration received by ENDESA for the construction of infrastructure is recognised at fair value as an intangible asset providing the operator receives a right to charge users for the public service and such right is linked to the degree of use of the service, or as a financial asset if there is an unconditional contractual right to receive cash or another financial asset directly from the grantor or from a third party. ENDESA's contractual obligations for maintenance of the infrastructure while it is in operation or for its return to the grantor at the end of the concession arrangement in the conditions specified therein, to the extent that these activities do not generate revenue, are recognised applying the accounting policy for provisions (see Note 3k).

At 31 December 2019 and 2018, ENDESA had no intangible assets in relation to its concession arrangements as a result of applying IFRIC 12 "Service Concession Arrangements".

Borrowing costs are capitalised using the criteria specified in Note 3a, providing the concession operator has a contractual right to receive an intangible asset. No borrowing costs were capitalised in 2019 or 2018.

No personnel expenses were capitalised in 2019 or 2018.

Concessions are amortised over their term.

Concession contracts not subject to IFRIC 12 "Service Concession Agreements" are recognised following the general criteria. To the extent that ENDESA recognises assets as property, plant and equipment (see Note 3a), they are depreciated over the shorter of their useful lives and the term of the concession. When calculating asset impairment, any obligation to invest in, improve or replace assets assumed by ENDESA is considered, as a contractually committed future cash outflow necessary to obtain future cash inflows. If ENDESA has the use of assets assigned to it in exchange for a consideration, the criteria established in Note 3f apply.

d.2. Research and development costs

ENDESA's policy is to recognise development expenditure on projects as an intangible asset in the Consolidated Statement of Financial Position providing the technical feasibility and economic profitability of the project are reasonably assured.

Development expenses are amortised over their useful life in accordance with a systematic plan which in most cases is estimated at five years.

Research costs are recognised as expense in the Consolidated Income Statement. The amount of these costs in the Consolidated Income Statement amounted to Euros 19 million in 2019 (Euros 10 million in 2018).

d.3. Other intangible assets

These assets basically correspond to:

- Software, which is initially recognised at cost of acquisition or production and subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Software is amortised over its useful life which, in most cases, is estimated at five years. During 2019 and 2018 personnel expenses amounting to Euros 29 and 30 million respectively were capitalised.

- Customer portfolios acquired through business combinations are initially recognised at their fair value at the acquisition date. They are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. The amortisation method for the aforementioned portfolios is decreasing throughout their useful life and ranges between 15 years and 25 years based on the expected gradual decrease in said portfolios.

d.4. Incremental costs of obtaining a contract with a customer.

The incremental costs of obtaining a contract are the costs incurred to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.

ENDESA recognises the incremental costs of obtaining contracts with customers as an intangible asset, insofar as they are directly related to a contract or a future contract that can be specifically identified and from which these costs are expected to be recovered.

This asset is amortised systematically depending on the average expected useful life of the contracts with customers associated with these costs, which at 31 December 2019 varied between 1.1 years and 12.2 years.

The costs of obtaining a contract that ENDESA would have incurred regardless of whether or not the contract was obtained are recognised as an expense in the Consolidated Income Statement when they occur.

e) Impairment of non-financial assets

ENDESA assesses throughout the year and, in any case, at each reporting date whether there is any indication that an asset may be impaired. If such indication exists, the Company estimates the asset's recoverable amount to determine the extent of any impairment loss. For identifiable assets that do not generate cash inflows independently, an estimate is made of the recoverability of the Cash Generating Unit (CGU) to which the asset belongs, i.e. the smallest identifiable group of assets that generates independent cash inflows.

In the case of CGUs to which goodwill or intangible assets with indefinite useful lives have been allocated, the analysis of their recoverability is carried out systematically at the end of each financial year.

If the recoverable amount of a CGU is less than the carrying amount of the assets associated with it, the corresponding impairment loss is recognised for the difference, under “Depreciation and Amortisation, and Impairment Losses” in the Consolidated Income Statement. The impairment loss is first allocated to the value of the goodwill allocated to the CGU and then to the remaining assets of the CGU in proportion to the carrying amount of each, up to the greatest of their fair value less selling costs, their value in use, and zero.

Impairment losses recognised on an asset in previous years are reversed when there is a change in the estimate of its recoverable amount, increasing the carrying amount of the asset with a credit to profit and loss, subject to a limit of the carrying amount of the asset that wold have applied if no impairment loss been recognised. Impairment losses relating to goodwill cannot be reversed.

e.1. Cash-Generating Units (CGUs).

ENDESA considers that the assets of the electricity generation business belonging to a single interconnected system and those of the electricity distribution that receive joint remuneration constitute a CGU.

The most significant CGUs at 31 December 2019 were as follows:

- Generation:
    - Cash Generating Unit (CGU) of Iberian Peninsula Generation: The management of all the generation assets of the Iberian Peninsula is carried out using an integrated portfolio approach, the ultimate objective of which is to maximise the integrated margin of electricity generation and supply. The main features of this management approach are the following:
        - All assets are managed jointly, regardless of the type of technology (combined cycle, fuel oil, nuclear and renewable, including hydroelectric), depending on the availability of plants, weather, demand and the need to cover the technical restrictions of the System, among other aspects.
        - The joint management and the diversification of the generation portfolio allows ENDESA to respond in an elastic and flexible way to demand through offers in different markets, coordinated by a single representative and settlement agent, guaranteeing security of supply.
        - Decisions are taken on operations based on the installed capacity of all generation assets combined and with an integrated margin management approach that seeks to optimise electricity purchases and sales.
    - Cash Generating Units (CGUs) of Generation for each of the Non-Mainland Territories (TNP) of the Balearic Islands, Canary Islands, Ceuta and Melilla: each of these geographical areas forms a CGU, given that in their corresponding territories assets are managed in accordance with the indications for the generation assets of the Iberian Peninsula, with the particularity that these territories are poorly connected and are covered by regulated remuneration which takes this into account.
- Distribution: The assets of the distribution network in Spain constitute a single Cash Generating Unit (CGU), since the distribution network consists of a set of interrelated and interdependent assets the development, operation and maintenance of which are managed jointly.

e.2. Calculation of the recoverable amount.

The recoverable amount is the greater of fair value less necessary selling costs and value in use, the latter being understood as the present value of the estimated future cash flows.

In estimating value in use, ENDESA prepares pre-tax cash flow projections based on the latest budgets available. These budgets include ENDESA management’s best estimates of the income and expenditure of the CGUs according to industry projections, past experience and future expectations.

These projections cover the next five years and the cash flows to the end of the useful lives of the assets or the end of the concession, as appropriate, factoring in any residual value and applying reasonable growth rates based on assumptions regarding average long-term growth rates and forecast inflation for the industry and country concerned.

The estimated future cash flows are discounted to present value using a pre-tax rate that reflects the cost of capital of the business and its geographical area. The calculation takes account of the current cost of money and the risk premiums generally used by analysts for the business and the geographical area.

e.3. Main assumptions used in determining value in use.

The discount rates applied in 2019 and 2018 to the main Cash Generating Units (CGUs) were in the following ranges:

	Currency	31 December 2019		31 December 2018	
		Minimum (%)	Maximum (%)	Minimum (%)	Maximum (%)
Generation (1)	Euros	4.7	6.3	4.9	6.4
Distribution	Euros	3.6	5.5	5.1	6.8

Analysing the parameters that make up the 2019 discount rates, it should be noted that the risk-free rate has dropped significantly, from 1.46% in 2018 to 0.79% in 2019 and the risk premium of the business, which represents the specific risk of the assets and is based on the unlevered betas applied to companies with similar activity, has declined in both deregulated and regulated businesses.

The average growth rates (g rates) used in 2019 and 2018 to extrapolate the cash flow projections were as follows:

%	2019	2018
Growth rate	1.5	1.6

(1) At 31 December 2019, this does not include the discount rates of the Autonomous Cities of Melilla and Ceuta, which were 2.7% and 7.0%, respectively.

These growth rates, which do not exceed the long-term average growth rate of the sector and markets in which ENDESA operates, are in line with Spain's long-term inflation as well as with the market consensus.

The approach used to assign value to the key assumptions considered took account of the following concepts and/or parameters:

– Evolution of demand for electricity and gas: estimated growth was calculated on the basis of the growth forecast for Gross Domestic Product (GDP) and other assumptions used by ENDESA with respect to trends in consumption of electricity and gas in these markets.

– Regulatory measures: a substantial part of ENDESA's business is regulated and subject to wide-ranging complex regulations, which may be amended by the introduction of new laws or by amendments to existing laws, so forecasts assume appropriate application of both current regulations and any other laws in development that are expected to be in force during the projected period.

– Average rainfall and wind: forecasts are drawn up for an average year based on historical series of weather conditions. However, particularly for the first year of projection, the actual rainfall and wind figures of the preceding year are used, the average year being adjusted accordingly.

- Installed capacity: For the generating activity, account is taken of the investment required to maintain installed capacity in proper operating conditions, for the distribution activity account is taken of investment in maintenance, improvement and reinforcement of the network, and also investments required to implement the remote metering plan, and in the supply activity account is taken of the investment required to develop other products and services.

- For determining the production mix, use is made of complex, specifically developed internal projection models that take account of factors such as prices and availability of commodities (e.g. Brent crude, gas and coal), forecast demand and planned construction or commissioning of new capacity in the various technologies. These models are constantly changing, factoring in changes in variables such as availability of the production base, availability of fuel and start-up of operation of new plants. They provide signals on prices in the system and forecasts of production costs, on which output forecasts for generation facilities are based.

- Assumptions for energy sale and purchase prices are made based on complex specifically-developed internal projection models. The planned pool price is estimated on the basis of a number of decisive factors such as the costs and outputs of technologies and demand for electricity, among others.

- The prices at which electricity and gas are sold are determined on the basis of the prices established in sales contracts and future energy prices.

- Fuel costs are estimated taking into consideration existing supply contracts, and long-term forecasts are made for oil, gas and coal prices based on forward markets and estimates available from analysts.

- Fixed costs: these are projected considering estimated levels of activity for each company in terms of trends in personnel, as well as other operating and maintenance costs, forecast inflation and long-term maintenance contracts or other types of contracts.

- External sources (e.g. analysts, domestic and international official bodies, etc.) are always used to compare macroeconomic assumptions, such as price trends, growth in gross domestic product (GDP) and demand change, inflation, interest rates and exchange rates.

e.4. Impairment test.

2019

- Mainland 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 CO_2 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.

  In this context, on 27 September 2019 ENDESA decided to discontinue the operation of these facilities, in accordance with the established legal procedures and formalities, and, such 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).

- Re-evaluating whether to go ahead with certain investments committed to in these plants to meet the emission limits established by the Industrial Emissions Directive (IED) (Directive 2010/75/EU of 24 November 2010).

- Developing a specific management model for these assets, geared to different objectives from those of other mainland generation assets in that is expected that they will cease to generate cash flows, or that these will tend to zero, so there is no interdependence with the flows generated by the other generation technologies (combined cycle, fuel oil, nuclear and renewable, including hydroelectric) which are managed in an integrated way within the Generating Cash Unit (CGU) of the Iberian Peninsula. Therefore, the assets of the mainland coal-fired thermal power plants ceased to form part of the Iberian Peninsula Generation CGU in 2019, and the impairment test was carried out individually on each coal-fired thermal power plant.

- Evaluating the recoverability of these assets and consequently recognising 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, 9 and 28).

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

- Cash Generating Units (CGUs) of Generation for each of the Non-Mainland Territories (TNP) of Balearic Islands, 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 implies 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, for which reason 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).

2018

On 3 November 2018, Order TEC/1158/2018 of 29 October 2018 was published, on the additional remuneration regime for Non-mainland Territories (TNP) electricity generating facilities required to made additional investments in order to comply with EU and Spanish regulations to remain in operation, which does not include the coal-fired Units of the Alcudia Thermal Power Plant (Balearic Islands).

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

This took the recovery amount of these assets to below their carrying amount, resulting in the recognition in the Consolidated Income Statement of an impairment loss amounting to Euros 158 million (see Notes 3c, 6.4, 9 and 28).

e.5. Sensitivity analysis.

At 31 December 2019, ENDESA carried out a sensitivity analysis on the results of the impairment tests described using the reasonable variations of the main key assumptions detailed below:

	Increase	Decrease
Discount rate	50 bps	N/A
Growth rate	N/A	50 bps
Pool Price	N/A	5%
Operating and Maintenance Costs	5%	N/A
Investment in Maintenance	5%	N/A
Electricity Demand	N/A	1%

At 31 December 2019, as a result of this sensitivity analysis, it was concluded that an adverse change in the key assumptions used within the ranges considered, holding the rest of the variables unchanged, would not result in an impairment of assets, except in the case of the Cash Generating Units (CGUs) of the Non-mainland Territories (TNP) of the Balearic Islands, Canary Islands, Ceuta and Melilla, the carrying amount of which has been adjusted to bring it into line with the value in use. As a consequence, any negative variation in the key assumptions used would bring the value in use of these Cash Generating Units (CGUs) to below their carrying amounts.

f) Leases

A contract is, or contains, a lease if it transfers the right to control the use of an identified asset for a period of time in exchange for a consideration. At the beginning of a contract ENDESA evaluates whether it is, or contains, a lease, and analyses whether several components are included in order to account for the lease separately from the other components that do not constitute a lease.

f.1. Lessee

When the contract contains a lease component and one or more additional components, ENDESA distributes the consideration of the contract to each component of the lease based on the relative individual price of the lease component, and the aggregate individual price of the non-lease components.

Leases in which ENDESA acts as lessee are recognised at the beginning of the contract by recognising in the Consolidated Statement of Financial Position a right-of-use asset representing the right to use the leased asset and a liability for the present value of the obligation to make lease payments during the term of the lease.

The initial value of the leased asset will comprise the amount of the initial valuation of the lease liability, as well as any lease payment made on or before the start date, discounting any lease incentive received, plus any initial direct costs incurred and an estimate of the costs that will be incurred when dismantling and eliminating the underlying asset, rehabilitating the place where said asset is located or returning it to the condition required under the contract.

To determine the lease term ENDESA considers the non-revocable period of the contract except for those contracts in which it has a unilateral option to extend or terminate early, in which case the extension or early termination period is used if there is reasonable certainty that such option will be exercised. In this regard, ENDESA uses the time horizon envisaged in the budget process.

After the initial recognition, ENDESA values the right-of-use asset at cost less accumulated amortisation and any impairment losses, also adjusting for any change in the valuation of the associated liabilities for leases. The asset is depreciated in the same way as other similar depreciable assets if there is reasonable certainty that the lessee will acquire title to the asset at the end of the lease term. If no such certainty exists, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The initial value of the lease liability is calculated, on the date of commencement of the lease, as the value of future payments discounted, in general, at the implied interest rate of the contract. If the implied interest rate of the lease is not available, ENDESA uses the incremental rate of its loans, considering the term of the contract and the underlying asset type. These payments will include fixed or substantially fixed payments, less any lease incentive to be received by ENDESA, as well as variable payments that depend on an index or rate, the amounts that ENDESA expects to pay for guarantees of the residual value of the underlying asset, the exercise price of the purchase option if ENDESA is reasonably certain that it will exercise it and the penalty payments for termination of the lease if the lease term reflects the exercise by ENDESA of the early cancellation option.

Subsequently, the lease liability is increased to reflect the accumulation of interest and is reduced by the lease payments made. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is recognised as an expense and allocated to income over the lease term so as to obtain a constant interest rate each year applicable to the remaining balance of the liability.

The lease liability must be reassessed when certain changes in payments occur such as changes in the lease term or changes in future payments. In these cases, generally, the amount of the reassessment of the lease liability must be recognised as an adjustment to the right-of-use asset.

Variable lease rentals, as well as contingent rentals when they are likely to be incurred, are recognised as expense in the Consolidated Income Statement.

ENDESA has chosen not to apply the aforementioned requirements to short-term leases and leases in which the underlying asset is of low value (less than US$ 5,000). For these cases, the amounts accrued are recognised as an expense on a straight-line basis over the term of the lease.

f.2. Lessor.

For a contract that contains a lease component and one or more additional lease components or components that are not leases, ENDESA distributes the consideration of the contract in the same way as for ordinary revenue from contracts with customers (see Note 3o.1).

Leases that transfer substantially all the risks and benefits inherent in ownership are classified as finance leases. All other leases are classified as operating leases.

Finance leases are recognized at the beginning of the contract y recognising a financial asset for the present value of the minimum payments to be received for the lease plus the residual value of the asset, even if not guaranteed, discounted at the implied interest rate of the contract. The difference between the financial asset recognised and the amount receivable, corresponding to unearned interest, will be charged to the Statement of Consolidated Income for the year in which the interest accrues, in accordance with the effective interest rate method.

In operating leases ENDESA recognises the lease payments as income on a straight-line basis.

g) Financial instruments.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

g.1. Financial assets.

For valuation purposes, ENDESA classifies its financial assets at the date of their initial recognition, taking into account both their business model and the characteristics of the contractual cash flows, whether permanent or temporary, excluding investments accounted for using the equity method (see Notes 3h and 10.1) and held-for-sale investments, in the following categories:

- Financial assets measured at amortised cost: they are recognised at amortised cost, if they are managed with a business model the objective of which is to hold financial assets to receive contractual cash flows and the contractual conditions give rise, on specified dates, to cash flows that are only payments of principal and interest on the outstanding principal amount. In the initial recognition, the amortised cost corresponds to the initial fair value, less repayments of principal made, plus accrued uncollected interest calculated using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability.

- Financial assets at fair value with changes through profit and loss: they are initially recognised at fair value if they are managed with a business model the objective of which is to obtain contractual cash flows and sell financial assets, and the contractual conditions give rise, on specific dates, to cash flows that are only payments of principal and interest on the outstanding principal amount. The initial recognition at fair value includes transaction costs directly attributable to the acquisition. In subsequent periods, these assets are measured at fair value, with any losses or gains being recognised in the consolidated statement of comprehensive income, although the accrued interest is recognised in the Income Statement. The amounts recognised in the consolidated statement of comprehensive income are transferred to the Income Statement at the time of the derecognition of the financial assets.

- Financial assets that must be at fair value with changes through profit and loss include financial assets held for trading, which are originated or acquired for the purpose of realising them in the short term or are part of a portfolio of identified financial instruments, which are managed jointly and there is evidence of actions to obtain short-term gains or they are derivative financial instruments that do not meet the definition of a financial guarantee contract and have not been designated as hedging instruments. They are initially recognised at fair value plus transaction costs directly attributable to the transaction. In subsequent periods, these assets are measured at fair value, with any losses or gains being recognised in profit and loss.

- Financial assets at fair value with changes through profit and loss: they are initially recognised at fair value plus transaction costs directly attributable to the transaction. In subsequent periods, these assets are measured at fair value, with any losses or gains being recognised in profit and loss.

  ENDESA has designated equity instruments in this category.

Purchases and sales of financial assets are recognised on the trade date.

The criteria for recognising impairment of financial assets are described in Note 3g.3.

g.2. Cash and cash equivalents.

Cash and cash equivalents in the Consolidated Statement of Financial Position comprises cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Bank overdrafts are recognised in the Consolidated Statement of Financial Position as bank borrowings.

g.3. Impairment of financial assets

In order to determine the need to recognise an impairment loss on financial assets, ENDESA applies the expected credit loss method, in accordance with the following procedure:

- In the case of financial assets that have a commercial origin, accounts receivable for leases and contractual assets deriving from contracts with customers included in the Financial assets measured at amortised cost category, the expected credit losses during the life of the financial assets are determined collectively, grouped by type of customer and market.

  The non-payment percentages are calculated separately for each of the groups identified, grouped by maturity, type of customer and market, based on the historical experience of non-payment for the last 36 months and taking into account the probability of an unpaid item’s evolving through the subsequent statuses up to write-off.

- The following aspects are taken into consideration for the other financial assets:

  - For financial assets in which there is an individualised identification of the counterparty, an individual assessment is made of both the probability of non-payment and the loss in case of non-payment. The expected loss is calculated by multiplying both factors by the net exposure in case of non-payment.

  - For those assets with a large volume and similar characteristics, they are grouped by nature and an estimate of the expected loss of the whole is made.

  Notwithstanding the foregoing, expected credit losses on assets for which there is objective evidence that ENDESA will not be able to recover all the amounts in accordance with the original terms of the contracts are determined individually.

When evaluating whether the risk has increased significantly for a financial asset or group of financial assets, ENDESA uses the modification in the non-payment risk that will occur during the expected life of the instrument.

ENDESA recognises impairment losses on financial assets at amortised cost by means of an adjustment account. The carrying amount is eliminated against the adjustment account when the impairment is deemed to be irreversible. Impairment losses on trade receivables, leases and contractual assets deriving from contracts with customers are recognised as expense under "Depreciation, Amortisation, and Impairment Losses" in the Consolidated Income Statement and on other financial assets they are recognised as an expense under "Financial Expense" in the Consolidated Income Statement (see Notes 28 and 29, respectively). Subsequent reversals of impairment losses are limited to what the amortised cost of the assets would have been if no impairment loss had been recognised. If the impairment is irreversible, the carrying amount of the financial asset is eliminated against the adjustment account.

At the date of authorisation for issue of these Consolidated Financial Statements all material past-due financial assets were of a trading nature (see Note 19.5).

g.4. Financial liabilities other than derivatives

For valuation purposes, ENDESA classifies its financial liabilities at the date of initial recognition:

- Financial liabilities at amortised cost: which include interest-bearing loans and borrowings and trade and other payables, and are initially recognised at the amount received, net of transaction costs. In subsequent periods, these liabilities are measured at amortised cost using the effective interest method (see Note 3g.1).

- Financial liabilities at fair value: they are initially recognised at fair value, which is the price of the transaction. Costs incurred on the transaction are recognised as expense as they are incurred. After their initial recognition, these financial liabilities are recognised at fair value, any changes being recognised through profit and loss

In the special case where the liabilities are the underlying of a fair value hedge derivative, they are exceptionally measured at the fair value of the portion of the risk hedged.

To calculate the fair value of debt, for the purpose of recognition in the Consolidated Statement of Financial Position and for disclosure of fair value included in Note 17.1, debt is divided into debt bearing interest at a fixed rate and debt bearing interest at floating rates:

- Fixed-rate debt is that on which fixed-interest coupons established at the beginning of the transaction are paid explicitly or implicitly over its term.

- Floating-rate debt is that issued at a variable interest rate, i.e. each coupon is established at the beginning of each period on the basis of the reference interest rate. All these liabilities are measured by discounting the expected future cash flows using the market interest rate curve associated with the payment currency.

ENDESA has confirming transaction arrangements with a number of financial entities (see Note 22). ENDESA applies the criteria set forth in Note 3g.7 in assessing the write-off of the original liability to trade creditors and recognition of a new liability to financial institutions. Trade payables for which settlement is managed by financial institutions are recognised under “Trade and other payables” in the Consolidated Statement of Financial Position insofar as ENDESA has granted only the management of payment to financial institutions and remains primarily liable for payment of the debts to trade creditors.

g.5. Derivatives and hedging transactions

The derivatives held by ENDESA relate mainly to transactions arranged to hedge interest rate risk, foreign currency risk or the price risk on commodities such as fuel oil and on electricity, CO_2 emission rights, CERs and ERUs, the purpose of which is to eliminate or significantly reduce these risks in the underlying hedged transactions.

Derivatives are measured at their fair value at the end of the reporting period. When their fair value is positive, they are carried under financial assets, current or non-current depending on their maturity and the intention of holding the derivative until maturity, if they are financial derivatives, and under trade and other receivables if they are commodity derivatives. When their fair value is negative, they are carried under interest-bearing loans and borrowings, current or non-current depending on their maturity and the intention of holding the derivative until maturity, if they are financial derivatives, and under "Trade payables and other current liabilities," if they are commodity derivatives.

Any gains or losses arising from changes in the fair value of derivatives are recognised in the Consolidated Income Statement, except where the derivative has been designated as a hedging instrument and all the requirements for hedge accounting under IFRS have been met; for example, the hedge must be highly effective. In this case, recognition depends on the type of hedge as follows:

- Fair value hedges: The portion of the underlying for which the risk is being hedged and the hedging instrument are measured at fair value, with gains or losses arising from changes in the fair values of both items recognised in the Consolidated Income Statement and netted under the same heading.

- Cash flow hedges: The effective portion of the gain or loss on the derivative is recognised in Other Comprehensive Income in the Consolidated Statement of Comprehensive Income (see Note 14.1.6). The cumulative gain or loss recognised in this account is transferred to the Consolidated Income Statement as and when the underlying hedged item affects profit or loss. The effects are netted under the same heading in the Consolidated Income Statement. Gains and losses on the ineffective portion of hedges are recognised directly in the Consolidated Income Statement.

- Hedges of net assets of a foreign subsidiary: Gains and losses on the portion of the hedging instrument considered effective, net of the related tax effect, are recognised under translation differences in “Other Comprehensive Income” in the Consolidated Statement of Comprehensive Income, and transferred to the Consolidated Income Statement when the hedged investment is sold.

A hedge is only applicable when there is a financial relationship between the hedged item and the hedging instrument, the credit risk of the hedged item does not have a dominant effect on the changes in value resulting from that financial relationship, and the hedging ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that ENDESA actually uses to cover said amount of the hedged item.

The hedge is prospectively discontinued if the hedging instrument expires or is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting. For these purposes, the replacement or renewal of the hedging instrument is not an expiry or termination, providing the transaction is consistent with ENDESA's risk objective.

When hedge accounting is discontinued in a cash flow hedge, the amount accumulated under "Other Comprehensive Income" in the Consolidated Statement of Comprehensive Income (see Note 14.1.6) is not recognised in the Consolidated Income Statement until the future cash flows covered occur. Conversely, the amounts accumulated under "Other Comprehensive Income" in the Consolidated Statement of Comprehensive Income are recognised in the Consolidated Income Statement when it is no longer expected that the future cash flows covered will occur.

ENDESA has entered into commodities forward sale and purchase contracts, mainly for electricity and fuel. In general, these contracts are carried in the Consolidated Statement of Financial Position at their market value at the reporting date, with any increases or decreases in value recognised in the Consolidated Income Statement, except when all the following conditions are met:

- The sole purpose of the contract is for own use, i.e. In the case of purchases of fuel, to generate electricity, in that of the purchase of electricity and gas for supply, its retail sale, and in the case of sales of electricity or gas, sales to end customers.

- ENDESA's projections support the purpose of these contracts as for own use.

- Past experience of the contracts indicates that contracts have been for own use, except on rare occasions where another use has been necessary as a result of exceptional circumstances or due to logistics management that ENDESA cannot control or predict.

- The contract does not provide for net settlement and there has not been past practice of net settlement of similar contracts.

ENDESA evaluates whether derivatives are embedded in its contracts and financial instruments to determine whether their characteristics and risks are closely related to those of the host contracts providing the overall contract is not recognised at fair value. If their characteristics and risks are not closely related, the derivatives are recognised separately, with changes in value recognised in profit and loss.

The fair value of the different derivative financial instruments is calculated as follows:

- For derivatives quoted on an organised market, their quoted value at the end of the period.

- In the case of derivatives not quoted on an organised market, ENDESA carries out valuations using internal tools and calculates the fair value of financial derivatives taking account of observable market variables, by estimating future cash flows discounted to present value using zero-coupon yield curves for each currency on the last working day of each close, translated to euros at the exchange rate in force on that day. Once the gross market value has been obtained, a "Debt Valuation Adjustment (DVA)" is made in respect of own credit risk and a "Credit Valuation Adjustment (CVA)" in respect of counterparty risk. The measurement of CVA/DVA is based on potential future exposure of the instrument (creditor or debtor position) and the risk profile of the counterparties and that of ENDESA itself. In 2019 and 2018, the value of the Credit Valuation Adjustments (CVA) for counterparty risk and the Debt Valuation Adjustments (DVA) for own credit risk were not significant.

In accordance with the procedures described above, ENDESA classifies the various financial instruments in accordance with the levels indicated in Note 3p (see Note 18.6).

g.6. Financial guarantee contracts

Financial guarantee contracts, meaning the guarantee deposits and guarantees given to third parties by ENDESA, are initially recognised at fair value, which, unless there is evidence to the contrary, is the premium received plus the present value of any cash flows to be received.

Subsequently, financial guarantee contracts are measured as the difference between:

- the amount of the liability determined in accordance with the accounting policy for provisions (see Note 3k) and

- the amount of the initially recognised asset less the portion, if any, taken into consolidated profit and loss on an accruals basis.

g.7. Derecognition of financial assets and liabilities

Financial assets are derecognised from the Statement of Financial Position when:

- the contractual rights to the cash flows from the financial asset have expired or been transferred or ENDESA has assumed a contractual obligation to pay these cash flows to one or more beneficiaries; and

- ENDESA has substantially transferred all the risks and rewards inherent in ownership, or, if it has neither substantially transferred nor them, it does not retain control of the asset.

In 2019 and 2018, ENDESA entered into receivables transfer agreements which are considered as factoring without recourse as it transferred the risks and rewards inherent in ownership of the financial assets transferred (see Notes 12.1, 18.1.1 and 30).

Transactions in which ENDESA retains substantially all the risks and rewards inherent in ownership of a transferred financial asset are accounted for by recognising the consideration received as a liability. Transaction costs are recognised in the Consolidated Income Statement using the effective interest rate method.

Financial liabilities are derecognised from the Statement of Financial Position when they are extinguished, that is, when the obligation deriving from the liability has been settled or cancelled or has expired.

g.8. Offsetting financial assets and financial liabilities

A financial asset and a financial liability will be offset when the Company has a legally enforceable right to set off the recognised amounts and has the intention of settling the net amount or of simultaneously realising the asset and settling the liability (see Note 18.5).

These rights will be legally enforceable only in the normal course of the company's business, or in the event of non-compliance, insolvency or bankruptcy of the counterparty.

g.9. Reclassification of financial assets and liabilities.

Financial assets are subject to reclassification when the business model for managing them is modified. The effect in the Income Statement and in the Statement of Comprehensive Income is detailed below:

- Reclassification from amortised cost to fair value with changes through profit and loss: the difference between the fair value and the carrying amount is recognised in profit and loss. From that date on the Group does not recognise the interest from the financial asset separately.

- Reclassification from fair value with changes through profit and loss to amortised cost: the fair value at reclassification date is considered to be the new gross book value for purposes of applying the effective interest rate method and recognising credit losses.

- Reclassification from amortised cost to fair value with changes through Other Comprehensive Income (OCI): the difference between the fair value and the carrying amount is recognised in OCI. The effective interest rate and the recognition of expected credit losses are not adjusted by the reclassification. However, the accumulated amount of the expected credit losses is recognised in OCI.

- Reclassification from fair value with changes through OCI to amortised cost: recognised at its fair value. The deferred amount in the Other Comprehensive Income is adjusted to the carrying amount of the asset. The effective interest rate and the recognition of expected credit losses are not adjusted by the reclassification.

- Reclassification from fair value with changes through profit and loss to fair value with changes through Other Comprehensive Income: the effective interest rate and the expected credit losses are determined on the date of reclassification at their fair value at that date.

- Reclassification from fair value with changes through OCI to fair value with changes through profit and loss: the amount deferred in equity is reclassified to profit and loss. From that date on the Group does not recognise the interest from the financial asset separately.

Financial liabilities are not subject to reclassification.

h) Investments accounted for using the equity method

Investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment is carried in the Consolidated Statement of Financial Position at ENDESA's share of the investee's equity, adjusted, where applicable, to eliminate intragroup transactions, plus unrealised gains relating to the goodwill paid on acquisition of the company.

If the resulting amount is negative, the investment is carried at zero in the Consolidated Statement of Financial Position, unless ENDESA is required to restore the company's equity, in which case the corresponding provision for liabilities and charges is recognised as a liability in the Consolidated Statement of Financial Position (see Note 10.1).

Dividends received from these companies are deducted from the value of the investment, while ENDESA's share of the profit or loss of these companies based on its percentage of ownership is recognised in the Consolidated Income Statement under net profit from companies accounted for using the equity method.

After the equity method has been applied, for investments the value of which includes unrealised gains relating to the goodwill paid on acquisition of the company, or those that may otherwise show signs of impairment, the recoverable value of the investment is calculated and, if this is less than the carrying amount, impairment is recognised for the difference between the recoverable value of the associate or the joint venture, and the carrying amount.

The recoverable amount is calculated as the higher of the fair value of ENDESA's interest in the investee and ENDESA's proportional share of the present value of the future cash flows that the company is expected to generate less the company's debt at reporting date less selling costs.

If after the value of the investment has been reduced, additional losses should arise as a result of legal or implied obligations, they will be recognised as a liability.

Appendix II to these Consolidated Financial Statements lists ENDESA's associates and joint ventures at 31 December 2019 and 2018.

i) Inventories

In general, inventories are measured at the lower of weighted average acquisition cost and net realisable value.

i.1. Nuclear fuel

The cost of acquiring nuclear fuel includes the borrowing costs allocated to its financing while in process. Finance costs of Euros 1 million in 2019 and Euros 2 million in 2018 were capitalised in this respect (see Note 29). Nuclear fuel in process is transferred to operating expenses when it is loaded into the reactor and recognised in profit and loss based on the power capacity consumed in the period.

i.2. CO_2 emission rights, Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs).

ENDESA companies that emit CO_2 in their electricity generation activity must deliver CO_2 emission rights, specifically European Union Allowances (EUAs) equal to their emissions during the year in the first few months of the following year.

They can also use Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs) for other purposes, such as voluntary emission compensation.

Therefore, the principle for recognising CO_2 emission rights, CERs and ERUs is to recognise them as inventories, as follows:

- CO_2 emissions rights held in cover of emissions are valued at the lower of the average weighted acquisition price and the net realisable value.

- CO_2 emissions rights held for trading constitute a trading portfolio, and are recognised at their fair value less selling costs, with changes through profit and loss.

j) Deferred income

j.1. Grants related to assets.

They are recognised when there is reasonable certainty that the conditions associated with them will be met. These amounts are recognised under deferred income in the Consolidated Statement of Financial Position and taken into profit and loss under other operating income over the useful lives of the assets.

j.2. Liabilities from contracts with customers.

ENDESA receives legally established compensation for the amounts paid for the construction or acquisition of certain facilities or, in some cases, is assigned the facilities directly in accordance with the legislation currently in force.

Both the tangible asset and the deferred income are recognised at the fair value of the asset on the date on which it is transferred and taken into profit and loss over the useful life of the asset, thereby offsetting the related depreciation charge.

k) Provisions.

Liabilities existing at the date of the Consolidated Statement of Financial Position and arising from past events which are likely to have a negative impact on ENDESA’s equity but the amount and settlement date of which are uncertain, are recognised as provisions in the Consolidated Statement of Financial Position at the present value of the most likely amount that ENDESA will have to disburse to cancel the obligation.

ENDESA also recognises provisions for liabilities arising from ongoing lawsuits and termination benefits, deposits and similar guarantees and to cover risks.

Provisions are made based on the best information available at the date of preparation of the Consolidated Financial Statements on the most likely outcome of the event for which provision is required and are re-estimated at the end of each reporting period.

k.1. Provisions for pensions and other similar provisions

For defined benefit plans, the companies recognise the expenditure relating to these obligations on an accruals basis over the working life of the employees by performing actuarial studies at the reporting date, calculated using the projected unit credit method. Provisions for defined benefit plans represent the present value of the accrued provisions after deducting the fair value of the qualifying plan assets. The actuarial losses and gains arising from the measurement of plan liabilities and assets are recognised directly, net of the related tax effect, in Other Comprehensive Income in the Consolidated Statement of Comprehensive Income (see Note 14.1.7).

For each of the plans, if the difference between the actuarial liability for the services provided and the plan assets is positive, this difference is recognised under “Non-Current Provisions: Provisions for Pensions and other Similar Provisions” on the liabilities side of the Consolidated Statement of Financial Position, and if negative, under “Non-Current Financial Assets: Loans and Other Receivables” on the assets side of the Consolidated Statement of Financial Position, in this latter case providing this difference is recoverable by ENDESA, usually through a deduction from future contributions taking into consideration the limits set by paragraph 57 (b) of IAS 19 Employee Benefits and IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The effect of the application of this limit is recognised, net of the tax effect, under Other Comprehensive Income in the Consolidated Statement of Comprehensive Income (see Notes 14.1.7 and 16.1).

Contributions to defined contribution plans are recognised as an expense in profit and loss as employees provide their services.

Post-employment plans that have been fully insured and for which ENDESA has therefore transferred all the risk are considered to be defined contribution plans and consequently no actuarial liabilities or plan assets are taken into account.

k.2. Provisions for workforce restructuring plans.

ENDESA recognises termination or suspension benefits when there is an individual or group agreement with the employees that will enable the employees, unilaterally or by mutual agreement with the company, to cease working for ENDESA or temporarily suspend the employment contract in exchange for compensation or consideration. Where mutual agreement is required, a provision is recognised only in situations in which ENDESA has decided to give its consent to the termination of employment and this consent has been notified to the employee either individually or collectively to employee representatives. In all cases in which these provisions are recognised there is an expectation on the part of employees that these early retirements will take place and official notification by the Company to the employee or to the employee's representatives.

ENDESA has workforce reduction plans, which arose as part of the corresponding workforce reduction plans approved by the government or in agreements drawn up with employee representatives. The plans guarantee payment of an indemnity or maintenance of regular payments during the period of early retirement or suspension of the employment contract.

The Company recognises the full amount of the expenditure relating to these plans when the obligation materialises, meaning when the company is unable to prevent the disbursement, depending on the commitments undertaken with the employee or the employee's representatives. These sums are determined, where appropriate, from actuarial surveys conducted to calculate the actuarial obligation at period-end. The resulting actuarial gains and losses are recognised in the Consolidated Income Statement.

k.3. Provision to cover the cost of CO_2 emission rights

ENDESA's companies that generate CO_2 emissions in their electricity generation activity must deliver CO_2 emission rights equal to their emissions during the year in the first few months of the following year. The companies can also use Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs) for voluntary compensation.

The obligation to deliver CO_2 emission rights for the emissions of the previous year is recognised under Other Current Provisions in the Consolidated Statement of Financial Position), the corresponding cost having been recognised in the Consolidated Income Statement under Other Variable Procurements and Services (see Noted 23 and 25.3, respectively). This obligation is recognised at the same amount as the CO_2 emission rights to be delivered to cover this obligation under "Inventories" in the Consolidated Statement of Financial Position (see Note 3i.2).

If at the reporting date ENDESA does not hold all the CO_2 emission rights, CERs, or ERUs required, the cost and the corresponding provision are recognised on the basis of a best estimate of the price that ENDESA will have to pay to acquire them. When a more appropriate estimate does not exist, ENDESA estimates the acquisition price for the allowances not held by it as the market price at the reporting date.

k.4. Provisions for decommissioning costs

ENDESA recognises a provision for the expected cost of dismantling some of its plants and certain electricity distribution facilities (see Notes 3a, 3b and 16.3). Changes in provision resulting from re-calculations of present value are recognised as financial expenses in profit and loss (see Note 29).

The interest rates applied for the corresponding DCF exercise, depending on the remaining useful life of the associated asset, have been placed in the following ranges:

%	2019	2018
Discount Rate	0.0 - 1.3	0.3 - 1.6

k.5. Onerous contracts.

In the case of contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it (onerous contracts), ENDESA recognises a provision for the present value of the difference between the costs and benefits foreseen.

At 31 December 2019 and 2018 there were no provisions for onerous contracts.

l) Translation of foreign currency balances

Transactions in currencies other than the functional currency of each company are recognised in the functional currency by applying the exchange rates in force at the transaction date. During the year, differences arising between the balances translated at the exchange rate at the transaction date and those translated at the exchange rate at the date of collection or payment are recognised as financial income or financial expenses in the Consolidated Income Statement (see Note 29).

Balances receivable or payable at year-end denominated in currencies other than the functional currencies in which the financial statements of the consolidated companies are denominated are translated to euros at year-end exchange rates. The resulting valuation differences are recognised as financial income or expense in the Consolidated Income Statement (see Note 29).

m) Current/non-current classification

In the accompanying Consolidated Statement of Financial Position, balances due to be settled within 12 months are classified as current and those due to be settled in a period of more than 12 months are classified as non-current.

Obligations that mature at short term but in respect of which there is an expectation of and right to, at ENDESA's discretion, long-term refinancing through credit lines available immediately and unconditionally in accordance with the financing conditions in place, and where such right exceeds 12 months from the date of the Consolidated Financial Statements, are classified as non-current liabilities. At 31 December 2019 these balances amounted to Euros 29 million (Euros 11 million at 31 December 2018) (see Note 17.2.1).

n) Income tax.

In 2019 there were two Tax Consolidation Groups in ENDESA:

- All companies in which ENEL, S.p.A. (the Italian company that heads the ENEL Group) holds an interest of at least 75%, or 70% in the case of listed investees or their subsidiaries, and which meet requirements provided for in Spanish legislation on taxation of the consolidated profits of corporate groups, form part of a consolidated tax group, the head of which is ENEL, S.p.A., its representative in Spain being ENEL Iberia, S.L.U.

  The number of companies forming Tax Consolidation Group No. 572/10 at 31 December was 55 (39 companies at 31 December 2018), as detailed below: ENEL Iberia, S.L.U., ENDESA, S.A., Almussafes Servicios Energéticos, S.L.U., Aragonesa de Actividades Energéticas, S.A.U., Aranort Desarrollos, S.L.U., Baylio Solar, S.L.U., Castiblanco Solar, S.L.U., Dehesa de los Guadalupes Solar, S.L.U., Distribuidora de Energía Eléctrica del Bages, S.A., Distribuidora Eléctrica del Puerto de la Cruz, S.A.U., Edistribución Redes Digitales, S.L.U. (formerly ENDESA Distribución Eléctrica, S.L.U.), Eléctrica de Jafre, S.A., Eléctrica del Ebro, S.A.U., Empresa Carbonífera del Sur, S.A.U., ENDESA Capital, S.A.U., ENDESA Energía, S.A.U., ENDESA Energía Renovable, S.L.U., ENDESA Financiación Filiales, S.A.U., ENDESA Generación, S.A.U., ENDESA Generación II, S.A.U., ENDESA Generación Nuclear, S.A.U., ENDESA Ingeniería, S.L.U., ENDESA Medios y Sistemas, S.L.U., ENDESA Operaciones y Servicios Comerciales, S.L.U., ENDESA Red, S.A.U., ENDESA Soluciones, S.L.U., ENDESA X, S.A.U., ENEL Green Power España, S.L.U. (EGPE), Energía Eléctrica del Ebro, S.A.U. (in Liquidation), Energía Eólica Alto del Llano, S.L.U., Energía XXI Comercializadora de Referencia, S.L.U. (formerly ENDESA Energía XXI, S.L.U.), Energías de Aragón I, S.L.U., Energías de Aragón II, S.L.U., Energías Especiales del Alto Ulla, S.A.U., Eólica del Cierzo, S.L.U., Eólica del Principado, S.A.U., Furatena Solar 1, S.L.U., Gas y Electricidad Generación, S.A.U., Guadarranque Solar 4, S.L.U., Hidroeléctrica de Catalunya, S.L.U., Navalvillar Solar, S.L.U., Parque Eólico A Capelada, S.L.U., Parque Eólico Farlán, S.L.U., Parque Eólico Muniesa, S.L.U., Parques Eólicos Gestinver Gestión, S.L.U., Parques Eólicos Gestinver, S.L.U., Productor Regional de Energía Renovable, S.A.U., Productor Regional de Energías Renovables III, S.A.U., Promociones Energéticas del Bierzo, S.L.U., Seguidores Solares Planta 2, S.L.U., Sistemas Energéticos Alcohujate, S.A.U., Sistemas Energéticos Campoliva, S.A.U., Sistemas Energéticos Sierra del Carazo, S.L.U., Unión Eléctrica de Canarias Generación, S.A.U. y Valdecaballero Solar, S.L.U.

- Following the takeover by ENDESA of Empresa de Alumbrado Eléctrico de Ceuta, S.A., in which, at 31 December 2019, it held a 96.3% stake, the Consolidated Tax Group was incorporated under number 21/02, composed of the following three companies: Empresa de Alumbrado Eléctrico de Ceuta, S.A. (as the parent company and representative of the Consolidated Tax Group), Energía Ceuta XXI Comercializadora de Referencia, S.A.U. and Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U.

ENDESA's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

During 2019 ENDESA acquired shares in Baikal Enterprise, S.L.U., Baleares Energy, S.L.U., Bogaris PV1, S.L.U., Dehesa PV Farm 03, S.L.U., Dehesa PV Farm 04, S.L.U., Emintegral Cycle, S.L.U., Energía Neta Sa Caseta Llucmajor, S.L.U., Envatios Promoción I, S.L.U., Envatios Promoción II, S.L.U., Envatios Promoción III, S.L.U., Envatios Promoción XX, S.L.U., Fotovoltaica Yunclillos, S.L.U., Olivum PV Farm 01, S.L.U., Pampinus PV Farm 01, S.L.U., Renovables La Pedrera, S.L.U., Renovables Mediavilla, S.L.U., Torrepalma Energy, S.L.U. and Xaloc Solar, S.L.U. (see Notes 2.3.1 and 5.1). At 1 January 2020, the companies meeting the requirements laid down by tax legislation on consolidated profits of corporate groups have been included in the consolidated tax group to which ENDESA belongs.

Income tax expense for the year is calculated as the sum of the current tax of the various companies resulting from applying the tax rate to the taxable income (tax loss) for the year, after taking into account any available tax deductions, plus the change in deferred tax assets and liabilities and tax credits for loss carryforwards and deductions. The differences between the carrying amount of assets and liabilities and their tax base give rise to deferred tax assets or liabilities, which are calculated using the tax rates that are expected to apply to the years when the assets are realised and the liabilities settled.

Income tax and changes in deferred tax assets and liabilities not arising from business combinations are recognised in the profit and loss or in equity depending on where the gains or losses giving rise to them were recognised.

Deferred tax assets and tax credits are recognised only if it is considered probable that the consolidated companies will have sufficient future taxable profits against which the related deductions for temporary differences can be recovered or tax credits utilised.

Deferred tax liabilities are recognised for all temporary differences. Tax deductions arising from economic events occurring in the year reduce the income tax expense, unless there are doubts as to whether they can be realised, in which case they are not recognised until they have effectively been realised.

ENDESA also reflects the effect of uncertainty over tax treatments when determining taxable profit or loss, tax bases, tax losses, unused tax credits and the corresponding tax rates. To do this, it evaluates whether to consider each uncertain tax treatment separately or in conjunction with one or more other uncertain tax treatments, to determine the approach that best predicts the resolution of the uncertainty. When it is concluded that the tax authority is not likely to accept an uncertain tax treatment ENDESA reflects the effect of uncertainty generally using the most probable amount method, that is, the single most probable amount within a range of possible outcomes.

Liabilities and/or assets relating to uncertain tax treatments are presented as current or deferred tax assets or liabilities (see Notes 2.1a, 21.1, 21.2 and 22).

The deferred tax assets and liabilities recognised are reviewed at the end of each reporting period in order to ascertain whether they still exist, and the appropriate adjustments are made.

Under the legislation currently in force, taxes cannot be considered definitively settled until the returns filed have been inspected by the tax authorities or the prescription period of four years has elapsed.

As of 31 December 2019, the following exercises are subject to administrative verification:

	31 December de 2019
Consolidated Tax Group of Income Tax (No. 572/10)	2006, 2015 and following
Consolidated Tax Group of Income Tax (No. 21/02)	2015 and following
Other Taxes Applicable to ENDESA	2015 and following

During 2019, the Tax Agency initiated a process of general verification and investigation of the Consolidated Tax Group (No. 572/10) of the Income Tax for the years 2015 to 2017 and of the Consolidated Tax Group (No. 45/10) of the Value Added Tax (VAT or “IVA”) and withholdings for 2015 to 2018 (see Note 16.3).

o) Recognition of income and expense.

o.1. Revenue from contracts with customers.

a) General criterion for income recognition.

As a general criterion, ENDESA recognises income from its ordinary activities in line with the delivery of the goods or the provision of the services contractually agreed on with its customers over the life of the contract and for the amount of the consideration to which it expects to be entitled in exchange for said goods or services.

In particular, ENDESA follows the following stages for the recognition of income from contracts with customers:

- Identification of the contract with the customer: To identify a contract, ENDESA ensures that the parties have approved the contract and undertake to comply with their respective obligations, identifying the rights of each of the parties, the payment terms in relation to the goods or services to be transferred, and ensuring that the contract has a commercial nature and it is probable that the consideration to which it is entitled will be collected in exchange for the goods or services that will be transferred to the customer.

- Identification of the obligations for executing the contract: At the beginning of the contract, ENDESA assesses the goods or services promised in a contract with a customer and identifies each promise to transfer to the customer as an execution obligation:

  a) A good, service or a group of differentiated goods or services; or

  b) A series of differentiated goods or services that are practically the same and that follow the same pattern of transfer to the customer.

     A good or service promised to a customer is differentiated if the following two criteria are met:

     1) The customer can use the good or service on its own or together with other resources that can be made easily available; and

     2) ENDESA's commitment to transfer the good or service to the customer is identifiable separately from other commitments contained in the contract.

- Determination of the price of the transaction: this is determined as the amount of the consideration to which ENDESA expects to be entitled in exchange for transferring the goods or services committed to with the customer, excluding the amounts collected on behalf of third parties, which could include fixed or variable amounts, such as discounts, refunds, subscriptions, incentives, bonuses and other similar concepts.

- When the transaction price includes a variable consideration, ENDESA initially estimates the amount of the consideration to which it will be entitled, using the expected value method or the most probable amount, and only including all or part of the amount of the variable consideration to the extent to which it is highly probable that a significant reversal of the cumulative revenue recognised will not occur when, subsequently, the uncertainty over the variable consideration is resolved.

- When estimating the transaction price, the time value of money is also taken into account if it is considered that there is a significant financing component, as well as considerations other than cash and other considerations to be paid to the customer.

- Allocation of the transaction price among the contract execution obligations: ENDESA distributes the price of the transaction in such a way that each execution obligation identified in the contract is assigned an amount that represents the consideration it will obtain in exchange for transferring the good or service committed to in said execution obligation to the customer. This allocation is made proportionally and based on the corresponding independent sales prices of the goods and services included in each execution obligation. The best evidence of independent selling prices is their observable price, when these goods or services are sold separately under similar circumstances. When this price is not available, ENDESA estimates the amount using an approach that maximises the use of observable data, such as an adjusted valuation based on a market price, an expected cost plus a margin or using a residual approach.

- When the contract includes more than one differentiated good or service and a discount is granted on the total price, unless there is more observable evidence that the discount is fully applicable to an execution obligation, the discount is distributed proportionally among all execution obligations.

- Recognition of income as and when execution obligations are met: ENDESA recognises income as the amount of the transaction price assigned to an execution obligation as it satisfies this obligation by transferring the committed goods or services to the customer. To this end, ENDESA determines whether the execution obligation is satisfied over time or at a specific time:

a) An obligation is satisfied over time if the following criteria are met:

- The customer receives and simultaneously consumes the benefits provided by ENDESA's activity as it carries it out.

- ENDESA produces or improves an asset that the customer controls as the asset is produced or improved.

- ENDESA produces for the customer a specific asset which can not be given an alternative use, and has an enforceable right to consideration for the activity carried out so far.

If the execution obligation is complied with over time, ENDESA recognises the corresponding income as it meets the obligation, for which it measures the degree of progress of execution of each identified obligation.

b) If an obligation does not meet the conditions to be fulfilled over time, the following indicators are assessed to determine that the control of the asset has been transferred to the customer:

- ENDESA has transferred physical possession of the asset;

- ENDESA is entitled to demand payment for the asset;

- The customer has accepted the asset;

- The customer has the significant risks and benefits inherent to ownership of the asset; and

- The customer has legal ownership of the asset.

If the execution obligation is fulfilled at a specific date, ENDESA recognises the corresponding income.

If the parties agree to amend the contract, ENDESA accounts for this amendment as a separate contract if the following two conditions are met:

- The scope of the contract increases due to the incorporation of different committed goods or services; and

- The contract price is increased by an amount of the consideration that reflects the independent sale prices of the promised additional goods or services.

Otherwise, the contractual amendment is treated as an adjustment to the original contract, so that, when the amendment consists of new goods or services that are different and not at their usual selling price, the previous contract is cancelled and a new contract is created, but if the amendment consists of new goods or services that are not different, the existing contract is re-assessed.

ENDESA presents contracts with customers in the Consolidated Statement of Financial Position as an asset or a liability, depending on the relationship between ENDESA's performance and the payment made by the customer:

- The contract with the customer is presented as a liability of the contract when the customer has paid a consideration, before the goods or services have been transferred to the customer, so that there is an obligation on the part of ENDESA to transfer the goods or services to the customer for which it has already received a consideration.

- The contract with the customer is presented as a contract asset when ENDESA has realised the performance by transferring goods or services to the customer before the customer has delivered the consideration, so that ENDESA has the right to the consideration in exchange for the goods or services it has transferred to the customer. ENDESA excludes from this amount any amounts presented as receivables.

b) Specific criteria for income recognition by segments.

– Generation and supply segment

  - Electricity and gas sales: They are recognised as income at the date they are supplied to the customer, depending on the quantities supplied during the period, even when they have not been invoiced and according to the unit price established in the contract. Revenue income includes an estimate of the energy supplied before customers' meters have been read (see Notes 2.2 and 12).

  - Electricity sales on the wholesale market. They are recognised as income at the date they are supplied, depending on the electricity supplied and the ancillary services provided.

    For generation from renewable sources, cogeneration and waste subject to a specific remuneration regime, income additional to the average mainland price is recognised, equivalent to said specific remuneration (see Note 4).

  - Non-mainland Territories (TNP) generation: Remuneration is regulated (see Note 4), essentially based on the operation and availability of the facilities, part of the remuneration being received with the valuation of the energy sold at the average mainland price and the rest, up to the remuneration established, through settlements made by the Spanish Markets and Competition Commission (CNMC). This income is recognised at the date when electricity sales are made.

– Distribution segment

  - Income regulated by the electricity distribution activity: It is recognised in accordance with the regulatory framework of the Electricity Sector in Spain, which establishes the remuneration by Ministerial Order once per year (see Note 4) and is recognised over time. The National Commission on Markets and Competition (CNMC) makes arrangements for payment of the acknowledged remuneration to electricity distribution companies.

c) Principal versus Agent.

When a third party is involved in providing goods or services to a customer, ENDESA analyses whether the nature of its commitment is an execution obligation consisting of providing the goods or services itself to the customer (ENDESA acts as principal) or whether its commitment is to organise the supply of those goods or services for the third party (ENDESA acts as agent).

When ENDESA acts as principal, it recognises the revenue for the gross amount of the consideration to which it expects to be entitled in exchange for the goods or services transferred, but when it acts as an agent, it recognises the revenue for the amount of any payment or commission to which it expects to have the right in exchange for arranging the provision of its goods or services for the other party.

ñ.2. Other income and expense.

Interest income and expense is recognised by applying the effective interest rate method applicable to the outstanding principal over the related repayment period.

Dividends received from equity instruments are recognised as income at the date the right to receive them arises in the Consolidated Income Statement.

ENDESA recognises non-financial asset purchase or sale contracts settled net in cash or another financial instrument at their net amount. Contracts entered into and maintained for the purpose of receiving or delivering these non-financial assets are recognised on the basis of the contractual terms of the purchase, sale or usage requirements expected by the entity.

Expenses are recognised on an accruals basis. Disbursements that will not generate future economic benefits or which do not qualify for recognition as an asset are recognised immediately.

p) Fair value measurement

Fair value is defined as the price that would be collected for the sale of an asset or that would be paid for the transfer of a liability, in an orderly transaction between market players at the valuation date.

The valuation is calculated on the premise that the transaction is carried out on the main market, i.e. the market with the largest volume or activity of the asset or liability. In the absence of a main market, it is assumed that the transaction is carried out on the most advantageous market, i.e. that which maximises the amount received from selling the asset or that which minimises the amount paid to transfer the liability.

The fair value of the asset or the liability is determined by applying the assumptions that would be made by the market players at the time the price of the asset or liability is set, on the understanding that the market players are acting in their best economic interests. The market players are independent of each other, they are well informed, they can carry out a transaction with the asset or liability, and are motivated to carry out the transaction but are not in any way obliged or forced to do so.

Assets and liabilities measured at fair value may be classified on the following levels (see Note 18.6):

- Level 1: Fair value is calculated from quoted prices in active markets for identical assets or liabilities.

- Level 2: Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The methods and assumptions used to determine fair value within Level 2 by class of assets or liabilities take into account the estimate of future cash flows discounted to present value using zero-coupon yield curves for each currency on the last working day of each closing, translated to Euros at the exchange rate prevailing on the last working day of each closing. All these measurements are made using internal tools.

- Level 3: The fair value is calculated from inputs for assets or liabilities that are not based on observable market data.

ENDESA uses valuation tools to measure the fair value of assets and liabilities that are suited to the circumstances and for which sufficient data are available to appraise fair value, making maximum use of major observable variables and minimum use of non-observable variables.

q) Earnings (loss) per share

Basic net earnings per share are calculated by dividing net profit for the period attributable to the Parent by the weighted average number of ordinary shares outstanding during the period, excluding the average number of shares of the Parent Company held by ENDESA.

The basic earnings per share of continuing and discontinued operations are calculated by dividing profit after tax of continuing and discontinued operations, respectively, minus the portion corresponding to non-controlling interests, by the weighted average number of ordinary shares of the Parent Company outstanding during the period, excluding the average number of shares of the Parent Company held by ENDESA.

In 2019 and 2018, ENDESA did not perform any potentially dilutive transactions that could cause diluted earnings per share to differ from basic earnings per share (See Note 14.1.11).

r) Dividends

Dividends are recognised when the right to collect them is generated.

Dividends are recognised as a reduction in equity on the date on which they are approved by the competent body, which is usually the board of directors in the case of interim dividends and the shareholders at their general meeting of shareholders in the case of dividends charged against reserves or final dividends (see Note 14.1.9).

s) Share-based payment plans

Where ENDESA employees participate in a cash remuneration scheme tied to ENDESA, S.A. share prices, and this Company assumes the cost of the scheme, ENDESA recognises the fair value of ENDESA's obligation to employees as an expense under the heading "Personnel expenses" in the Consolidated Income Statement (see Note 34.3.5).

t) Statement of cash flows

The statement of Cash Flows reflects the changes in cash occurring during the year in relation to both continuing and discontinued operations, calculated using the indirect method (see Note 32). The following terms are used in the consolidated Statements of Cash Flows with the meanings specified:

– Cash Flows: Inflows and outflows of cash and cash equivalents, which are investments with a term of less than three months that are highly liquid and subject to an insignificant risk of changes in value (see Note 3g.2).

– Operating activities: the principal revenue-producing activities of ENDESA, as well as other activities that are not investing or financing activities. They include dividends received as well as the collection and payment of interest.

– Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents. Net flows from investment activities include those corresponding to losing and gaining control over Group companies.

– Financing activities: activities that result in changes in the size and composition of Equity and financial liabilities. Net cash flows used in financing activities include dividends paid.

4. Industry regulation.

Law 24/2013 of 26 December 2013 on the Electricity Sector, which repeals and replaces Law 54/1997 of 27 November 1997, which included the basic regulation of the Electricity Sector, established the new general framework for the operation of the sector and the regime of activities and agents. The most significant aspects of this scheme are the following:

– The new law introduces the basic principle of the economic and financial sustainability of the electricity system in such a way that revenues are sufficient to cover all system costs. System costs will be financed by access charges for transmission and distribution networks (to cover remuneration of both activities), charges established for payment of other costs, packages from the General State Budget and any other revenue or financial mechanism established. Also:

  - Any increase in costs or reduction in revenues must be accompanied by an equivalent reduction of other costs or a revenue increase. Simultaneously, no charges may decrease as long as there are cost items used to pay debt from previous years.

  - For financial years starting in 2014 or later, any timing mismatches arising will be limited to a maximum annual amount of 2% of the estimated system revenue (or 5% in cumulative terms). Any transitory imbalance will be financed by all players taking part in the settlement system, in proportion to their remuneration. If these limits are exceeded, access fees or charges will be revised by an equivalent amount. Within these limits, any imbalance will entitle the financing parties to recover those funds in the five following years, at an equivalent market interest rate.

  - The General State Budget for each year will finance 50% of compensation for non-mainland electricity systems for that year.

- Concerning remuneration for activities, the law stipulates that remuneration for transmission, distribution and production in non-mainland systems and production from renewable energy sources, high-efficiency cogeneration and waste will take into account the costs of an efficient and well-managed company. Remuneration parameters will be established in due consideration of the cyclical situation of the economy, demand for electricity and an adequate return on these activities over six-year regulatory periods. The law establishes the remuneration of assets for the first regulatory period (which ended on 31 December 2019) as the average yield on 10Y treasury bills on the secondary market for the three months prior to entry into force of Royal Decree Law 9/2013 of 12 July 2013, plus 200 basis points for transmission, distribution and production in non-mainland systems, plus 300 basis points for production from renewable energy sources, high-efficiency cogeneration and waste.

- There is no differentiation between ordinary regime and special regime power generation, without prejudice to specific considerations for certain technologies.

- The tariff applying to most domestic consumers is called the Small Consumer Voluntary Price (PVPC), the Last Resort Tariff TUR) being the tariff for vulnerable consumers and those that do not meet the requirements to be eligible for the PVPC and temporarily do not have a current contract with a free-market supplier.

Along with this basic law, since 2012 various provisions have also been approved to reduce the deficit of regulated activities and guarantee the financial stability of the system. These include Royal Decree-Law 9/2013 of 12 July 2013 adopting urgent measures to guarantee the financial stability of the electricity system and modifying, inter alia, the remuneration system for generating facilities using renewable energy, cogeneration and waste, and electricity transmission and distribution activities.

Additionally, Law 15/2012 of 27 December 2012 on fiscal measures for energy sustainability, which came into force on 1 January 2013, introduced new taxes (or amendments to existing taxes) affecting generating facilities. Specifically, it introduced the following taxes:

- General tax on generation, equivalent to 7% of total revenues received.

- Tax on nuclear fuel spent and radioactive waste, and on storage at centralised facilities.

- Levy on hydroelectric output, equivalent to 22% of revenues. This levy will be reduced by 90% for plants with installed capacity equal to or less than 50 MW and for pumped-storage hydroelectric plants of over 50 MW. This reduction will also apply to any output or facilities defined by regulations that have to be incentivised for reasons of general energy policy.

- A “green cent” tax on consumption of electricity generated using natural gas, coal, fuel-oil or diesel.

The provisions of this law stipulate that the taxes collected, along with other sums from the auction of greenhouse gas emission rights, will be used to finance the costs of the electricity system.

Along with the above provisions, the government has approved various regulatory implementing regulations on the various activities associated with the supply of electrical energy.

Additionally, as a result of the energy transition process, as well as the adaptation of the functions of the National Commission on Markets and Competition (CNMC) to community regulations, the Government has approved certain amendments of the current regime, which are detailed later in this document.

Remuneration of the electricity distribution activity

Royal Decree 1048/2013 of 27 December 2013 was published on 30 December 2013, establishing the methodology for calculating remuneration for power distribution, developing the provisions of Royal Decree Law 9/2013 of 12 July 2012 and Law 24/2013 of 26 December 2013. These aim to provide a stable predictable methodology to guarantee, under homogeneous criteria nationwide, appropriate return at the lowest possible cost to the system. The chief aspects of this methodology are as follows:

- Investment in non-depreciated assets in service will be remunerated on the basis of the net value of the assets and a financial remuneration rate based on 10Y treasury bills plus 200 basis points, in addition to the operation and maintenance of the assets.

- There will be remuneration for the costs required to carry out distribution activities, such as meter reading, supply contract process, billing access charges and management of unpaids, customer phone service, charges for occupancy of public areas and structural costs.

- There are incentives and penalties in connection with improvements to supply quality, reducing losses on distribution networks, and a new fraud reduction incentive.

- The extra costs of specific regulations introduced by regional or local authorities will not be borne by the electricity tariff.

- Collection of the payment of remuneration for facilities commissioned in year n will start from 1 January of the year n+2, and a financial cost will be recognised.

- Mechanisms have been established to control investment. For the whole sector, the maximum volume of authorised investment has been limited to a total of 0.13% of Gross Domestic Product (GDP). Distributors will submit to the Ministry for the Ecological Transition (now the Ministry for the Ecological Transition and the Demographic Challenge) their yearly and pluri-annual investment plans for approval, and will also require a favourable report from the regional authorities concerned. Limits are also established for deviations from the standard, just recognising part of the extra costs, which must be duly justified and audited. Volumes of investment will also be reduced in the event of non-compliance with the plans established, and the possibility is established of early construction of a facility, provided it is already envisaged and its cost is not met by the system.

The format established in the Royal Decree will apply when the first regulatory period commences, and until that time the transitory system established in Royal Decree-Law 9/2013 of 12 July 2013 will be applicable.

On 28 November 2015, the Official State Gazette published Royal Decree 1073/2015, of 27 November 2015, which modifies certain provisions in the Royal Decrees on the remuneration of electricity networks (Royal Decree 1047/2013, of 27 December 2013, for transmission, and Royal Decree 1048/2013, of 27 December 2013, for distribution). Among other aspects, Royal Decree 1073/2015 of 27 November 2015 eliminates the yearly update of unitary values based on the CPI, in accordance with Law 2/2015 of 30 March 2015 on de-indexing the economy.

On 12 December, 2015, Ministerial Order IET/2660/2015, of 11 December 2015 was published, establishing the types of installations and unitary value to be used in calculating distribution remuneration. This Order set the beginning of the first regulatory period at 1 January 2016.

On 17 June 2016, Order IET/980/2016 of 10 June 2016 was published in the Official State Gazette (BOE), establishing the remuneration of the distribution activity for 2016, assigning ENDESA a remuneration for the development of this activity of Euros 2,032 million (Euros 2,040 million considering the incentives), of which Euros 2,014 million and Euros 2,023 million respectively corresponded to ENDESA Distribución Eléctrica, S.L.U. On 15 September 2017, the announcement of the General Sub-directorate of Resources, Claims and Relations with the Ministry of Justice was published in the Official State Gazette (BOE), informing of the hearing procedures for the order issued by the Ministry of Energy, Tourism and Digital Agenda, initiating the procedure to file a declaration of adverse effect on the public interest of Ministerial Order IET/980/2016 of 10 June 2016.

Meanwhile, in December 2017, the then Ministry of Energy, Tourism and Digital Agenda initiated the processing of the Order by which the remuneration of the distribution for 2017 is established, corresponding to ENDESA a remuneration for the development of this activity of Euros 2,116 million (Euros 2,092 million considering the incentives), of which Euros 2,094 million and Euros 2,070 million, respectively, correspond to Edistribución Redes Digitales, S.L.U.

In relation to the remuneration of the distribution activity for 2018 and 2019, at the date of issue of these Consolidated Financial Statements, the processing of the corresponding Ministerial Order had yet to be started.

In accordance with Royal Decree Law 1/2019 of 11 January 2019, the remuneration methodology from 2020 will be established by the National Commission on Markets and Competition (CNMC).

The amounts recognised in application of this regulation at 31 December 2019 are described in Note 18.1.1 and 24.

Non-mainland Territories (TNP) Electricity Systems

Electricity supply activities in Non-mainland Territories (TNP) are subject to a specific regulation addressing the particular nature of their geographic locations. This special regulation was initially developed by Royal Decree 1747/2003 of 19 December 2003 and the Ministerial Orders of 30 March 2006 implementing this Royal Decree.

The main element of the non-mainland regulatory system was that electricity production was regarded as an activity with regulated remunerated, unlike in the Iberian Peninsula, in view of the specific features of these systems.

On 30 October 2013, Law 17/2013 of 29 October 2013 was published in the Official State Gazette. Its aim was to provide a better guarantee of supply and to increase competition in non-mainland systems, the main aspects being as follows:

- For reasons of safety or technical and economic efficiency, the remuneration regime additional to the mainland market price may be given for new generation facilities in non-mainland electricity systems, even if power output required to cover demand is exceeded.

- The additional (or incentive) remuneration regime for new installations in the Electrical Systems of the Non-mainland Territories (TNP), which are owned by a company or business group that has a percentage of generation power greater than 40% in that System will not be recognized. An exception is made in the case of facilities awarded through capacity tenders for the deployment of renewable energy sources holding administrative authorisation or that have been registered in the pre-assignment register for remuneration. Another exception is made for investment in upgrading and improving efficiency at plants already in operation which do not entail an increase in capacity or where there are no other agents interested in developing facilities.

- Pumped-storage hydroelectric plants intended to guarantee security of supply or the integration of renewable sources must be owned by the System Operator. In all other cases a competitive bidding procedure will be carried out. Notwithstanding the above, any company holding a hydroelectric operating concession granted before 1 March 2013, or which had been granted administrative authorisation but had not been granted authorisation to bring the plant on stream, will retain ownership but will gave to provide a guarantee for 10% of the investment and adhere to an execution timetable.

- Regasification plants must be exclusively owned by the Technical System Operator, and the facilities concerned must be transferred within six months at market price. If the facility does not have administrative authorisation, the price will be limited to the total costs actually incurred up to 1 March 2013.

- Remuneration associated with fuel costs will be established by a mechanism taking account of the principles of competition, transparency, objectivity and non-discrimination.

- A compatibility ruling by the Department of Energy Policy and Mines will be necessary for the approval of new groups, to ascertain that the facility is compatible with the technical criteria stipulated by the System Operator and economic cost-reduction criteria.

– There is a possibility of reducing remuneration at facilities in non-mainland electricity systems in the event of a substantial decrease in their availability, the guarantee of supply or the supply quality indexes attributed to generating facilities. It is also possible that the government will take action in the electricity sector to guarantee supply in situations of risk.

On 1 August 2015, the Spanish Official State Gazette published Royal Decree 738/2015 of 31 July 2015 on Non-Mainland Territories (TNP) generation. This Royal Decree established a scheme similar to the current scheme, made up of remuneration for fixed costs, which comprises fixed investment and fixed operations and maintenance costs, and for variable costs, including fuel and variable operations and maintenance costs, also taking into account, within the costs of these systems, the taxes arising from Law 15/2012 of 27 December 2012 on tax measures for energy sustainability. Certain aspects of the methodology are changed in order to improve the efficiency of the system. The Royal Decree also implements matters already contained in Law 17/2013 of 29 October 2013 to guarantee supply and increase competition in these systems.

The Royal Decree was set to enter into force from 1 September 2015, considering a transitory period as from 1 January 2012 for certain measures. In accordance with Additional Provision Eleven, its full and definitive effectiveness is subordinated to the non-existence of objections by the European Commission with respect to its compatibility with the EU regulations in question.

In accordance with Electricity Sector Law 24/2013 of 26 December 2013, the financial remuneration rate of the net investment recognised will be tied to the return on the 10-year treasury bills on the secondary market plus the appropriate spread. For the first regulatory period, which runs until 31 December 2019, this rate will correspond to the average return of the price on the secondary market of the 10-year treasury bills for April, May and June 2013, plus 200 basis points.

Pursuant to the introduction of Law 6/2018 of 3 July 2018, of the General State Budget (PGE) for the year, Order TEC/1158/2018 of 29 October 2018 was published in the Official State Gazette. It envisages establishing an additional remuneration system for certain facilities in Gran Canaria, Tenerife and Menorca, based on the investments that must be implemented in order to comply with applicable environmental regulations (see Notes 3e.4, 6.4, 9 and 28).

On 28 December 2019, Order TEC/1260/2019 of 26 December 2019 was published in the Official State Gazette (BOE), revising the technical and economic parameters for the remuneration of generating plants in the Non-Mainland Territories (TNP) for the following regulatory period (2020-2025). This order sets the new values that will be applicable in the second regulatory period (2020-2025) for the different technical and economic parameters of the groups that determine the remuneration of the generation plants of the Non-Mainland Territories (TNP), applying the methodology already included in Royal Decree 738/2015 of 31 July 2015.

This Order also contemplates, in relation to fuel prices, that before three months, product and logistics prices will be reviewed by Ministerial Order, effective 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.

The amounts recognised in application of this regulation at 31 December 2019 are described in Note 18.1.1 and 24.

Production from renewable energy sources, cogeneration, and waste.

Royal Decree 413/2014 of 6 June 2014 approved a new remuneration framework for facilities producing electricity from renewable energy sources, cogeneration and waste, following Royal Decree Law 9/2013 of 12 July 2013 adopting urgent measures to ensure the financial stability of the electricity system, and Law 24/2013 of 26 December 2013 on the Electricity Sector.

The new methodology replaces the previous regulated tariff structure with a new framework that applies the concept of reasonable return, guaranteeing a profit before tax based on the average yield of 10-year treasury bills plus 300 basis points. Under this new framework, in addition to remuneration for the sale of electricity valued at market price, facilities will be eligible to receive a specific remuneration consisting of a term per unit of installed capacity which covers, where appropriate, the investment costs for a standard facility that cannot be recovered through electricity sales on the market, which is referred to as remuneration for investment, and an operating term which covers, where applicable, the difference between the operating costs and the income from the investment on the production market for this standard facility, which is referred to as remuneration for operations.

The new remuneration system will be applied equally to facilities already in operation and new facilities. For new facilities, granting of the specific remuneration regime will be established through a series of competitive procedures.

In non-mainland Territories (TNP), an incentive is established for investment when generation costs are reduced.

The regulation also establishes the terms under which remuneration parameters should be reviewed. These may be only be modified, depending on the case, every six years, every three years or every year. The standard value of the initial investment and the regulatory useful life of the asset will remain unchanged once they have been recognised for each standard facility.

Ministerial Order IET/1045/2014 of 16 June 2014 approving the remuneration parameters for standard facilities applicable to certain facilities producing electricity from renewable energy sources, cogeneration and waste, and establishing specific values for the standard costs for each of the standard facilities defined, was published in the Official State Gazette on 20 June 2014.

Lastly, Ministerial Order IET/1459/2014 of 1 August 2014 approving the remuneration parameters and establishing a mechanism for allocating remuneration for new wind and photovoltaic facilities in non-mainland electricity systems, was published in the Spanish Official State Gazette on 5 August 2014.

Ministerial Order ETU/130/2017 of 17 February 2017 was published on 22 February 2017, updating the remuneration parameters of standard installations, for the purposes of their application to the regulatory half-period commencing 1 January 2017.

On 10 January 2020, the Ministry for the Ecological Transition and the Demographic Challenge initiated the processing of a proposed Order updating the remuneration parameters for standard facilities for the second regulatory period (2020-2025), with effect from 1 January 2020.

The amounts recognised in application of this regulation at 31 December 2019 are described in Note 18.1.1 and 24.

Renewable energy auction.

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

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

As a result of this auction, which took place on 17 May 2017, ENDESA, through ENEL Green Power España, S.L.U. (EGPE), was awarded 540 MW of wind power (see Notes 2.3.1 and 6.2).

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

As a result of this auction, which took place on 26 July 2017, ENDESA, through ENEL Green Power España, S.L.U. (EGPE), was awarded 339 MW of photovoltaic capacity (see Notes 2.3.1 and 6.2).

Auctions for renewable supply in Non-mainland Territories (TNP) electricity systems.

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 the Electrical Systems of the 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) approved a Resolution with the call for auctions of aid for investment in wind facilities in the territory of the Canary Islands with an allocation of Euros 80 million and for a 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 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 72.4 MW of solar power. The deadline for the installation and commissioning of renewable energy facilities established in the Resolution is 30 December 2022 (see Note 2.3.1).

Self-consumption.

On 10 October 2015, the Official State Gazette published Royal Decree 900/2015 of 9 October 2015, which regulates the administrative, technical and economic requirements for supplying and generating electricity for self-consumption, establishing a regulatory framework which guarantees the economic sustainability of the system and the appropriate distribution of system costs.

It also stipulates the tolls and charges payable for self-consumption, in accordance with Electricity Sector Law 24/2013 of 26 December 2013, which already established that self-consumption must contribute to financing the costs and services of the system in the same amount as other consumers. There are two exceptions to this rule in which consumers are exempt from paying costs:

- Consumers on the islands, and
- Small consumers with a contracted capacity of no more than 10 kW.

Accordingly, a record of self-consumption facilities has been created in order for the System Operator and electricity distributors to be aware of the generation facilities in their networks and to therefore ensure the correct operation of the Electricity System under safe conditions.

On 6 October 2018, Royal Decree Law 15/2018 of 5 October 2018 was published, amending certain aspects of the regulation of self-consumption.

On 6 April 2019, Royal Decree 244/2019 of 5 April 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.

- Finally, a monitoring system for the implementation of these facilities is established to control their impact on the operation of the System and allow their progressive safe integration.

Fee for the use of continental water to generate electricity

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

Among other aspects, this Royal Decree Law modifies the tax rate for the use of inland water for the production of electricity, from 22% to 25.5%, adjusting the reduction percentage for installations of up to 50 MW in order to compensate for the increase in the tax rate.

Availability service.

On 23 November 2017, Order ETU/1133/2017 of 21 November 2017 was published, amending Order IET/2013/2013 of 31 October 2013 regulating the competitive mechanism for assigning the management service for interruptibility demand.

Among other aspects, the Order amends the remuneration for the availability service, extends the service to the first half of 2018 and eliminates hydroelectric facilities from the collection of this availability service during this period.

Order TEC/1366/2018 of 20 December 2018, establishing electricity access tariffs for 2019, repealed the incentive for availability of Order ITC/3127/2011 of 17 November 2011, until the capacity mechanisms are reviewed for adaptation to European regulations and the energy transition process.

"Social Bonus" or Social Tariff.

Law 24/2013 of 26 December 2013 required that the subsidised electricity tariff cost must be assumed, as a public service obligation, by parent companies or vertically-integrated groups of companies carrying out electricity generation, distribution and supply activities, to assume the cost of the subsidised electricity tariff in proportion to a percentage based on both their number of supply connections to distribution grids and the number of customers supplied, set for ENDESA at 41.10% in 2016 under Ministerial Order IET/1451/2016 of 8 September 2016.

Despite the foregoing, in the Ruling of 24 October 2016 the Contentious-Administrative Section of the Supreme Court declared the Social Bonus financing system established by article 45.4 of Law 24/2013 of 26 December 2013 to be inapplicable, since it was incompatible with Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009, concerning common rules for the internal market in electricity, and acknowledged the right of companies to recover the amounts paid. The State administration submitted an application for dismissal of the Supreme Court Ruling, which was overruled in a motion handed down on 14 December 2016, and on 2 February 2017 an appeal was submitted against this motion before the Constitutional Court (see Note 16.3).

On 3 October 2017 and 27 December 2017, Order ETU/929/2017 of 28 September 2017 and Order ETU/1288/2017 of 22 December 2017, respectively, were published, implementing the different rulings handed down in this respect and the National Commission on Markets and Competition (CNMC) is ordered to pay the amounts corresponding to the Social Bonus for 2014, 2015 and 2016 (see Note 16.3).

On 24 December 2016, Royal Decree Law 7/2016 of 23 December 2016 was published, regulating the mechanism for financing the cost of the Social Bonus and other measures to protect vulnerable consumers of electricity. In accordance with said Royal Decree Law, the Social Bonus will be assumed by the parent companies of the Groups of companies that develop the activity of supply of electrical energy, or by the companies themselves that do so if they are not part of any corporate group, in the percentage corresponding to the market share. This percentage will be calculated annually by the National Commission on Markets and Competition (CNMC).

The sole transitional provision of the Royal Decree Law established the percentage distribution for the Social Bonus to be applied since it came into effect, with 37.7% corresponding to ENDESA in 2017.

7 October 2017 saw the publication of Royal Decree 897/2017 of 6 October 2017 regarding vulnerable consumers, the Social Bonus and other protection measures for domestic electricity energy consumers, as well as Order ETU/943/2017 of 6 October 2017 implementing Royal Decree 897/2017 of 6 October 2017.

Among other aspects, three categories of vulnerable customers have been identified based on the average income level through the Spanish Public Income Index (IPREM), establishing different discount percentages according to each category. The three categories are:

– Vulnerable customers (25% discount).

– Severely vulnerable customers (40% discount).

– Severely vulnerable customers at risk of social exclusion (100% discount), classified as severely vulnerable customers for which the social services can be proved to be paying at least 50% of their bill.

This Royal Decree also regulates other aspects relating to supply and, among others, raises from two to four months the term for cutting off of supply to vulnerable customers (severely vulnerable customers at risk of social exclusion cannot be cut off as power is considered to be a basic supply).

Furthermore, on 7 April 2018, Order ETU/361/2018 of 6 April 2018,was published, amending the Social Bonus application forms established in Order ETU/943/2017 of 6 October 2017 implementing Royal Decree 897/2017 of 6 October 2017, regulating the definition 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, according to Royal Decree Law 15/2018 of 5 October 2018, if these consumers had applied for the Social Bonus between 8 October 2018 and 31 December 2018, they could have benefited from it of 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 hearing 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%

Deficit on regulated activities.

Royal Decree-Laws 6/2009 of 30 April 2009 and 6/2010 of 9 April 2010 stipulated that from 2013 grid access charges established should be sufficient to cover all electricity system costs, so that *ex ante* no further deficits would be generated. For the 2009-2012 period, Royal Decree Law 6/2009 of 30 April 2009 capped the deficit for each year and the access charges established for those years must be sufficient to prevent those limits being exceeded. These limits were changed by Royal Decree-Laws 14/2010 of 23 December 2010 and 29/2012 of 28 December 2012.

The aforementioned Royal Decree-Laws in turn regulated the securitisation of the collection rights accumulated by the electricity companies in financing that deficit, including compensation for as yet unrecovered extra costs in non-mainland generation for the 2001-2008 period.

The legislation also requires that, in the event of any mismatch in the timing of settlements of regulated activities, a certain percentage should be financed by the companies specified in the above-mentioned legislation (44.16% corresponds to ENDESA), and that these companies are entitled to recover the amounts paid in settlements of regulated activities for the year in which they are recognised.

Royal Decree 437/2010 of 9 April 2010 regulated the securitisation of the electricity system deficit generated up to 31 December 2012, and Royal Decree 1054/2014 of 12 December 2014 regulated the deficit generated in 2013. With the transfers made under these Royal Decrees, the last of which was agreed on 15 December 2014, all of the rights recognised for the tariff deficit up to 2013 have been transferred.

For the years beginning in 2014, Law 24/2013, of 26 December 2013, on the Electricity Sector, established that any temporary imbalances that might arise would be financed by all parties to the settlements system in proportion to the remuneration allocated to them, limited to a maximum annual amount of 2% of the estimated system revenue (or 5% in cumulative terms). If these limits are exceeded, access fees or charges will be revised by an equivalent amount. Within these limits, the mismatches will entitle the financing parties to recover those funds in the following five years, at an equivalent market interest rate.

The final settlements of the years 2016, 2017 and 2018, approved by the National Commission on Markets and Competition (CNMC), presented surpluses of Euros 421 million, Euros 150 million and Euros 96 million respectively.

Article 7 of Order TEC/1366/2018 of 20 December 2018, which establishes the electricity access tariffs for 2019, states that the strictly necessary amount of the System's revenue surplus will be used to cover the temporary imbalance that may arise in 2018 and 2019.

The amounts recognised in application of this regulation at 31 December 2019 are described in Note 18.1.1.

Strategic energy and climate framework.

The European Union has made a clear commitment in the fight against global warming, setting a goal of reducing greenhouse gas (GHG) emissions of, at least, 80% in 2050 vs 1990, 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 2ºC compared with pre-industrial levels, in addition to other efforts to ensure the global rise in temperature does not exceed 1.5ºC.

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, containing mainly the following documents:

- Draft Law on Climate Change and Energy Transition: This sets out the regulatory and institutional framework to introduce the Union European's commitment to decarbonising the economy through to 2050, and the global commitment of the Paris Agreement. Specifically, it would set two time paths: by 2030, an objective of reducing greenhouse gas (GHG) emissions by at least 20% compared with 1990, an objective of generating 70% of electricity from renewable sources, and an objective to improve energy efficiency by at least 35% compared with the trend scenario; and by 2050, reach the climate neutrality and an Electric System that must already be 100% renewable. In addition, the Draft includes concrete measures to achieve these objectives, including: measures to promote renewable energy; limits on the exploitation of hydrocarbons restricting fossil fuel subsidies and revising their taxation; measures to promote electric mobility; definition of impact indicators and indicators of adaptation to climate change; and the implementation of a framework for mobilizing economic resources for the transition.

- Draft of the National Integrated Energy and Climate Plan (PNIEC) 2021-2030: The framework for the national strategic plan to integrate the energy and climate policy, reflecting Spain's contribution to achieving the targets set by the European Union. This draft National Integrated Energy and Climate Plan ("PNIEC") also establishes the milestones and steps in the transition towards modernising the whole economy and includes: a 23% reduction in greenhouse gas (GHG) emissions vs 1990, roll-out of renewable energies to account for 42% of total energy produced in the country (74% for electricity generation) and a 39.5% improvement in energy efficiency. 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 Spanish National Integrated Energy and Climate Plan (PNIEC) 2021-2030 has to be approved by the European Commission through a structured process of dialogue that will culminate in 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 against Energy Poverty.

On 5 April 2019, the Council of Ministers approved the National Strategy against Energy Poverty 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 against 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 greater prominence 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 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 against 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 Government will update the indicators annually.

- To improve the response to the current situation of energy poverty. Among other aspects, it is concluded that it is necessary to prepare a new Social Bonus, fixing the main lines that will govern it: it will be an Energy Social Bonus (for all energy supplies), direct concession by administrations (automation) must be favoured and mechanisms must be implemented for coordinated management among 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.

Climate Emergency Statement.

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 and the 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 CO_2-neutral equivalent 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 be represent all sectors of society including young people.

- Promote the transformation of the industrial model and the service sector through Fair Transition Agreements and support measures.

Small Consumer Voluntary Prices (PVPC) and the legal contracting regime.

On 29 March 2014, Royal Decree 216/2014 of 28 March 2014 was published, establishing the methodology for calculating the Small Consumer Voluntary Price (PVPC) from 1 April 2014, the main aspects of which were as follows:

- The cost of energy to be used in calculating the PVPC would be the energy price per hour in the daily and intraday market in the invoice period, plus adjustment services, capacity payments and System Operator and Market Operator financing payments.

- For consumers with remote meters integrated in the systems, the hourly price would be applied to the actual hourly consumption; otherwise, the profile published by the System Operator would be used.

- This new mechanism was applied from 1 April 2014. The suppliers of reference had to adapt their IT systems before 1 July 2014 in order to invoice consumers under the new scheme. In the meantime, the cost of energy to be applied in the PVPC was the temporary price established for the first quarter of 2014. Subsequently, the cost was adjusted in invoices for consumption from 1 April 2014, in the first billing period after suppliers' IT systems were duly adapted for the new PVPC.

- In the same way, electricity consumed in the first quarter of 2014 had to be adjusted in the first invoices issued following adaptation of the IT systems, as per Royal Decree Law 17/2013 of 27 December 2013, taking into account the spread between the market price and the cost of purchasing energy included in the PVPC in that period.

- The Royal Decree also established that, within two months of its publication, the National Commission on Markets and Competition (CNMC) would propose to the Secretary of State for Energy procedures for verifying, validating and closing data taken from metering equipment connected to the remote system for the purposes of hourly measurements. These proposed procedures would include a maximum period for completing the remote measurement of all remote meters installed.

- As an alternative, the suppliers of reference would be required to make an offer to customers entitled to the PVPC in the form of a fixed price for a one-year period, comprising the revisable access tariffs and a fixed value for one year (in Euros/kW) for the remaining items. The offer would remain in force for one month, and would be consistent throughout Spain. Each supplier of reference could have only one offer in force during the period.

- The Royal Decree also established that the subsidised electricity tariff would be equal to a 25% discount on the PVPC.

Hourly billing procedures for the Small Consumer Voluntary Price (PVPC) were published on 4 June 2015. Under these procedures, from 1 July 2015, consumers with an integrated remote meter would be billed according to their real hourly consumption instead of their consumption profile. Notwithstanding the above, electricity companies had until 1 October 2015 to adapt their IT systems.

On 25 November 2016, the Spanish Official State Gazette (BOE) published Royal Decree 469/2016 of 18 November 2016 establishing the methodology for calculating the trading margin on the Small Consumer Voluntary Price (PVPC), thus complying with various rulings handed down by the Supreme Court that annulled the trading margin contained in Royal Decree 216/2014 of 28 March 2014 establishing the procedure for calculating Small Consumer Voluntary Prices (PVPC) for electricity and the legal framework for contracting power.

On 24 December 2016, Ministerial Order ETU/1948/2016 of 22 December 2016 was published, which came into force on 1 January 2017, and establishes the trading margin on the Small Consumer Voluntary Price (PVPC). By means of Ministerial Order ETU/258/2017 of 24 March 2017, published on 25 March 2017 and entering into force the following day, a new value was set for the part of said trading margin corresponding to the cost of contribution to the National Fund for Energy Efficiency.

Energy efficiency.

Law 18/2014 of 15 October 2014 approving urgent measures to boost growth, competitiveness and efficiency, created, as regards energy efficiency, the National Fund for Energy Efficiency in order to achieve the objective of energy savings.

Order ETU/332/2019 of 16 March 2019 entailed a contribution by ENDESA to the Energy Efficiency National Fund of Euros 29 million, corresponding to its 2019 obligations.

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

2019 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.

2020 electricity tariff.

Ministerial Order TEC/1258/2019 of 20 December 2019 establishing access tariffs for 2020, was published in the Official State Gazette on 28 December 2019. Electricity access tariffs remain unchanged until the tariffs to be set by the Spanish National Commission on Markets and Competition (CNMC) come into force.

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

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

The first block of measures is designed to protect vulnerable consumer groups. The group of beneficiaries eligible for the Social Bonus has been extended to include single-parent families, and families with grade 2 or 3 dependants that fall below certain income thresholds. Further, the cases in which supply may not be cut off due to payments in arrears for vulnerable consumers have been extended to include families approved by the social services with children under the age of 16, or dependants or disabled family members, where these amounts will be covered by the groups obliged to fund the Social Bonus. The maximum consumption levels with a right to a discount has also been increased. Regarding the beneficiaries of the previous Social Bonus, whose renewal period ended on 8 October 2018, the Royal Decree Law provides that those who, fulfilling the requirements of the new Social Bonus, request it between 8 October 2018 and 31 December 2018, it would be applied to them with effect from 8 October 2018. Finally, a thermal Social Bonus for heating is created, which will be financed by the General State Budget (PGE). This Royal Decree Law contemplates the approval in 6 months of a National Strategy to Combat Energy Poverty. In this regard, on 19 December 2018, the Ministry for the Ecological Transition and the Demographic Challenge initiated a public consultation on the matter.

A second group of measures aims to protect consumers and includes more flexibility in terms of contracting power, in addition to obliging suppliers to include on consumers' bills the amount that they would have to pay if tariffs with time constraints were applied.

A third group of measures is designed to promote self-consumption, simplifying the types available and enabling shared self-consumption, while eliminating charges and tolls for self-consumption based on renewables, cogeneration or waste. The Royal Decree Law also features measures to simplify administrative and technical processes, especially for small power facilities. In development of the provisions of the Royal Decree Law, the Ministry for the Ecological Transition and the Demographic Challenge has begun the processing of a bill for a Royal Decree.

The fourth block of measures seeks to increase the penetration of renewable energies and electric mobility. Therefore, to facilitate the commissioning of the renewable power awarded in recent auctions, the access and connection licences granted prior to Law 24/2013, of 26 December 2013, governing the electricity system, which would have expired on 31 December 2018, have been extended until 31 March 2020. With regard to electric mobility, the load manager role has been abolished to facilitate the deployment of these services.

The last block contains measures associated with tax aspects and System sustainability. For the last quarter of 2018 and the first quarter of 2019, the tax on the value of electricity production was suspended, and the special tax on hydrocarbons for electricity generation was abolished. To ensure the sustainability of the electricity system, the income deriving from auctions of CO_2 emission rights used to cover costs in the electricity system was increased, and authorisation was given for the system surplus to be used to reduce imbalances in 2018 and 2019.

Royal Decree Law 15/2018 of 5 October 2018 was approved by the Spanish Parliament on 18 October 2018 and approved for processing as a Draft Law.

Royal Decree Law 1/2019 of 11 January 2019 on urgent measures to adjust the purview of the 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 National Commission on Markets and Competition (CNMC) to EU law, following requests made by the EU authorities.

According to this Royal Decree Law, the 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 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 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 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 2013 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 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 activity 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.

Royal Decree Law 20/2018, of 7 December 2018 on urgent measures to drive the economic competitiveness of the industry and commerce sector in Spain.

This Royal Decree Law, published in the Official State Gazette on 8 December, seeks to drive the competitiveness of the industrial sector via action to improve labour productivity, cut energy costs and bolster industrial security. Among other aspects, the Royal Decree Law introduces the concept of closed electricity distribution networks, which are already envisaged in EU regulations, and announced the preparation of a statute for electro-intensive industrial consumers, adapted to their specific requirements. The regulation likewise envisages extending the lives of certain high efficiency cogeneration facilities for 2 years.

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 Spanish National Commission on Markets and Competition (CNMC).

In accordance with Royal Decree Law 1/2019 of 11 January 2019 it will fall to the 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 Spanish National Commission on Markets and Competition (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 Spanish National Commission on Markets and Competition (CNMC) establish a value of 5.58% (6.003% for 2020) for the activities of transport 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 new ones. Also, certain aspects of the loss, quality and fraud incentives are modified.
- Circular 3/2020 of 15 January 2020 on the methodology for calculating access tariffs for electricity transmission and distribution networks.
- Circular 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 Spanish National Commission on Markets and Competition (CNMC) on the level of indebtedness and economic and financial capacity of companies that carry on regulated activities.

On 23 October 2019, the Spanish National Commission on Markets and Competition (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.

Gas System

On 22 May 2015, Law 8/2015 of 21 May 2015 on the hydrocarbons sector was published, amending Law 34/1998 of 7 October 1998 and establishing certain tax and non-tax measures in respect of exploration for, research into and extraction of hydrocarbons, one of its objectives being to amend the Hydrocarbons Law to bring it more into line with the current situation, so as to increase competition and transparency in the hydrocarbons sector, reduce fraud, ensure a greater consumer protection, reduce costs for the consumer and adapt the rules on infringements and penalties.

With respect to natural gas, the law seeks to create an organised natural market that offers consumers more competitive and transparent prices and allows the entry of new suppliers to increase competition. An Operator for the organised gas market is also appointed, any authorised natural gas installer may carry out inspections (this was previously the responsibility of distributors), the entry of new suppliers is encouraged through the mutual recognition of licences to supply natural gas to other EU-member countries where there is an existing agreement; and certain measures have been adopted regarding minimum security inventories so as to, but without impairing the security of supply, give suppliers greater flexibility at a lower cost, enabling the Corporation for Strategic Oils Reserves (CORES) to maintain strategic natural gas inventories.

On 31 October 2015, Royal Decree 984/2015 of 30 October 2015 was published, regulating the organised gas market and third-party access to the installations of the Gas System. This Royal Decree contains the basic regulations for the operation of this gas market, along with other measures, such as the inspection procedures for gas installations.

On 13 December 2017, following the resolution of the Council of Ministers dated 10 November 2017, a resolution was published establishing the terms and conditions governing the service making it mandatory for the dominant operators, which include ENDESA, to act as market makers.

Natural gas tariff for 2019.

On 22 December 2018 Order TEC/1367/2018 of 20 December 2018 was published in the Official State Gazette (BOE), establishing the gas access tolls for 2019, which were maintained unchanged, and on 28 December 2018 the Resolution of 26 December was published, with the "Last Resort" Rates (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 published the Resolution of the Directorate General of Energy Policy and Mines of 22 March 2019, establishing the last resort tariff (TUR) for natural gas applicable from 1 April 2019. Depending on whether this is Last Resort Tariff 1 (TUR1) or Last Resort Tariff 2 (TUR2), this will decrease by an average of 5.2% and 6.6% respectively compared with the previous quarter due to lower raw material costs.

Natural gas tariff for 2020.

On 28 December 2019, Order TEC/1259/2019 of 20 December 2019 establishing access tariffs for gas for 2020, which remained unchanged, and on 30 December 2019, the Resolution of 23 December of the General Directorate for Energy Policy and Mines establishing the Last Resort Tariff (LRT) for natural gas applicable from 1 January 2020, implying an average reduction of 3.3% for TUR 1 and 4.2% for TUR2 due to lower raw material costs, were published in the Official State Gazette (BOE).

5. Corporate acquisitions and business combinations.

5.1. Corporate transactions in the Renewables business

2019

During 2019, the following corporate acquisitions were completed (see Notes 2.3.1 and 8.2):

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

The price agreed for all the aforementioned transactions totalled Euros 40 million, the net cash outflow being Euros 37 million (see Note 32.2).

Through the acquisition of wind and solar projects, ENDESA reinforces its presence in the Iberian generation market, expanding the portfolio of renewable assets in its production mix.

The acquisition of these companies involved recognising an intangible asset of Euros 40 million in the Consolidated Statement of Financial Position, corresponding almost entirely to the value of licences for the development of wind farms and solar plant projects, which will be transferred to Property, Plant and Equipment when construction of the renewable energy facilities begins (see Note 8).

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.

2018

During 2018 the following corporate acquisitions were completed (see Notes 2.3.1 and 6.2):

	Acquisition date	Technology	Phase	Stake at 31 December 2019 (%)	Stake at 31 December 2018 (%)
				Economic	Economic
Valdecaballero Solar, S.L.U.	09 January 2018	Photovoltaic	Operation	100.00	100.00
Navalvillar Solar, S.L.U.	09 January 2018	Photovoltaic	Operation	100.00	100.00
Castiblanco Solar, S.L.U.	09 January 2018	Photovoltaic	Operation	100.00	100.00
Parque Eólico Muniesa, S.L.U.	12 January 2018	Wind	Operation	100.00	100.00
Parque Eólico Farlán, S.L.U.	12 January 2018	Wind	Operation	100.00	100.00
Aranort Desarrollos, S.L.U.	19 January 2018	Wind	Construction	100.00	100.00
Bosa del Ebro, S.L.	21 February 2018	Wind	Construction	51.00	51.00
Tauste Energía Distribuida, S.L.	23 March 2018	Wind	Operation	51.00	51.00
Eólica del Cierzo, S.L.U.	23 March 2018	Wind	Construction	100.00	100.00
San Francisco de Borja, S.A.	23 March 2018	Wind	Construction	66.67	66.67
Energía Eólica Alto del Llano, S.L.U.	11 May 2018	Wind	Construction	100.00	100.00
Sistemas Energéticos Campoliva, S.A.U.	17 July 2018	Wind	Operation	100.00	100.00
Sistemas Energéticos Sierra del Carazo, S.L.U.	18 December 2018	Wind	Operation	100.00	100.00
Sistemas Energéticos Alcohujate, S.A.U.	18 December 2018	Wind	Operation	100.00	100.00

The price agreed for all the aforementioned transactions was Euros 5 million (see Section 32.2).

ENDESA recognised the acquisition of these companies as a business combination. Using the acquisition method, it recognised definitively the assets acquired and liabilities assumed (net assets acquired) of each at their acquisition-date fair value under the following headings of the Consolidated Financial Statements:

Millions of Euros

	Notes	Fair Value 2018
Non-current assets		8
Property, plant and equipment	6	8
Current assets		1
Trade and other receivables		1
TOTAL ASSETS		9
Non-Current liabilities		1
Deferred Tax Liabilities	21.2	1
Current liabilities		3
Current financial debt		3 (1)
TOTAL LIABILITIES		4
Fair value of Net Assets Acquired		5

(1) Includes debts with Group and Associated Companies amounting to Euros 3 million.

During 2019, the contribution to Consolidated Income of the companies that have completed the construction of the electric power production facilities and have entered the operational phase was as follows:

Millions of Euros

	2019
Ordinary Revenue	4
Profit/(loss) after tax	-

The companies acquired have secured the permits and licences to carry out their projects and construction work is under way on the power facilities. No revenue from contracts with customers has been generated since the acquisition date.

During 2019, the amount of gross investments for these companies was Euros 321 million (Euros 127 million in 2018) (see Note 6.2).

5.2. Parques Eólicos Gestinver, S.L.U.

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

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

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

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

Millions of Euros

	Notes	
Cash and cash equivalents of the acquire		(12)
Net amount paid in cash (1) (2)		57
TOTAL	**32.2**	**45**

(1) The purchase costs recognised under "Other fixed operating expenses" in the Consolidated Income Statement amounted to Euros 1 million.
(2) Of the total amount, Euros 42 million related to the price of the shareholding in the company and Euros 15 million to the subordinated debt that it had with its former shareholders.

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

Millions of Euros

	Notes	Fair Value
Non-current assets		**181**
Property, plant and equipment	6	139
Intangible assets	8	34
Deferred Tax Assets	21.1	8
Current assets		**19**
Trade and other receivables		5
Current financial assets		2
Cash and Cash Equivalents		12
TOTAL ASSETS		**200**
Non-Current liabilities		**140**
Non-current provisions	16.3	1
Non-current financial debt (1)	17.1	130
Deferred Tax Liabilities	21.2	9
Current liabilities		**18**
Current financial debt	17.1	12
Trade Payables and Other Current Liabilities		6
TOTAL LIABILITIES		**158**
Fair value of Net Assets Acquired		**42**

(1) Includes bank borrowings amounting to Euros 104 million (see Note 17.1), derivatives amounting to Euros 11 million, and debts to Group companies and associates amounting to Euros 15 million.

In the determination of the fair value of the assets acquired and liabilities assumed, market references and generally accepted valuation methods based on the revenue approach were taken into account, estimating the expected cash flows of the projects owned by the company in accordance with the current remuneration regime on the date of acquisition.

The assumptions made in the valuation approach for the acquired assets and assumed liabilities of Parques Eólicos Gestinver, S.L.U. determined their classification in Level 3 of the fair value hierarchy as explained in Note 3p.

The contribution by the acquiree to Consolidated Income is as follows:

Millions of Euros

	3 April 2018 - 31 December 2018 (1)	2018 (2)
Ordinary Revenue	19	27
Profit/(loss) after tax	4	6

(1) From the acquisition date.
(2) Had the acquisition been carried out on 1 January 2018.

5.3. Eólica del Principado, S.A.U.

On 22 May 2018, ENEL Green Power España, S.L.U. (EGPE) acquired 60.0% of the share capital of Eólica del Principado, S.A.U., a company whose activity consists in the generation of electricity through renewable wind technology, and in which it previously held a 40.0% stake (see Notes 2.3.1 and 2.4).

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

The net cash outflow arising from the acquisition of Eólica del Principado, S.A.U. amounted to less than Euros 1 million (see Note 32.2).

The purchase price was definitively allocated on the basis of the acquisition-date fair values of the assets acquired and liabilities assumed (Net assets acquired) of Eólica del Principado, S.A.U. under the following headings in the Consolidated Financial Statements:

Millions of Euros

	Notes	Fair Value
Non-current assets		**1**
Property, plant and equipment	6	1
TOTAL ASSETS		**1**
Fair value of Net Assets Acquired		**1**

The contribution by the acquiree to Consolidated Income is as follows:

Millions of Euros

	22 May 2018 - 31 December 2018 (1)	2018 (2)
Ordinary Revenue	-	1
Profit/(loss) after tax	-	1

(1) From the acquisition date.
(2) Had the acquisition been carried out on 1 January 2018.

The net gain at the date on which control was taken, obtained from measuring the previously held non-controlling interest of 40.0% in Eólica del Principado, S.A.U. at fair value, was less than Euros 1 million (see Note 10.1).

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

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

Empresa de Alumbrado Eléctrico de Ceuta, S.A. has more than 30,000 customers and is the leading electricity distribution and supply company in Ceuta, a region where ENDESA carries out electricity generation activities. Therefore, this acquisition is consistent with the strategy of driving growth in distribution and supply in Spain and Portugal.

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

Millions of Euros

	Notes	
Cash and cash equivalents of the acquire		(2)
Net amount paid in cash (1)		83
TOTAL	32.2	**81**

(1) The purchase costs recognised under "Other fixed operating expenses" in the Consolidated Income Statement were less than Euros 1 million.

The purchase price was allocated definitively on the basis of the acquisition-date fair value of the assets acquired and liabilities assumed (Net assets acquired) of Empresa de Alumbrado Eléctrico de Ceuta, S.A. under the following items of the Consolidated Financial Statements:

Millions of Euros

	Notes	Fair Value
Non-current assets		**84**
Property, plant and equipment	6	66
Investment Property	7	4
Intangible assets	8	14
Current assets		**9**
Trade and other receivables		6
Current financial assets		1
Cash and Cash Equivalents		2
TOTAL ASSETS		**93**
NON-CONTROLLING INTERESTS		**4**
Non-Current liabilities		**22**
Deferred income	15	15
Non-current provisions	16.1	1
Other non-current Liabilities		1
Deferred Tax Liabilities	21.2	5
Current liabilities		**5**
Trade Payables and Other Current Liabilities		5
TOTAL LIABILITIES		**27**
Fair value of Net Assets Acquired		**62**

The difference between the cost of the business combination and the fair value of the assets and liabilities recognised gave rise to goodwill of Euros 21 million for the synergies to be obtained in the transaction, based on the optimisation of ENDESA's position in the distribution market of the self-governing city of Ceuta, which will allow cost reductions to be achieved through joint management, improved grid operations and the pooling of processes (see Note 9).

Market references and generally accepted revenue-based valuation techniques were considered in determining the fair value of the assets acquired and liabilities assumed.

The assumptions made in the valuation approach for the acquired assets and assumed liabilities of Empresa de Alumbrado Eléctrico de Ceuta, S.A. determined their classification in Level 3 of the fair value hierarchy as explained in Note 3p.

Subsequently, in November and December 2018, an additional 1.7% of share capital was acquired for Euros 2 million (see Note 32.2) so that, at 31 December 2019, participation in the share capital of Empresa de Alumbrado Eléctrico de Ceuta, S.A. stands at 96.3%. These transactions had a negative impact on the equity of non-controlling interests of Euros 2 million (See Note 14.2).

The contribution by the acquiree to Consolidated Income is as follows:

Millions of Euros

	25 July 2018 - 31 December 2018 (1)	2018 (2)
Ordinary Revenue	17	39
Profit/(loss) after tax	1	2

(1) From the acquisition date.
(2) Had the acquisition been carried out on 1 January 2018.

6. Property, plant and equipment.

At 31 December 2019 and 2018, the composition and movements of this item of the accompanying Consolidated Statement of Financial Position were as follows:

Millions of Euros

Property, plant and equipment in use and under construction	31 December 2019			
	Cost	**Accumulated amortisation**	**Impairment losses**	**Total property, plant and equipment**
Land and buildings	997	(315)	(42)	640
Electricity generation facilities:	27,899	(18,324)	(1,628)	7,947
Hydroelectric plants	3,340	(2,519)	(2)	819
Coal-fired/fuel-oil plants	8,626	(6,709)	(1,446)	471
Nuclear power plants	10,276	(7,435)	-	2,841
Combined cycle plants	3,802	(1,489)	(178)	2,135
Renewables	1,855	(172)	(2)	1,681
Transmission and distribution facilities	21,685	(10,215)	-	11,470
Low- and medium-voltage, measuring and remote control equipment and other installations	21,685	(10,215)	-	11,470
Other property, plant and equipment	634	(385)	(27)	222
Property, plant and equipment under construction	1,348	-	(298)	1,050
TOTAL	**52,563**	**(29,239)**	**(1,995)**	**21,329**

Millions of Euros

Property, plant and equipment in use and under construction	31 December 2018			
	Cost	**Accumulated amortisation**	**Impairment losses**	**Total property, plant and equipment**
Land and buildings	690	(287)	(14)	389
Electricity generation facilities:	26,711	(17,729)	(154)	8,828
Hydroelectric plants	3,321	(2,506)	-	815
Coal-fired/fuel-oil plants	8,285	(6,499)	(154)	1,632
Nuclear power plants	10,095	(7,214)	-	2,881
Combined cycle plants	3,767	(1,395)	-	2,372
Renewables	1,243	(115)	-	1,128
Transmission and distribution facilities	21,253	(9,814)	-	11,439
Low- and medium-voltage, measuring and remote control equipment and other installations	21,253	(9,814)	-	11,439
Other property, plant and equipment	490	(367)	-	123
Property, plant and equipment under construction	1,131	-	(70)	1,061
TOTAL	**50,275**	**(28,197)**	**(238)**	**21,840**

Millions of Euros

Property, plant and equipment in use and under construction	Balance at 31 December 2018	Adjustment for Changes in Accounting Criteria IFRS 16 (Notes 2.1a & 6.1)	Additions/(Reductions) Companies	Investments (Note 6.2)	Disposals	Transfers and other (1)	Balance at 31 December 2019
Land and buildings	690	179	-	15	(27)	140	997
Electricity generation facilities:	26,711	-	-	35	(51)	1,204	27,899
Hydroelectric plants	3,321	-	-	-	(22)	41	3,340
Coal-fired/fuel-oil plants	8,285	-	-	3	(7)	345	8,626
Nuclear power plants	10,095	-	-	27	(17)	171	10,276
Combined cycle plants	3,767	-	-	1	-	34	3,802
Renewables	1,243	-	-	4	(5)	613	1,855
Transmission and distribution facilities	21,253	-	-	45	(179)	566	21,685
Low- and medium-voltage, measuring and remote control equipment and other installations	21,253	-	-	45	(179)	566	21,685
Other property, plant and equipment	490	7	-	127	(21)	31	634
Property, plant and equipment under construction	1,131	-	-	1,703	-	(1,486)	1,348
TOTAL	**50,275**	**186**	**-**	**1,925**	**(278)**	**455**	**52,563**

(1) Includes allocation to property, plant and equipment of changes in the estimated costs of dismantling the facilities (see Note 16.3).

Millions of Euros

Accumulated depreciation and impairment losses	Balance at 31 December 2018	(Additions)/ Reductions Companies	Additions (1)	Disposals	Transfers and other	Balance at 31 December 2019
Buildings	(301)	-	(73)	15	2	(357)
Electricity generation facilities:	(17,883)	-	(2,117)	51	(3)	(19,952)
Hydroelectric plants	(2,506)	-	(34)	22	(3)	(2,521)
Coal-fired/fuel-oil plants	(6,653)	-	(1,509)	7	-	(8,155)
Nuclear power plants	(7,214)	-	(239)	17	1	(7,435)
Combined cycle plants	(1,395)	-	(272)	-	-	(1,667)
Renewables	(115)	-	(63)	5	(1)	(174)
Transmission and distribution facilities	(9,814)	-	(581)	179	1	(10,215)
Low- and medium-voltage, measuring and remote control equipment and other installations	(9,814)	-	(581)	179	1	(10,215)
Other property, plant and equipment in process	(437)	-	(288)	15	-	(710)
TOTAL	**(28,435)**	**-**	**(3,059)**	**260**	**-**	**(31,234)**

(1) Includes the net addition to provision for impairment losses (Euros 1,757 million) and the depreciation and amortisation charge (Euros 1,302 million) (see Note 28).

Millions of Euros

Property, plant and equipment in use and under construction	Balance at 31 December 2017	Inclusion/(Exclusion) Companies (1)	Investments (Note 6.2)	Disposals	Transfers and other (2)	Transfers to Investment Property (Note 7)	Balance at 31 December 2018
Land and buildings	696	8	-	(32)	18	-	690
Electricity generation facilities:	26,109	139	34	(37)	466	-	26,711
Hydroelectric plants	3,309	-	-	(1)	13	-	3,321
Coal-fired/fuel-oil plants	8,047	-	5	(9)	242	-	8,285
Nuclear power plants	9,923	-	26	(21)	167	-	10,095
Combined cycle plants	3,763	-	-	-	4	-	3,767
Renewables	1,067	139	3	(6)	40	-	1,243
Transmission and distribution facilities	20,848	49	11	(308)	653	-	21,253
Low- and medium-voltage, measuring and remote control equipment and other installations	20,848	49	11	(308)	653	-	21,253
Other property, plant and equipment	578	4	5	(6)	43	(134)	490
Property, plant and equipment under construction	978	14	1,153	-	(1,014)	-	1,131
TOTAL	**49,209**	**214**	**1,203**	**(383)**	**166**	**(134)**	**50,275**

(1) Corresponds to the acquisition of the new companies relating to the renewables business (Euros 8 million) (see Note 5.1), Parques Eólicos Gestinver, S.L.U. (Euros 139 million) (see Note 5.2), Eólica del Principado, S.A.U. (Euros 1 million) (see Note 5.3) and Empresa de Alumbrado Eléctrico de Ceuta, S.A. (Euros 66 million) (see Note 5.4).

(2) Includes allocation to property, plant and equipment of changes in the estimated costs of dismantling the facilities (see Note 16.3).

Millions of Euros

Accumulated depreciation and impairment losses	Balance at 31 December 2017	(Inclusion)/exclusion of companies	Additions (1)	Disposals	Transfers and other	Transfers to Investment Property (Note 7)	Balance at 31 December 2018
Buildings	(310)	-	(18)	31	(4)	-	(301)
Electricity generation facilities:	(17,144)	-	(775)	37	(1)	-	(17,883)
Hydroelectric plants	(2,476)	-	(31)	1	-	-	(2,506)
Coal-fired/fuel-oil plants	(6,255)	-	(407)	9	-	-	(6,653)
Nuclear power plants	(7,045)	-	(189)	21	(1)	-	(7,214)
Combined cycle plants	(1,302)	-	(93)	-	-	-	(1,395)
Renewables	(66)	-	(55)	6	-	-	(115)
Transmission and distribution facilities	(9,526)	-	(592)	307	(3)	-	(9,814)
Low- and medium-voltage, measuring and remote control equipment and other installations	(9,526)	-	(592)	307	(3)	-	(9,814)
Other property, plant and equipment in process	(502)	-	(27)	3	4	85	(437)
TOTAL	**(27,482)**	**-**	**(1,412)**	**378**	**(4)**	**85**	**(28,435)**

(1) Includes the net addition to provision for impairment losses (Euros 153 million) and the depreciation and amortisation charge (Euros 1,259 million) (see Note 28).

6.1. Rights of use.

The breakdown of right-of-use assets included under Property, plant and equipment in the Consolidated Statement of Financial Position at 31 December 2019 and movements in 2019 were as follows:

Millions of Euros

Right-of-use assets	Balance at 31 December 2018 (1)	Adjustments due to Changes in Accounting Policies IFRS 16 (Notes 2.1a & 6)	Additions	Disposals	Depreciation and amortisation, and impairment losses	Balance at 31 December 2019
Land and buildings	17	179	13	(4)	(26)	179
Electricity generation facilities:	385	-	-	-	(23)	362
Combined cycle plants	385	-	-	-	(23)	362
Other property, plant and equipment	9	7	125	(6)	(12)	123
TOTAL	**411**	**186**	**138**	**(10)**	**(61)**	**664**

(1) Corresponding to finance lease contracts in accordance with the previous IAS 17 Leases (see Note 6.1.1).

During 2019, the effect of the right-of-use assets in the Consolidated Income Statements is as follows:

Millions of Euros

	Notes	2019
Provision for amortisation of rights of use assets		61
Leases (IFRS 16 Leases)	2.1a and 28	34
Other Leases		27
Interest expenses on borrowings associated with rights of use		30
Leases (IFRS 16 Leases)	2.1a	4
Finance expense	29	5
Exchange gains/(losses)		(1)
Other Leases		26
Expenses relating to short-term leases and/or low-value assets (1)		5
Expenses relating to variable payments in operating leases		1
Total effect in the Consolidated Income Statement		**97**

(1) Leases expiring in the 12 months following first time application and/or where the value of the underlying assets is less than USD 5.000.

6.1.1. Rights of use as lessee

At 31 December 2019, the most significant lease contracts under which ENDESA is the lessee are as follows:

- ENDESA Generación, S.A.U. signed a tolling agreement with Elecgas, S.A. (a company in which ENDESA Generación, S.A.U. holds a 50% interest), for 25 years (16 remaining), whereby Elecgas, S.A. makes the entire production capacity of its power plant available to ENDESA Generación, S.A.U. and undertakes to transform the gas supplied into electricity in exchange for a financial charge.
- Edistribución Redes Digitales, S.L.U. has entered into finance lease contracts for office buildings located mostly in Barcelona, Lérida and Zaragoza, with a remaining duration of around 8 years.
- Lease contracts corresponding to the right to use the land where certain ENEL Green Power España, S.L.U. (EGPE) generation facilities are located. (EGPE) held a stake. These are long-term contracts, with automatic renewal clauses and with maturities between 2022 and 2065. The consideration for these contracts is fixed by combining an amount based on installed capacity (MW) and production (GWh).
- Charter contracts for the transport of liquefied natural gas (LNG).
- Technical equipment for which contracts are concluded to cover occasional availability services based on operational needs.
- Vehicle leasing contracts.

At 31 December 2019, Property, Plant and Equipment in the Consolidated Statement of Financial Position includes Euros 664 million, corresponding to the carrying amount of assets under lease contracts, of which Euros 274 million relate to lease contracts in application of IFRS 16 "Leases". At 31 December 2018, this heading included Euros 411 million corresponding to the carrying amount of assets under lease contracts in accordance with the previous IAS 17 "Leases" (see Note 6.1).

Also, at 31 December 2019, the Non-Current Financial Debt and Current Financial Debt captions in the Statement of Financial Position include Euros 646 million and Euros 64 million, respectively, relating to the financial liabilities for rights of use arising from lease contracts. These amounts include Euros 235 million and Euros 39 million, respectively, relating to financial liabilities for rights of use arising from lease contracts under IFRS 16 Leases. At 31 December 2018, these headings included Euros 432 million and Euros 22 million, respectively, relating to financial liabilities for rights of use arising from lease contracts (see Note 17.1).

In general, the amount of lease contracts with purchase options coincides with the amount of the last instalment.

6.1.2. Rights of use as lessor.

Finance leases

At 31 December 2019 and 2018, ENDESA had entered into no finance lease agreements in which it acted as lessor.

Operating leases

At 31 December 2019, the most significant operating lease contracts in which ENDESA acts as the lessor are those that ENDESA Energía, S.A.U. has formalised relating to contracts with third parties, corresponding to fixed assets, for the supply of other products and services.

Future lease collections on these agreements at 31 December 2019 and 2018 are as follows:

Millions of Euros

	31 December 2019	31 December 2018
Within one year	6	3
Between one and two years	7	4
Between two and three years	7	5
Between three and four years	4	3
Between four and five years	3	2
More than five years	6	3
TOTAL	**33**	**20**

Rental income recognised in 2019 totalled Euros 7 million (Euros 6 million in 2018).

6.2. Main investments.

Details of investment in Property, plant and equipment in 2019 and 2018 are as follows:

Millions of Euros

	Property, plant and equipment (1)	
	2019	2018
Generation and Supply	1,290	585
Distribution	609	609
Structure and Other (2)	26	9
TOTAL	**1,925**	**1,203**

(1) Does not include corporate acquisitions in the period (see Note 5).
(2) Structure, Services and Adjustments.

Gross investments in generation during 2019 related mainly to investments in the construction of the wind and photovoltaic capacity awarded in auctions held in 2017, amounting to Euros 610 million, of which Euros 321 million correspond to the companies acquired and/or incorporated in 2018 (Euros 191 million and Euros 127 million, respectively, in 2018) (see Notes 4 and 5.1).

Gross investments in supply in 2019 mainly related to the development of the new products and services activity for Euros 26 million (Euros 17 million in 2018). 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.

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

6.3. Acquisition commitments.

At 31 December 2019 and 2018, the breakdown of commitments to purchase property, plant and equipment was as follows:

Millions of Euros

	31 December 2019 (1) (2)	31 December 2018 (3) (4)
Generation and Supply	708	776
Distribution	143	82
Structure and Other (5)	-	-
TOTAL	**851**	**858**

(1) None of these amounts have been committed with Group companies nor correspond to joint ventures.
(2) Includes Euros 215 million relating to right-of-use assets (IFRS 16 "Leases").
(3) Includes Euros 7 million corresponding to commitments to Group companies (see Note 34.1.2).
(4) There are no commitments relating to Joint Ventures.
(5) Structure, Services and Adjustments.

The commitments corresponding to generation assets mainly concern investments in production facilities and will materialise from 2020.

In 2019, ENDESA, through ENEL Green Power España, S.L.U. (EGPE), was awarded 16.1 MW of wind power capacity and 72.4 MW of photovoltaic capacity in the 2 auctions carried out by the Ministry for the Ecological Transition and Demographic Challenge and the Institute for Diversification and Energy Saving (IDAE), in Non-mainland Territories (TNP) of the Canary Islands and Balearic Islands (see Note 4).

Based on this and ENDESA's objective of strengthening its presence in the Iberian generation market by expanding its portfolio of renewable assets in its production mix, at 31 December 2019 it had committed Euros 306 million to property, plant and equipment investments relating to electricity producing facilities from renewable sources, of which Euros 16 million corresponded to the auctions mentioned in the previous paragraph.

The commitments corresponding to distribution assets include investments aimed at expanding or improving the network, with a focus on digitalising the network, on strengthening and increasing the resilience of assets, on improving service quality and transforming processes and systems.

6.4. Other information.

Geographical areas.

At 31 December 2019 and 2018, the detail of property, plant and equipment by geographical areas is as follows:

Millions of Euros

	31 December 2019	31 December 2018
Spain	20,957	21,456
Portugal	367	384
France	5	-
TOTAL	**21,329**	**21,840**

Co-ownerships

At 31 December 2019 and 2018, property, plant and equipment include the following co-owned assets:

Millions of Euros

		Co-ownerships	
	% ownership	31 December 2019	31 December 2018
Central Nuclear Vandellós II, C.B.	72%	855	868
Central Nuclear Ascó II, C.B.	85%	647	657
Central Nuclear de Almaraz, C.B.	36%	368	392
Saltos del Navia, C.B	50%	14	14

Environment.

In the years 2019 and 2018, ENDESA's investments and expenses in environmental protection activities were the following:

Millions of Euros

	2019	2018
Gross Investments	131	70
Accumulated Gross Investment at Year End	1.836	1,705
Expenses	177	110
Depreciation and amortisation, and impairments losses	115	47
Other Expenses	62	63

Impairment test.

During 2019 and 2018 impairment losses of Euros 1,757 million and Euros 153 million respectively were recognised, as per the following details:

Millions of Euros

	Notes	2019	2018
Mainland coal-fired thermal power plants		1,352	-
Cash-generating Units (CGUs) of the Non-Mainland Territories (TNP)		401 (1)	-
Alcudia thermal power plant (Balearic Islands)		-	157
Other		4	(4)
TOTAL	3e.4, 28 and 33.2	**1,757**	**153**

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

The recoverable value of these assets at 31 December 2019 and 2018 was as follows:

Millions of Euros

	31 December 2019	31 December 2018
Mainland coal-fired thermal power plants	-	N/A
Cash-generating Units (CGUs) of the Non-Mainland Territories (TNP)	1,485 (1)	N/A
Alcudia thermal power plant (Balearic Islands)	N/A	828
Other	-	5
TOTAL	**1,485**	**833**

(1) Euros 71 million have been allocated to the Alcudia Thermal Power Plant (Balearic Islands).

During 2019 and 2018, the events leading to the main provisions for impairment were as follows:

– The decision adopted by the Board of Directors on 27 September to discontinue the operation of mainland coal-fired thermal power plants signalled a change in the management of these assets to the extent that they are expected to cease generating cash flows, or these cash flows are expected to tend to zero, such that they have ceased to have an interdependence with the flows generated by the rest of the generation technologies (combined cycle, fuel-oil, nuclear and renewables, including hydroelectric) which are managed in an integrated manner within the Iberian Peninsula Generation Cash Generating Unit (CGU). Therefore, the assets of the Iberian Peninsula coal-fired thermal power plants ceased to be part of the Iberian Peninsula Generation CGU in 2019 and their impairment test was carried out individually on each coal-fired thermal power plant. Consequently, the analysis of the recoverable value of these assets at an individual level, 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, revealed an impairment in value amounting to Euros 1,352 million, equivalent to the total carrying amount at 31 December 2019, including the amount of the provision for dismantling (see Note 3e.4).

– The decrease in the remuneration of the costs for operation and maintenance for the 2020-2025 regulatory period deriving from the publication of Order TEC/1260/2019 of 26 December 2019, which establishes the technical and economic parameters to be used in calculating the remuneration of the electricity production activity in the Non-Mainland Territories (TNP) with additional remuneration during the 2020-2025 regulatory period meant that the recoverable amount of the CGUs of each of the Non-Mainland Territories (TNP) of the Balearic Islands, Canary Islands, Ceuta and Melilla was less than their carrying amount, so an impairment loss was recognised in the Consolidated Income Statement for the year 2019 for a total of Euros 401 million (see Note 3e.4)..

– Order TEC/1158/2018, of 29 October 2018, on the additional remuneration of Non-mainland Territories (TNP) electricity generating facilities required to make additional investments in order to comply with EU and Spanish regulations to remain in operation does not include the coal-fired generators of the Alcudia thermal power plant (Balearic Islands). As a consequence of the non-recognition of this additional remuneration scheme, on 27 December 2018 the Company filed a request with the General Directorate of Energy and Climate Change of the Balearic Government for authorisation to close the Units I and II. Likewise, the publication of said Order has meant a reduction in the estimated useful life of Units III and IV of the Alcudia thermal power plant (Balearic Islands). As a result, the recoverable amount of these assets proved to be less than their carrying amount, and an impairment of Euros 157 million was recognised in the Consolidated Income Statement for the year 2018 (see Note 3e.4).

Insurance

ENDESA and its subsidiaries have taken out insurance policies to cover the risk of damage to their property, plant and equipment and any claims that could be filed against them in their business activities. ENDESA believes that these policies provide sufficient coverage for the risks to which it is exposed. Moreover, in certain assets, the possible loss of profits that could result from outages at the plants is covered. In 2019, pay-outs from insurance companies in relation to property damage arising from accidents amounted to Euros 5 million (Euros 5 million in 2018).

Under current legislation in Spain and pursuant to Law 24/2013 of 26 December 2013 on the electricity sector, ENDESA is insured for up to Euros 700 million against third-party liability claims for possible nuclear accidents at its plants. Any loss or damage in excess of this amount would be governed by the international conventions entered into by the Spanish state. The nuclear power plants are also insured against damage to their installations (including stocks of nuclear fuel) and machinery breakdowns, with maximum coverage of $1,500 million (approximately Euros 1,336 million) for each power plant.

On 28 May 2011, the Spanish government published Law 12/2011 of 27 May 2011 on civil liability for nuclear damages or damage produced by radioactive materials which raises operator liability to Euros 1,200 million, while also allowing operators to cover this liability in several ways. The entry into force of this regulation is, in turn, subject to the entry into force of the Protocol of 12 February 2004, amending the Convention on Civil Liability for Nuclear Damage (Paris Convention), and the Protocol of 12 February 2004, amending the Convention which complements the latter (Brussels Convention), which was pending ratification by certain European Union member States at the date on which these Consolidated Financial Statements were drawn up.

Other information.

In 2019 and 2018, ENDESA submitted applications for authorisation to close the following thermal plants to the competent authorities. The net book value of these plants and the provision for their decommissioning is recorded under "Non-current provisions" in the consolidated statement of financial position as follows:

Millions of Euros

Thermal Power Plant	Application Date	31 December 2019		31 December 2018	
		Net book value	Provision for Dismantling (Note 16.3)	Net book value	Provision for Dismantling (Note 16.3)
As Pontes (La Coruña)	27 December 2019	-	132	311	-
Litoral (Almería)	27 December 2019	-	109	495	-
Compostilla (León)	19 December 2018	-	105	98	92
Teruel (Teruel)	19 December 2018	-	113	86	86
Alcudia (Baleares) - Units I y II	27 December 2018	-	32	2	33
TOTAL		**-**	**491**	**992**	**211**

On 28 November 2019, ENDESA Generación, S.A.U. delivered to the Confederación Hidrográfica del Ebro all the infrastructures, works, land and assets used in the Lafortunada-Cinqueta Hydroelectric Power Plant, as a result of the resolution issued on 18 December 2017 by the Ministry of Agriculture and Fisheries, Food and Environment (currently the Ministry for Ecological Transition and the Demographic Challenge and Ministry of Agriculture, Fisheries and Food) ordering the extinction of the right to use the water of the River Cinqueta for industrial purposes and the reversion and delivery of all infrastructures involved in the operation of this Hydroelectric Power Plant (see Note 16.3). The carrying amount of this plant was zero at that date, so this operation had no impact on the Consolidated Income Statement.

At 31 December 2019, the Peña del Gato and Valdesamario wind farms, owned by Energías Especiales del Alto Ulla, S.A.U. (a company wholly owned by ENEL Green Power España, S.L.U. (EGPE)) are paralysed as a result of the cancellation of the related administrative authorisations (see Note 16.3).

Fully depreciated property, plant and equipment still in use amounted to Euros 266 million at 31 December 2019 (Euros 312 million at 31 December 2018).

At 31 December 2019, property, plant and equipment amounting to Euros 91 million (Euros 103 million at 31 December 2018) had been pledged to secure financing received from third parties (see Notes 14.1.12, 17.2.3 and 35.1).

7. Investment property

At 31 December 2019 and 2018, the composition and movements of this item of the accompanying Consolidated Statement of Financial Position were as follows:

Millions of Euros

	Balance at 31 December 2018	Inclusion/(exclusion) of companies	Investments	Derecognitions for Sales (1)	Other	Balance at 31 December 2019
Investment Property	62	-	-	(1)	-	61
TOTAL	**62**	**-**	**-**	**(1)**	**-**	**61**

(1) Corresponds to the sale of a property located in Madrid, which generated a capital gain of less than one million euros.

Millions of Euros

	Balance at 31 December 2017	Inclusion/(Exclusion) of Companies (1)	Investments	Derecognitions for Sales	Transfers from Property, plant and equipment (Note 6)	Balance at 31 December 2018
Investment Property	9	4	-	-	49	62
TOTAL	**9**	**4**	**-**	**-**	**49**	**62**

(1) Corresponds to the acquisition of Empresa de Alumbrado Eléctrico de Ceuta, S.A. (see Note 5.4).

In 2018, the City of Palma de Mallorca gave Edistribución Redes Digitales, S.L.U, possession of the building of the former headquarters of Gas y Electricidad Generación, S.A.U. and its adjacent plots of land, as a result of the ruling of the Higher Court of Justice of the Balearic Islands of 2017. In turn, ENDESA reclassified these properties from Property, plant and equipment to Investment Property as a result of the change in the use thereof to obtain income, capital gains, or both.

7.1. Other information.

Geographical areas.

At 31 December 2019 and 2018, the details of investment property by geographical area were as follows:

Millions of Euros

	31 December 2019	31 December 2018
Spain	61	62
Portugal	-	-
TOTAL	**61**	**62**

Insurance

ENDESA has taken out insurance policies to cover the risk of damage to its investment property and any claims that could be filed against it in its business activities. The Group considers that coverage provided by these policies is sufficient.

Other information.

The market value of investment property at 31 December 2019 was Euros 68 million (Euros 69 million at 31 December 2018) (see notes 3b and 18.6.2).

At 31 December 2019 and 2018, none of the investment property was fully depreciated and there were no restrictions on its sale.

Direct expenses recognised in the 2019 and 2018 Consolidated Income Statements for investment property were not material.

At 31 December 2019 and 2018, ENDESA held no contractual obligations to purchase, build or develop any investment property, or any obligations concerning repairs, maintenance and improvements.

8. Intangible assets.

At 31 December 2019 and 2018, the composition and movements of this item of the accompanying Consolidated Statement of Financial Position were as follows:

Millions of Euros

	31 December 2019			
	Cost	Accumulated amortisation	Impairment losses	Carrying amount
Software	1,730	(1,220)	-	510
Concessions	104	(27)	(41)	36
Cost of customer acquisition	240	(112)	-	128
Other	885	(184)	-	701
TOTAL	**2,959**	**(1,543)**	**(41)**	**1,375**

Millions of Euros

	31 December 2018			
	Cost	Accumulated amortisation	Impairment Losses	Carrying amount
Software	1,580	(1,081)	-	499
Concessions	105	(26)	(46)	33
Cost of customer acquisition	165	(54)	-	111
Other	890	(178)	-	712
TOTAL	**2,740**	**(1,339)**	**(46)**	**1,355**

Millions of Euros

	Balance at 31 December 2018	Inclusion/(exclusion) of companies (Note 5.1)	Investments (Note 8.1)	Amortisation, and impairment losses (1)	Transfers and other (Note 6)	Balance at 31 December 2019
Software	499	-	151	(139)	(1)	510
Concessions	33	-	-	3	-	36
Cost of customer acquisition	111	-	75	(58)	-	128
Other	712	40	8	(52)	(7)	701
TOTAL	**1,355**	**40**	**234**	**(246)**	**(8)**	**1,375**

(1) Includes the reversal of impairment losses (Euros 5 million) and the amortisation charge (Euros 251 million) (see Note 28).

Millions of Euros

	Balance at 31 December 2017	Adjustments due to changes in accounting policies IFRS 15	Inclusion/(Exclusion) of companies (1)	Investments (Note 8.1)	Amortisation, and impairment losses (2)	Balance at 31 December 2018
Software	460	-	-	155	(116)	499
Concessions	29	-	-	-	4	33
Cost of customer acquisition	-	95	-	70	(54)	111
Other	707	-	48	6	(49)	712
TOTAL	**1,196**	**95**	**48**	**231**	**(215)**	**1,355**

(1) Corresponds to the acquisition of Parques Eólicos Gestinver, S.L.U. (Euros 34 million) (see Note 5.2) and Empresa de Alumbrado Eléctrico de Ceuta (Euros 14 million) (see Note 5.4).
(2) Includes the reversal of impairment losses (Euros 6 million) and the amortisation charge (Euros 221 million) (see Note 28).

8.1. Main investments.

Details of investments in intangible assets in 2019 and 2018 are as follows:

Millions of Euros

	Intangible investments (1)	
	2019	**2018**
Generation and Supply	160	140
Distribution	40	61
Structure and Other (2)	34	30
TOTAL	**234**	**231**

(1) Does not include corporate acquisitions in the period (see Note 5).
(2) Structure, Services and Adjustments.

Gross investments in intangible assets in 2019 mainly correspond to IT applications and ongoing investments in ICT activities for the sum of Euros 151 million, among which are those associated with the strategic objective of digitisation, and the capitalisation of incremental costs incurred in acquiring customer contracts for the sum of Euros 75 million (Euros 155 million and Euros 70 million respectively in 2018).

8.2. Acquisition commitments.

At 31 December 2019 and 2018, the breakdown of commitments to purchase intangible assets, mainly software, was as follows:

Millions of Euros

	31 December 2019 (1)	31 December 2018 (1)
Generation and Supply	21	11
Distribution	-	3
Structure and Other (2)	6	15
TOTAL	**27**	**29**

(1) None of these amounts have been committed to Group companies or correspond to Joint Ventures.
(2) Structure, Services and Adjustments.

8.3. Other information.

Additions/exclusions of companies.

During 2019, as a result of the acquisition of companies for the development of the renewable energy business, the heading “Other” registered an increase of Euros 40 million, due to the allocation made of the purchase price to the corresponding intangible asset, basically the licences acquired for the development of wind and photovoltaic projects (see Note 5.1).

In 2018, as a result of the acquisition of Parques Eólicos Gestinver, S.L.U. and Empresa de Alumbrado Eléctrico de Ceuta, S.A., the "Other" heading saw increases of Euros 34 million and Euros14 million respectively, due to the assignment of the purchase price to the intangible assets corresponding, basically, to the authorisations for the use of wind farms in the case of Parques Eólicos Gestinver, S.L.U. and the value of relations with customers and the brand in the case of Empresa de Alumbrado Eléctrico de Ceuta, S.A. (see Notes 5.2 and 5.4).

Geographical areas.

At 31 December 2019 and 2018, the details of intangible assets by geographical areas were as follows:

Millions of Euros

	31 December 2019	31 December 2018
Spain	1,374	1,355
Portugal	1	-
TOTAL	**1,375**	**1,355**

Impairment test.

During 2019, an impairment loss reversal amounting to Euros 5 million was recognised, which chiefly corresponded to the provision set aside during prior years for the Distribuidora Eléctrica del Puerto de la Cruz, S.A.U. concession, arising from an increase in forecast cash flows (Euros 6 million in 2018). The recoverable amount of this concession at 31 December 2019 was Euros 41 million (Euros 36 million at 31 December 2018) (see Notes 28 and 33.2).

Other information.

Fully amortised intangible assets still in use stood at Euros 46 million at 31 December 2019 (Euros 74 million at 31 December 2018).

9. Goodwill

At 31 December 2019 and 2018, the composition and movements of this item of the accompanying Consolidated Statement of Financial Position were as follows:

Millions of Euros

	Balance at 31 December 2018	Business combinations	Impairment Losses (Notes 3e.4, 28 & 33.2)	Balance at 31 December 2019
ENEL Green Power España, S.L.U. (EGPE) (1)	296	-	-	296
Eléctrica del Ebro, S.A.U. (2)	2	-	-	2
Systems and Telecommunications Activity (ICT) (3)	160	-	(17)	143
Empresa de Alumbrado Eléctrico de Ceuta, S.A. (2)	21	-	-	21
TOTAL	**479**	**-**	**(17)**	**462**

(1) Assigned to the Iberian Peninsula Generation Cash-Generating Unit (CGU) (see Note 33.2).
(2) Assigned to the Distribution Cash-Generating Unit (CGU) (see Note 33.2).
(3) Assigned to the Iberian Peninsula Generation Cash-Generating Unit (CGU) (Euros 65 million), Distribution (Euros 74 million) and ENDESA, S.A. (Euros 4 million) (see Note 33.2).

Millions of Euros

	Balance at 31 December 2017	Business combinations (Note 5.4)	Impairment losses (Notes 3e.4, 28 & 33.2)	Balance at 31 December 2018
ENEL Green Power España, S.L.U. (EGPE) (1)	296	-	-	296
Eléctrica del Ebro, S.A.U. (2)	2	-	-	2
Systems and Telecommunications Activity (ICT) (3)	161	-	(1)	160
Empresa de Alumbrado Eléctrico de Ceuta, S.A. (2)	-	21	-	21
TOTAL	**459**	**21**	**(1)**	**479**

(1) Assigned to the Iberian Peninsula Generation Cash-Generating Unit (CGU) (see Note 33.2).
(2) Assigned to the Distribution Cash-Generating Unit (CGU) (see Note 33.2).
(3) Assigned to the Iberian Peninsula Generation Cash-Generating Unit (CGU) (Euros 79 million), Generation in Non-mainland Territory of Canarias (TNP) (Euros 3 million), Distribution CGU (Euros 74 million) and ENDESA, S.A. (Euros 4 million) (see Note 33.2).

All goodwill relates to the geographical area of Spain.

On 25 July 2018 the acquisition was completed, through ENDESA Red, S.A.U., of Empresa de Alumbrado Eléctrico de Ceuta, S.A. This transaction generated Euros 21 million in goodwill (see Note 5.4).

At 31 December 2019, ENDESA assessed the recoverability of this goodwill, for which it performed an impairment test on the Cash Generating Units (CGUs) to which these assets were assigned. The basic methodology, assumptions and sensitivity analysis considered to perform these impairment tests are indicated in Notes 3e.3, 3e.4 and 3e.5.

As a result of the loss of value referred to in Note 3e.4, in 2019 an impairment of the goodwill of the systems and telecommunications activity (ICT) assigned to the Iberian Peninsula Generation CGU was recognised in the amount of Euros 14 million and for the CGU of the Non-Mainland Territory (TNP) of the Canary Islands an impairment of Euros 3 million was recognised (Euros 1 million for the impairment of the goodwill of the systems and telecommunications activity (ICT) assigned to the CGU of the Non-Mainland Territory (TNP) of the Balearic Islands in 2018) (see Notes 6.4, 28 and 33.2).

10. Investments accounted for using the equity method and joint operation entities

10.1. Investments accounted for using the equity method.

Details of this heading in the accompanying Consolidated Statement of Financial Position at 31 December 2019 and 2018 are as follows:

Millions of Euros

	31 December 2019	31 December 2018
Associates	81	80
Joint Ventures	151	169
TOTAL	**232**	**249**

The full list of investees over which ENDESA has significant influence is provided in Appendix II to these Consolidated Financial Statements. These companies do not have publicly listed share prices.

At 31 December 2019 and 2018 there were no significant restrictions imposed on the capacity of associates or joint ventures to transfer funds to ENDESA in the form of cash dividends, or to repay loans or advances made by ENDESA (see Note 14,1.12).

ENDESA did not have any significant contingent liabilities related to associates or joint ventures at 31 December 2019 and 2018.

Loans and guarantees granted to associates and joint ventures at 31 December 2019 and 2018, as well as transactions with these companies in 2019 and 2018 are detailed in Notes 18.1.1 and 34.2.

At 31 December 2019 and 2018, the details and movements of this item of the accompanying Consolidated Statement of Financial Position were as follows:

Millions of Euros

	Balance at 31 December 2018	Additions/Exclusions of companies	Investments or increases	Disposals or Reductions	Share of profit/(loss) of equity-accounted investees	Dividends	Translation Differences	Transfers and other	Balance at 31 December 2019
Associates	**80**	**-**	**-**	**-**	**5**	**(4)**	**-**	**-**	**81**
Tecnatom, S.A.	30	-	-	-	1	-	-	-	31
Elcogas, S.A. (In Liquidation)	-	-	-	-	-	-	-	-	-
Gorona del Viento El Hierro, S.A.	11	-	-	-	1	-	-	-	12
Boiro Energía, S.A.	9	-	-	-	-	-	-	-	9
Compañía Eólica Tierras Altas, S.A.	11	-	-	-	-	(2)	-	-	9
Other	19	-	-	-	3	(2)	-	-	20
Joint Ventures	**169**	**-**	**13**	**-**	**10**	**(26)**	**-**	**(15)**	**151**
Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.	71	-	-	-	(7)	(7)	-	-	57
Front Marítim del Besòs, S.L.	37	-	-	-	-	-	-	-	37
Nuclenor, S.A.	-	-	13	-	-	-	-	(13)	-
Énergie Électrique de Tahaddart, S.A.	28	-	-	-	2	(3)	-	(1)	26
Suministradora Eléctrica de Cádiz, S.A.	10	-	-	-	4	(3)	-	-	11
Other	23	-	-	-	11	(13)	-	(1)	20
TOTAL	**249**	**-**	**13**	**-**	**15**	**(30)**	**-**	**(15)**	**232**

Millions of Euros

	Balance at 31 December 2017	Additions/Exclusions of companies	Investments or increases	Disposals or Reductions	Share of profit/(loss) of equity-accounted investees	Dividends	Translation Differences	Transfers and other	Balance at 31 December 2018
Associates	**77**	**-**	**-**	**-**	**7**	**(4)**	**-**	**-**	**80**
Tecnatom, S.A.	30	-	-	-	-	-	-	-	30
Elcogas, S.A.	-	-	-	-	-	-	-	-	-
Gorona del Viento El Hierro, S.A.	11	-	-	-	-	-	-	-	11
Boiro Energía, S.A.	9	-	-	-	1	(1)	-	-	9
Compañía Eólica Tierras Altas, S.A.	12	-	-	-	1	(2)	-	-	11
Other	15	-	-	-	5	(1)	-	-	19
Joint Ventures	**128**	**37**	**-**	**-**	**28**	**(24)**	**1**	**(1)**	**169**
Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.	73	-	-	-	7	(9)	-	-	71
Front Marítim del Besòs, S.L.	-	37	-	-	-	-	-	-	37
Nuclenor, S.A.	-	-	-	-	4	-	-	(4)	-
Énergie Électrique de Tahaddart, S.A.	30	-	-	-	2	(5)	1	-	28
Suministradora Eléctrica de Cádiz, S.A.	13	-	-	-	2	(5)	-	-	10
Other	12	-	-	-	13	(5)	-	3	23
TOTAL	**205**	**37**	**-**	**-**	**35**	**(28)**	**1**	**(1)**	**249**

Associates.

Information at 31 December 2019 and 2018 taken from the financial statements of the main associates, used to prepare the accompanying Consolidated Financial Statements is as follows:

Millions of Euros

	Statement of Financial Position									
	Tecnatom, S.A.		Elcogas, S.A. (In Liquidation)		Gorona del Viento El Hierro, S.A.		Boiro Energía, S.A.		Compañía Eólica Tierras Altas, S.A.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Non-current assets	64	67	-	-	74	80	6	5	23	27
Current assets	62	51	21	28	11	27	24	22	4	8
Cash and Cash Equivalents	17	13	18	25	7	23	4	4	2	8
Other current assets	45	38	3	3	4	4	20	18	2	-
Total assets	**126**	**118**	**21**	**28**	**85**	**107**	**30**	**27**	**27**	**35**
Equity	67	65	(118)	(111)	52	49	23	21	23	28
Non-Current liabilities	24	24	129	129	31	54	4	2	2	2
Non-current financial debt	23	23	129	129	-	21	-	-	-	-
Other non-current Liabilities	1	1	-	-	31	33	4	2	2	2
Current liabilities	35	29	10	10	2	4	3	4	2	5
Current financial debt	10	9	-	-	2	2	-	-	-	-
Other current liabilities	25	20	10	10	-	2	3	4	2	5
Total equity and liabilities	**126**	**118**	**21**	**28**	**85**	**107**	**30**	**27**	**27**	**35**

Millions of Euros

	Income Statement									
	Tecnatom, S.A.		Elcogas, S.A. (In Liquidation)		Gorona del Viento El Hierro, S.A.		Boiro Energía, S.A.		Compañía Eólica Tierras Altas, S.A.	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Income	104	97	-	5	19	-	20	23	12	12
Depreciation, Amortisation and Impairment Losses	(9)	(9)	-	-	(6)	-	-	-	(2)	(2)
Finance income	-	-	-	-	-	-	-	1	-	-
Finance expense	(1)	-	-	-	-	-	-	-	-	-
Profit/(loss) before tax	**2**	**-**	**(7)**	**(2)**	**5**	**-**	**1**	**2**	**2**	**4**
Income Tax Expense	-	-	-	-	-	-	-	-	(1)	(1)
Profit/(loss) from continuing operations	**2**	**-**	**(7)**	**(2)**	**5**	**-**	**1**	**2**	**1**	**3**
Profit/(loss) after tax from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**2**	**-**	**(7)**	**(2)**	**5**	**-**	**1**	**2**	**1**	**3**

These figures correspond to information on the individual companies, except those of Tecnatom, S.A. which correspond to its Consolidated Financial Statements.

Eólica del Principado, S.A.U.

On 22 May 2018, ENEL Green Power España, S.L.U. (EGPE) acquired 60% of the share capital of Eólica del Principado, S.A.U., a company whose activity consists of the generation of electricity through renewable wind technology, and in which it previously held a 40% stake.

As a result of this transaction, ENDESA went from having significant influence to full control of Eólica del Principado, S.A.U. (see Notes 2.3.1, 2.4 and 5.3)

The net gain at the date on which control was taken, obtained from measuring the previously held non-controlling interest of 40% in Eólica del Principado, S.A.U. at fair value, was less than Euros 1 million (see Note 5.3).

Millions of Euros

Fair value of net assets acquired (100%)	1
Fair value of net assets acquired (40%)	1
Value of shareholding in Eólica del Principado, S.A.U. prior to takeover (40%)	-
Net gain generated by the measurement at fair value of the non-controlling interest of 40%	**1**

Joint ventures

Information at 31 December 2019 and 2018 taken from the financial statements of the main joint ventures, used to prepare the accompanying Consolidated Financial Statements, is as follows:

Millions of Euros

	Statement of Financial Position									
	Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.		Front Marítim del Besòs, S.L.		Nuclenor, S.A.		Énergie Électrique de Tahaddart, S.A.		Suministradora Eléctrica de Cádiz, S.A.	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Non-current assets	146	203	-	-	31	32	77	91	66	70
Current assets	132	163	164	164	38	61	20	11	19	6
Cash and Cash Equivalents	57	74	2	2	1	1	10	1	8	5
Other current assets	75	89	162	162	37	60	10	10	11	1
Total assets	**278**	**366**	**164**	**164**	**69**	**93**	**97**	**102**	**85**	**76**
Equity	168	168	152	152	3	(23)	83	85	32	29
Non-Current liabilities	25	71	-	-	21	51	6	8	20	21
Non-current financial debt	-	45	-	-	-	-	6	8	4	8
Other non-current Liabilities	25	26	-	-	21	51	-	-	16	13
Current liabilities	85	127	12	12	45	65	8	9	33	26
Current financial debt	45	54	12	12	-	-	-	-	-	13
Other current liabilities	40	73	-	-	45	65	8	9	33	13
Total equity and liabilities	**278**	**366**	**164**	**164**	**69**	**93**	**97**	**102**	**85**	**76**

Millions of Euros

	Income Statement									
	Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.		Front Marítim del Besòs, S.L.		Nuclenor, S.A.		Énergie Électrique de Tahaddart, S.A.		Suministradora Eléctrica de Cádiz, S.A.	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Income	145	234	-	-	14	11	37	35	18	10
Depreciation, Amortisation and Impairment	(57)	(56)	-	-	(2)	(3)	(15)	(14)	(3)	(2)
Finance income	-	-	-	-	-	1	-	-	-	-
Finance expense	-	(1)	-	-	(1)	(1)	-	-	-	-
Profit/(loss) before tax	**21**	**30**	**-**	**-**	**-**	**(24)**	**9**	**7**	**11**	**6**
Income Tax Expense	(7)	(9)	-	-	1	-	(3)	(2)	-	-
Profit/(loss) from continuing operations	**14**	**21**	**-**	**-**	**1**	**(24)**	**6**	**5**	**11**	**6**
Profit/(loss) after tax from discontinued operations	**-**	**-**	**-**	-	**-**	-	**-**	-	**-**	-
Other comprehensive income	**-**	**-**	**-**	-	**-**	(2)	**1**	2	**-**	-
Total comprehensive income	**14**	**21**	**-**	**-**	**1**	**(26)**	**7**	**7**	**11**	**6**

Details of these joint ventures' equity correspond to information on the individual companies.

Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.

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 Rede Eléctrica Nacional, S.A. (REN) in November 2021.

Front Marítim del Besòs, S.L.

On 18 December 2018, ENDESA Generación, S.A.U. acquired a 61.37% stake in Front Marítim del Besòs, S.L. from Metrovacesa, S.A. for Euros 1,841 (see Notes 2.3.2 and 2.5.2).

On the same date, ENDESA Generación, S.A.U. and Metrovacesa, S.A., as shareholders in Front Marítim del Besòs, S.L., agreed to carry out a capital increase via a non-monetary contribution in proportion to their percentage holdings, whereby ENDESA Generación, S.A.U. contributed certain plots of land it owned in the Tres Chimeneas place in Sant Adrià del Besòs (Barcelona) valued at Euros 92 million, producing a gross gain of Euros 34 million (see Note 30).

Remaining companies

At 31 December 2019 and 2018, the aggregate information in the financial statements for the remaining associates and joint ventures considered individually as not significant is as follows:

Millions of Euros

	Associates		Joint Ventures	
	2019	2018	2019	2018
Profit/(loss) from continuing operations	6	5	22	24
Profit/(loss) after tax from discontinued operations	-	-	-	-
Other comprehensive income	1	-	(6)	4
Total comprehensive income	7	5	16	28

10.2. Joint operation entities

At 31 December 2019 and 2018 information taken from the financial statements of the main joint operation entities, used to prepare the accompanying Consolidated Financial Statements is as follows:

Millions of Euros

	Statement of Financial Position	
	Asociación Nuclear Ascó-Vandellós II, A.I.E.	
	31 December 2019	31 December 2018
Non-current assets	146	123
Current assets	116	119
Cash and Cash Equivalents	-	-
Other current assets	116	119
Total assets	**262**	**242**
Equity	16	16
Non-Current liabilities	161	133
Non-current financial debt	-	-
Other non-current Liabilities	161	133
Current liabilities	85	93
Current financial debt	-	-
Other current liabilities	85	93
Total equity and liabilities	**262**	**242**

Millions of Euros

	Income Statement	
	Asociación Nuclear Ascó-Vandellós II, A.I.E.	
	2019	2018
Income	251	248
Depreciation, Amortisation and Impairment Losses	-	-
Finance income	-	-
Finance expense	(2)	(2)
Income before Tax	**36**	**18**
Income Tax Expense	-	-
Profit/(loss) from continuing operations	**36**	**18**
Profit/(loss) after tax from discontinued operations	**-**	**-**
Other comprehensive income	**(36)**	**(18)**
Total comprehensive income	**-**	**-**

The breakdown of cash flows generated by the joint operation entities in the years ended 31 December 2019 and 2018 is as follows:

Millions of Euros

	2019	2018
Net cash flows from operating activities	17	41
Net cash flows from investing activities	(17)	(41)
Net cash flows from financing activities	-	-

At 31 December 2019 and 2018, ENDESA has not incurred any significant contingent liabilities related to the joint operation entities.

11. Inventories.

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2019 and 2018 are as follows:

Millions of Euros

	31 December 2019	31 December 2018
Energy stocks:	591	784
Coal	115	235
Nuclear fuel	276	293
Fuel oil	90	85
Gas	110	171
Other inventories	290	286
CO_2 emission rights	408	411
Valuation adjustments	(112)	(8)
TOTAL	**1,177**	**1,473**

11.1. CO_2 Emission Rights.

In 2019 and 2018, the CO_2 emission rights for 2018 and 2017 were redeemed, which resulted in reductions of Euros 365 million and Euros 215 million respectively (31.1 million and 34.8 million metric tons respectively).

At 31 December 2019, the provision for rights to be delivered to cover these CO_2 emissions under Current Provisions heading in the Consolidated Statement of Financial Position amounted to Euros 364 million (Euros 359 million at 31 December 2018) (see Note 23).

11.2. Acquisition Commitments.

At 31 December 2019, electricity and energy stock purchase commitments amounted to Euros 19,578 million (Euros 17,246 million at 31 December 2018), of which a portion corresponds to agreements that have "take or pay" clauses.

At 31 December 2019, the breakdown of future purchase commitments was as follows:

Millions of Euros

	Future purchase commitments at 31 December 2019 (1)						
	CO_2 emission rights(2)	Electricity	Nuclear fuel	Fuel oil	Gas	Other	Total
2020-2024	19	-	324	58	6,445	53	6,899
2025-2029	-	-	63	495	6,131	-	6,689
2030-2034	-	-	-	-	4,892	-	4,892
2035 – Other	-	-	-	-	1,098	-	1,098
TOTAL	**19**	**-**	**387**	**553**	**18,566**	**53**	**19,578**

(1) None of these amounts correspond to joint ventures.
(2) Commitments with Group companies (Note 34.1.2)

At 31 December 2019 and 2018, commitments to acquire inventories includes the commitment to acquire liquefied natural gas under contracts arranged in 2014 with Corpus Christi Liquefaction, LLC, part of which are guaranteed by ENEL, S.p.A. (see Note 34.1.2).

The Company’s Directors consider that ENDESA will be able to fulfil these obligations and, therefore, they do not expect any contingency to arise in this respect.

11.3. Other information.

In 2019 an impairment was recognised in respect of stocks of coal and other materials relating to the mainland thermal coal-fired plants amounting to Euros 82 million and Euros 21 million respectively, in connection with the decommissioning of these facilities (see Note 3e.4).

At 31 December 2019 and 2018, ENDESA had not pledged material amounts of inventories to secure the repayment of debts.

ENDESA has taken out insurance policies to cover the risk of damage to its inventories. It considers that coverage provided by these policies is sufficient.

12. Trade and other receivables.

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Notes	31 December 2019	31 December 2018
Customers for Sales & Services and other Debtors	18	**2,483**	**2,479**
Trade receivables for sales and services	19.5	2,479	2,578
Electricity trade receivables		1,891	1,872
Gas trade receivables		433	525
Receivables from other transactions		83	109
Receivables from Group companies and associates	34.1.3 and 34.2	72	72
Assets from contracts with customers	19.5	15	12
Other receivables		456	363
Other receivables from third parties		377	319
Other receivable from Group companies and associates	34.1.3 and 34.2	79	44
Valuation adjustments		(467)	(474)
Trade receivables for sales and services	19.5	(369)	(387)
Assets from contracts with customers	19.5	(1)	-
Other receivables		(97)	(87)
Derivatives (1)	18.3	**563**	**228**
Hedging derivatives		163	140
Derivatives not designated as hedging instruments		400	88
Tax assets		**439**	**248**
Current income tax		291	173
Value added tax (VAT) receivable		133	63
Other taxes		15	12
TOTAL		**3,485**	**2,955**

(1) Includes Euros 431 million with Group Companies and Associates at 31 December 2019 (Euros 124 million with Group Companies, Associates and Joint Ventures at 31 December 2018) (see Notes 34.1.3 and 34.2).

Balances included under this caption do not generally earn interest.

At 31 December 2019 and 2018, no one customer had balances payable to ENDESA that were significant with respect to ENDESA's total revenues or receivables (see Note 19.6).

Since usual meter reading periods do not match the financial reporting date, ENDESA makes an estimate of unbilled sales made by its supply companies ENDESA Energía, S.A.U., Energía XXI Comercializadora de Referencia, S.L.U. and Energía Ceuta XXI Comercializadora de Referencia, S.L.U.

At 31 December 2019, the cumulative balances of unbilled electricity and gas sales are recognised under Trade and other receivables of the accompanying statement of financial position and total Euros 876 million and Euros 411 million respectively (Euros 896 million and Euros 429 million, respectively, at 31 December 2018).

During 2019 and 2018, movement of current assets of contracts with customers was as follows:

Millions of Euros

	2019	2018
Opening balance	12	12
Allocation to profit and loss	63	83
Disposals	(60)	(83)
Closing balance	**15**	**12**

At 31 December 2019 and 2018, the current assets of contracts with customers mainly correspond to contracts for the execution of works arranged between ENDESA Ingeniería, S.L.U. and Red Eléctrica de España, S.A.U. (REE) that will be in force until 2025. In 2019, these assets generated revenues amounting to Euros 41 million recognised under Sales in the Consolidated Income Statement (Euros 83 million in 2018).

At 31 December 2019 ENDESA had future service commitments in place for an amount of Euros 20 million relating to contracts for the execution of works arranged with Red Eléctrica de España, S.A.U. (REE) (Euros 40 million at 31 December 2018).

12.1. Other information.

Average Collection Period.

The average collection period for trade receivables was 29 days in 2019 and 30 days in 2018, so the fair value does not differ significantly from the carrying amount.

Valuation adjustments.

The movement in Value adjustments in 2019 and 2018 was as follows:

Millions of Euros

	Notes	2019	2018
Opening balance		**474**	**450**
Adjustments due to Changes in Accounting Policies IFRS 9 “Financial Instruments”		-	33
Adjusted opening balance		**474**	**483**
Charges	18.4.1, 28 & 33.2	128	79
Applications		(135)	(88)
Closing balance		**467**	**474**

At 31 December 2019 and 2018, virtually all value adjustments related to trade receivables for sales of electricity.

Other information.

At 31 December 2019 and 2018, there were no significant restrictions on the use of collection rights of this nature.

Factoring transactions were carried out in 2019 and 2018. The undue balances at 31 December 2019 and 2018, amounted to Euros 880 million and Euros 704 million, respectively, which were derecognised from the Consolidated Statement of Financial Position. These transactions had costs of Euros 29 million and Euros 35 million, respectively, recognised under Gains/(losses) on sale of assets in the Consolidated Income Statement (see Note 30).

13. Cash and cash equivalents.

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Notes	31 December 2019	31 December 2018
Cash in Hand and at Banks		223	244
Other Cash Equivalents		-	-
TOTAL	18	**223**	**244**

Details at 31 December 2019 and 2018 by currency are as follows:

Millions of Euros

	Notes	Currency 31 December 2019	Currency 31 December 2018
Euros		221	242
U.S. Dollar (USD)	19.2	-	1
Pound Sterling (GBP)	19.2	2	1
TOTAL		**223**	**244**

There were no investments in sovereign debt at 31 December 2019 and 2018.

At 31 December 2019, the balance of cash and cash equivalents includes Euros 9 million corresponding to the debt service reserve account set up by certain ENDESA renewable energy subsidiaries by virtue of the project finance loans arranged (Euros 9 million at 31 December 2018) (see Note 17.2.3).

14. Equity

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Notes	31 December 2019	31 December 2018
Total equity of the Parent	14.1	**7,688**	**9,037**
Share Capital	14.1.1	1,271	1,271
Share premium	14.1.2	89	89
Legal reserve	14.1.3	254	254
Revaluation reserve	14.1.4	404	404
Other reserves	14.1.5	106	106
Valuation adjustments		59	(67)
Translation differences		1	1
Unrealised valuation adjustments	14.1.6	58	(68)
Reserve for actuarial gains and losses	14.1.7	(821)	(686)
Retained earnings	14.1.8	7,067	8,407
Interim dividend	14.1.9	(741)	(741)
Total equity of non-controlling interests	14.2	**149**	**144**
TOTAL EQUITY		**7,837**	**9,181**

14.1. Equity: Of the Parent

14.1.1. Share capital.

At 31 December 2019, ENDESA, S.A. had share capital of Euros 1,270,502,540.40, represented by 1,058,752,117 shares each with a par value of Euros 1.20, fully subscribed and paid up and all admitted to listing on the Spanish Stock Exchanges. This figure was unchanged in 2019 and 2018.

At 31 December 2019 and 2018, the ENEL Group held 70,101% of the share capital in ENDESA, S.A., through ENEL Iberia, S.L.U. At these dates, no other shareholder held more than 10% of the share capital of ENDESA, S.A.

14.1.2. Share premium

The share premium arises from the Company's corporate restructuring. Article 303 of the Consolidated Text of the Corporate Enterprises Act expressly permits the use of the share premium to increase capital and does not establish any specific restrictions as to its use.

Nonetheless, at 31 December 2019, Euros 43 million of the share premium are restricted to the extent that they are subject to tax assets capitalised in prior years (Euros 46 million at 31 December 2018).

14.1.3. Legal reserve

In accordance with Article 274 of the Consolidated text of the Corporate Enterprises Act, an amount equal to 10% of the profit for the year must be transferred to the legal reserve until such time as this reserve represents at least 20% of the capital.

The legal reserve can be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase. Except for the aforementioned purpose, the legal reserve may not be used to offset losses unless it exceeds 20% of the capital and no other sufficient reserves are available for such purpose.

At 31 December 2019 and 2018, ENDESA, S.A. held the minimum amount stipulated in law for this reserve.

14.1.4. Revaluation reserve

The revaluation reserve is a result of the revaluation of assets made pursuant to Royal Decree-Law 7/1996, of 7 June 1996.

On 1 January 2000, the revalued assets were contributed to the corresponding companies following the corporate restructuring carried out by ENDESA.

The balance of this reserve can be used, tax-free, to offset the accounting loss for the year or accounting losses accumulated from prior years or that could arise in the future, and to increase share capital or unrestricted reserves, and in the latter case, monetary gain has been realised. The gain will be deemed to have been realised when the related revalued assets have been depreciated, transferred or derecognised.

This balance would be taxed if used for any purpose other than that foreseen in Royal Decree Law 7/1996 of 7 June 1996.

At 31 December 2019, Euros 269 million were restricted to the extent that they were subject to tax benefits applied in prior years (Euros 296 million at 31 December 2018).

14.1.5. Other reserves.

At 31 December 2019 and 2018, this heading mainly consisted of the reserve for redeemed capital in the amount of Euros 102 million, in compliance with Article 335 of Spain's Corporate Enterprises Act, which requires companies to post to this reserve an amount equal to the par value of the redeemed shares or of the reduction in their par value, when the reduction is charged to unrestricted profits or reserves by redeeming shares acquired free of charge by the Company. The use of this reserve is subject to the same requirements as set forth for reducing share capital.

14.1.6. Reserve for unrealised revaluation adjustments

Movement in this reserve in 2019 and 2018 was as follows:

Millions of Euros

	31 December 2018	Change in Scope	Change in market value	Allocation to profit and loss	Other transactions with shareholders or owners	31 December 2019
Cash flow hedges	(26)	-	100	28	-	102
Interest rate derivatives	-	-	(18)	4	-	(14)
Exchange rate derivatives	42	-	61	(52)	-	51
Commodities derivatives	(68)	-	57	76	-	65
Companies accounted for using the equity method	(42)	-	(2)	-	-	(44)
TOTAL	**(68)**	**-**	**98**	**28**	**-**	**58**

Millions of Euros

	31 December 2017	Change in Scope	Change in market value	Allocation to profit and loss	Other transactions with shareholders or owners	31 December 2018
Cash flow hedges	(9)	-	41	(58)	-	(26)
Interest rate derivatives	-	-	-	-	-	-
Exchange rate derivatives	(24)	-	62	4	-	42
Commodities derivatives	15	-	(21)	(62)	-	(68)
Companies accounted for using the equity method	(43)	-	1	-	-	(42)
TOTAL	**(52)**	**-**	**42**	**(58)**	**-**	**(68)**

14.1.7. Reserve for actuarial gains and losses.

At 31 December 2019 and 2018, this reserve derives from actuarial gains and losses recognised in equity (see Note 16.1).

14.1.8. Retained earnings

Details of the Company's reserves at 31 December 2019 and 2018 are as follows.

Millions of Euros

	31 December 2019	31 December 2018
Voluntary reserves	703	703
Merger reserve	667	667
Other unrestricted reserves	36	36
Other retained earnings	6,364	7,704
TOTAL	**7,067**	**8,407**

The merger reserve stems from the restructuring of the Company, and its balance at 31 December 2019 amounts to Euros 667 million, Euros 93 million of which are undistributable because they are subject to certain tax benefits (Euros 667 million and Euros 99 million respectively at 31 December 2018).

14.1.9. Dividends

2019

At its meeting held on 26 November 2019, ENDESA S.A.'s Board of Directors agreed to pay its shareholders a gross interim dividend against 2019 profit of Euros 0.70 per share, which gave rise to a pay-out of Euros 741 million on 2 January 2020 (see Note 22). This interim dividend was deducted from the parent's equity at 31 December 2019.

Pursuant to Article 277 of Royal Decree Law 1/2010 of 2 July approving the Consolidated Text of Spain's Corporate Enterprises Act, the provisional liquidity statement of ENDESA, S.A., which shows the existence of sufficient liquidity for the distribution of said dividend is as follows:

Millions of Euros

	From 01 November 2019 to 31 October 2020
Available at start of period	**3,083**
Cash in hand and at banks, and cash equivalents	8
Available loans with group companies	3,075
Increases in cash	**1,693**
Ordinary activities	299
Financial transactions	1,394
Decreases in cash	**(3,266)**
Ordinary activities	(322)
Financial transactions	(2,944)
Available at end of period	**1,510**
Proposed interim dividend on 2019 results	**741**

This amount does not exceed the earnings obtained by ENDESA, S.A. in 2019, less prior years' losses and the amount to be allocated to legal reserves and reserves specified in the bylaws, as well as the estimate of tax to be paid on these earnings.

2018

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

Millions of Euros

	Notes	Approval date	Euros per share, gross	Amount	Payment date
Interim dividend	22	20 November 2018	0.700	741	02 January 2019
Final dividend		12 April 2019	0.727	770	02 July 2019
Total dividend paid against 2018 profit	32.3		**1.427**	**1,511**	

14.1.10. Gains and losses recognised in Other Comprehensive Income

The composition at 31 December 2019 and 2018, and movements in relation to gains and losses recognised in the Other Comprehensive Income are as follows:

Millions of Euros

	Notes	31 December 2018			Changes in 2019					31 December 2019		
		Total	Of the Parent	Of non-controlling interests	Income and expense recognised directly in equity	Amounts transferred to profit and loss and/or investments	Tax Effect	Changes in the consolidation scope	Other transactions with shareholders or owners	Total	Of the Parent	Of non-controlling interests
Items that may be Reclassified to Profit or Loss:		**(68)**	**(68)**	**-**	**133**	**36**	**(43)**	**-**	**-**	**58**	**58**	**-**
Cash flow hedges		(26)	(26)	-	135	36	(43)	-	-	102	102	-
Translation differences		-	-	-	-	-	-	-	-	-	-	-
Companies accounted for using the equity method		(42)	(42)	-	(2)	-	-	-	-	(44)	(44)	-
Other income and expense recognised directly in equity		-	-	-	-	-	-	-	-	-	-	-
Items that cannot be reclassified to profit and loss:		**(686)**	**(686)**	**-**	**(169)**	**-**	**34**	**-**	**-**	**(821)**	**(821)**	**-**
Valuation of financial instruments		-	-	-	**-**	-	-	-	-	-	-	-
Financial assets at Fair Value		-	-	-	**-**	-	-	-	-	-	-	-
Other income / (expense)		-	-	-	**-**	-	-	-	-	-	-	-
Actuarial Gains and Losses and other Adjustments	16.1	(686)	(686)	-	**(169)**	-	34	-	-	(821)	(821)	-
TOTAL		**(754)**	**(754)**	**-**	**(36)**	**36**	**(9)**	**-**	**-**	**(763)**	**(763)**	**-**

Millions of Euros

	Notes	31 December 2017			Changes in 2018					31 December 2018		
		Total	Of the Parent	Of non-controlling interests	Income and expense recognised directly in equity	Amounts transferred to profit and loss and/or investments	Tax Effect	Changes in the consolidation scope	Other transactions with shareholders or owners	Total	Of the Parent	Of non-controlling interests
Items that may be Reclassified to Profit or Loss:		**(53)**	**(53)**	**-**	**56**	**(77)**	**6**	**-**	**-**	**(68)**	**(68)**	**-**
Cash flow hedges		(9)	(9)	-	54	(77)	6	-	-	(26)	(26)	-
Translation differences		(1)	(1)	-	1	-	-	-	-	-	-	-
Companies accounted for using the equity method		(43)	(43)	-	1	-	-	-	-	(42)	(42)	-
Other income and expense recognised directly in equity		-	-	-	-	-	-	-	-	-	-	-
Items that cannot be reclassified to profit and loss:		**(657)**	**(657)**	**-**	**(33)**	**-**	**4**	**-**	**-**	**(686)**	**(686)**	**-**
Valuation of financial instruments		-	-	-	-	-	-	-	-	-	-	-
Financial assets at Fair Value		-	-	-	-	-	-	-	-	-	-	-
Other income / (expense)		-	-	-	-	-	-	-	-	-	-	-
Actuarial Gains and Losses and other Adjustments	16.1	(657)	(657)	-	(33)	-	4	-	-	(686)	(686)	-
TOTAL		**(710)**	**(710)**	**-**	**23**	**(77)**	**10**	**-**	**-**	**(754)**	**(754)**	**-**

14.1.11. 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. ENDESA considers its consolidated leverage ratio to be an indicator of its ongoing financial position.

The Parent Company's directors consider that an indicator of its ongoing financial position is its consolidated leverage ratio. Details of this ratio at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Notes	Leverage (%)			
		31 December 2019			31 December 2018
		Without the effect of application of IFRS 16 "Leases"	Impact of application of IFRS 16 Leases (Note 2.1a)	Total	
Net financial debt:		**6,103**	**274**	**6,377**	**5,770**
Non-current financial debt	17.1	5,417	235	5,652	4,975
Current financial debt	17.1	916	39	955	1,046
Cash and Cash Equivalents	13	(223)	-	(223)	(244)
Financial derivatives recognised in Financial Assets	18.3	(7)	-	(7)	(7)
Equity:	**14**	**7,837**	**-**	**7,837**	**9,181**
Of the Parent	14.1	7,688	-	7,688	9,037
Of non-controlling interests	14.2	149	-	149	144
Leverage (%) (1)		**77.87**	**N/A**	**81.37**	**62.85**

(1) Leverage = Net financial debt/equity.

ENDESA uses principles of prudence that are similar to those applied until now in its financing structure by obtaining long-term financing that enables it to adjust its maturity schedule to its capacity to generate cash flow envisaged in the business plan. The Company also has short-term financing that helps optimise the management of its working capital requirements and improve the cost of its debt.

The stabilisation of electricity regulations, as well as a profitability-focused industrial plan, have allowed the Company to propose a dividend policy designed so that its shareholders earn the maximum possible return on their investment without compromising sustainability and the potential for long-term growth.

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 that will allow the aforementioned capital management target to be achieved.

The following dividends were approved and distributed in 2019 and 2018 without negatively affecting the ratio of net financial debt to Equity (see Note 14.1.9):

Millions of Euros

	Notes	Dividends Approved and Paid			
		Approval date	Euros per share, gross	Amount	Payment date
Interim dividend	22	20 November 2018	0.700	741	02 January 2019
Final dividend		12 April 2019	0.727	770	02 July 2019
Total dividend paid against 2018 profit	**32.3**		**1.427**	**1,511**	
Interim dividend		21 November 2017	0.700	741	02 January 2018
Final dividend		23 April 2018	0.682	722	02 July 2018
Total dividend paid against 2017 profit	**32.3**		**1.382**	**1,463**	

ENDESA's long-term ratings assigned by credit rating agencies at the respective dates of issue of the Consolidated Financial Statements for the years ended 31 December 2019 and 2018, reflecting investment grade levels, are 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 preparing the Consolidated Financial Statements.

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

14.1.12. Restrictions on the availability of funds and pledges of shares of subsidiaries.

At 31 December 2019, certain ENDESA subsidiaries that operate in the renewable energy business, and which are financed through project finance, contain clauses in their financing agreements that must be complied with before profits can be distributed to shareholders.

At 31 December 2019, financial debt subject to these restrictions totalled Euros 91 million (Euros 103 million at 31 December 2018) (see Notes 6.4, 17.2.3 and 35.1).

14.2. Equity: Of non-controlling interests.

At 31 December 2019 and 2018, the composition and movements of this item of the Consolidated Statement of Financial Position are as follows:

Millions of Euros

	Balance at 31 December 2018	Business combinations	Dividends paid	Profit for the year	Investments or Extensions (1)	Disposals or Reductions	Balance at 31 December 2019
Aguilón 20, S.A.	23	-	(2)	1	-	-	22
Empresa de Alumbrado Eléctrico de Ceuta, S.A.	2	-	-	-	-	-	2
Eólica Valle del Ebro, S.A.	4	-	(1)	1	-	-	4
Explotaciones Eólicas Saso Plano, S.A.	10	-	-	1	-	-	11
Parque Eólico Sierra del Madero, S.A.	19	-	(1)	1	-	-	19
Sociedad Eólica de Andalucía, S.A.	26	-	(2)	2	-	-	26
Other	60	-	(8)	3	10	-	65
TOTAL	**144**	**-**	**(14)**	**9**	**10**	**-**	**149**

(1) They correspond to the contribution of funds from shareholders of Bosa del Ebro, S.L. (Euros 10 million) (see Note 32.3).

Millions of Euros

	Balance at 31 December 2017	Business combinations (Note 5.4)	Dividends paid	Profit for the year	Investments or Extensions (1)	Disposals or reductions (2)	Balance at 31 December 2018
Aguilón 20, S.A.	24	-	(2)	1	-	-	23
Empresa de Alumbrado Eléctrico de Ceuta, S.A.	-	2	-	-	-	-	2
Eólica Valle del Ebro, S.A.	5	-	-	-	-	(1)	4
Explotaciones Eólicas Saso Plano, S.A.	9	-	-	1	-	-	10
Parque Eólico Sierra del Madero, S.A.	18	-	-	1	-	-	19
Sociedad Eólica de Andalucía, S.A.	27	-	(3)	2	-	-	26
Other	54	-	(4)	4	6	-	60
TOTAL	**137**	**2**	**(9)**	**9**	**6**	**(1)**	**144**

(1) They correspond to the contribution of funds from shareholders of Tauste Energía Distribuida, S.L. (Euros 3 million) and Bosa del Ebro, S.L. (Euros 3 million) (see Note 32.3).
(2) Corresponds to the capital reduction of Eólica Valle del Ebro, S.A. (Euros 1 million) (see Note 32.3).

At 31 December 2019 and 2018, the balance of "Equity of non-controlling interests" mainly consisted of the non-controlling interests of the investments held by ENEL Green Power España, S.L.U. (EGPE) for the amount of Euros 142 million and Euros 137 million, respectively.

On 25 March 2019, ENEL Green Power España, S.L.U. (EGPE) completed the purchase of the minority interest in ENEL Green Power Granadilla, S.L.U. (35.0%) which meant a reduction of minority interests of less than Euros 1 million (see Note 2.3.1).

At 31 December 2019 and 2018, the most significant items of the Consolidated Statement of Financial Position, Income Statement and Statement of Cash Flow of the main ENDESA companies with stakes in non-controlling interests used in the preparation of these Consolidated Financial Statements are as follows:

Millions of Euros

	Statement of Financial Position											
	Aguilón 20, S.A.		**Empresa de Alumbrado Eléctrico de Ceuta, S.A.**		**Eólica Valle del Ebro, S.A.**		**Explotaciones Eólicas Saso Plano, S.A.**		**Parque Eólico Sierra del Madero, S.A.**		**Sociedad Eólica de Andalucía, S.A.**	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Non-current assets	95	96	79	83	11	10	34	32	69	69	132	137
Current assets	17	15	20	10	2	2	6	5	14	19	19	16
Total assets	**112**	**111**	**99**	**93**	**13**	**12**	**40**	**37**	**83**	**88**	**151**	**153**
Equity	48	48	71	66	7	9	28	26	44	45	64	70
Non-Current liabilities	58	57	21	20	3	2	8	5	13	10	75	82
Current liabilities	6	6	7	7	3	1	4	6	26	33	12	1
Total equity and liabilities	**112**	**111**	**99**	**93**	**13**	**12**	**40**	**37**	**83**	**88**	**151**	**153**

Millions of Euros

	Income Statement											
	Aguilón 20, S.A.		**Empresa de Alumbrado Eléctrico de Ceuta, S.A.**		**Eólica Valle del Ebro, S.A.**		**Explotaciones Eólicas Saso Plano, S.A.**		**Parque Eólico Sierra del Madero, S.A.**		**Sociedad Eólica de Andalucía, S.A.**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Income	13	13	38	17	3	3	6	5	12	12	20	21
Profit/(loss) before tax	**4**	**4**	**7**	**1**	**1**	**1**	**2**	**2**	**3**	**3**	**8**	**8**
Profit/(loss) from continuing operations	**3**	**3**	**6**	**1**	**1**	**-**	**2**	**2**	**2**	**2**	**6**	**6**
Profit/(loss) after tax from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other comprehensive income	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**
Total comprehensive income	**3**	**3**	**5**	**1**	**1**	**-**	**2**	**2**	**2**	**2**	**7**	**6**

Millions of Euros

	Statement of cash flows											
	Aguilón 20, S.A.		**Empresa de Alumbrado Eléctrico de Ceuta, S.A.**		**Eólica Valle del Ebro, S.A.**		**Explotaciones Eólicas Saso Plano, S.A.**		**Parque Eólico Sierra del Madero, S.A.**		**Sociedad Eólica de Andalucía, S.A.**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net cash flows from operating activities	2	7	11	3	2	-	2	2	5	6	8	9
Net cash flows from investing activities	-	1	-	1	(1)	1	-	1	-	-	-	1
Net cash flows from financing activities	(3)	(8)	(2)	-	(1)	-	(3)	(3)	(11)	-	(12)	(15)

The patrimonial data correspond to the information of the individual companies, with the exception of those relating to Empresa de Alumbrado Eléctrico de Ceuta, S.A. that correspond to its Consolidated Financial Statements

15. Deferred income

At 31 December 2019 and 2018, the composition and movements of this item of the Consolidated Statement of Financial Position are as follows:

Millions of Euros

	Notes	Grants related to assets.	Non-current Liability Contracts with Customers	Total
Balance at 31 December 2017		**315**	**4,415**	**4,730**
Transfer to Current Liabilities of Contracts with Customers	22	**-**	**(157)**	**(157)**
Additions		-	160	160
Changes in consolidation scope	5.4	-	15	15
Allocation to profit and loss	24.2	(18)	-	(18)
Transfers to current and other		(10)	(133)	(143)
Balance at 31 December 2018		**287**	**4,300**	**4,587**
Additions		5	178	183
Changes in consolidation scope		-	-	-
Allocation to profit and loss	24.2	(18)	(13)	(31)
Transfers to current and other		(1)	(162)	(163)
Balance at 31 December 2019		**273**	**4,303**	**4,576**

Capital grants, specifically grants received under the partnership agreements entered into to improve the quality of supply in the electricity distribution network with, inter alia, the Ministry for the Ecological Transition and the Demographic Challenge and analogous bodies of the autonomous regional governments.

Non-Current Liabilities of Contracts with customers mainly consists of the following items:

- Facilities transferred from customers corresponds to the valuation of distribution facilities ceded by customers and the income received from third parties other than official bodies, and income from extension and connection rights necessary to handle requests for new services, or to extend existing ones.

- The Rights for Extension Service related to new installation extensions which the distributor must make in accordance with requested voltage and power, within legally-established limits, which are necessary to allow for new supply and extensions to the existing grid. These are regulated up to and including 2000 by Royal Decree 2949/1982 of 15 October 1982, since 2001 by Royal Decree 1955/2000 of 1 September 2000, and since 2013 by Royal Decree 1048/2013 of 27 December 2013.

16. Non-current provisions.

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Notes	31 December 2019	31 December 2018
Provisions for pensions and other similar provisions (1)	16.1	1,148	989
Provisions for workforce restructuring plans		496	614
Workforce reduction plans	16.2.1	60	78
Contracts suspensions	16.2.2	436	536
Other non-current provisions	16.3	2,042	1,722
TOTAL		**3,686**	**3,325**

(1) Includes post-employment benefits other than pension plans amounting to Euros 876 million at 31 December 2019 (Euros 741 euros at 31 December 2018).

16.1. Provisions for pensions and other similar provisions

The obligations included in the Consolidated Statement of Financial Position in respect of provisions for pensions and similar provisions arise as a result of collective or individual agreements in which a commitment is made by the company to provide a system to supplement that granted by the public system to cover the contingencies of retirement, permanent disability and death.

Pension commitments, both defined benefit and defined contribution, are instrumented basically through pension plans or insurance contracts, except for certain benefits in kind, for which, due to their nature, no externalisation has been carried out and which are covered by the related internal provision.

Gross and net actuarial liabilities

At 31 December 2019 and 2018, the balance included in the Consolidated Statement of Financial Position as a result of the difference between the actuarial liability relating to defined benefit obligations and the market value of plan assets is as follows:

Millions of Euros

	31 December 2019	31 December 2018
Actuarial liability	1,762	1,593
Plan assets	(614)	(604)
Shortfall recognised in respect of actuarial liability (1)	**1,148**	**989**

(1) Includes post-employment benefits other than pension plans amounting to Euros 876 million at 31 December 2019 (Euros 741 euros at 31 December 2018).

A breakdown of net and gross actuarial liabilities and the changes in the market value of assets relating to defined benefit obligations at 31 December 2019 and 2018 is as follows:

Millions of Euros

	Notes	31 December 2019	31 December 2018
Opening net actuarial liability		**989**	**951**
Net interest expense	29	16	15
Service costs in the period	26	12	11
Benefits paid in the period		-	-
Contributions in the period		(46)	(49)
Other movements		8	27
Actuarial (gains) losses arising from changes in demographic assumptions		-	-
Actuarial (gains) losses arising from changes in financial assumptions		178	(22)
Actuarial (gains) losses arising from experience adjustments		22	25
Actuarial return on plan assets excluding interest expense		(31)	30
Changes in consolidation scope	5.4	-	1
Closing net actuarial liability (1)		**1,148**	**989**

(1) Includes post-employment benefits other than pension plans amounting to Euros 876 million at 31 December 2019 (Euros 741 euros at 31 December 2018).

Millions of Euros

	Notes	31 December 2019	31 December 2018
Opening actuarial liability		**1,593**	**1,632**
Financial expense		27	27
Service costs in the period		12	11
Benefits paid in the period		(78)	(108)
Other movements		8	27
Actuarial (gains) losses arising from changes in demographic assumptions		-	-
Actuarial (gains) losses arising from changes in financial assumptions		178	(22)
Actuarial (gains) losses arising from experience adjustments		22	25
Changes in consolidation scope	5.4	-	1
Closing actuarial liability (1)		**1,762**	**1,593**

(1) Includes post-employment benefits other than pension plans amounting to Euros 876 million at 31 December 2019 (Euros 741 euros at 31 December 2018).

Millions of Euros

	31 December 2019	31 December 2018
Initial market value of the plan assets	**604**	**681**
Expected return	11	12
Contributions in the period	46	49
Benefits paid in the period	(78)	(108)
Actuarial (losses) gains	31	(30)
Changes in consolidation scope	-	-
Final market value of the plan assets (1)	**614**	**604**

(1) Does not include post-employment benefits other than pension plans.

Plan assets

The main categories of defined benefit plan assets as a percentage of total assets, at 31 December 2019 and 2018, were as follows:

Percentage (%)

	31 December 2019	31 December 2018
Fixed income assets (1)	51	55
Equities (1)	35	32
Investment property and other	14	13
TOTAL	**100**	**100**

(1) Includes shares and bonds of ENEL Group companies in the amount of Euros 22 million at 31 December 2019 (Euros 19 million at 31 December 2018).

The breakdown of the fair value of fixed income securities by geographical area at 31 December 2019 and 2018 is as follows:

Millions of Euros

Country	31 December 2019	31 December 2018
Spain	81	112
Italy	39	43
Luxembourg	34	22
United States	27	29
Germany	22	21
France	19	24
United Kingdom	16	19
Netherlands	7	8
Belgium	2	1
Other	66	53
TOTAL	**313**	**332**

At 31 December 2019 and 2018, the value of defined benefit plan assets placed in sovereign debt instruments was as follows:

Millions of Euros

Country	31 December 2019	31 December 2018
Spain	52	79
Italy	26	27
France	4	4
Germany	3	2
Other	23	19
TOTAL	**108**	**131**

Shares and fixed income instruments have quoted prices in active markets. The expected return on plan assets was estimated taking into account forecasts for the main fixed income and equity markets and assuming that the various asset classes would have similar weights to those of the preceding year. The average return rate in 2019 was 9.33%, positive (3.24% negative in 2018).

Currently, the investment strategy and risk management are the same for all plan participants, with no correlation strategy between assets and liabilities.

Actuarial assumptions

The assumptions used when calculating the actuarial liability in respect of uninsured defined benefit obligations at 31 December 2019 and 2018 were as follows:

	31 December 2019	31 December 2018
Interest Rate	1.07% - 1.14%	1.72% - 1.75%
Mortality Tables	PERM/F2000	PERM/F2000
Expected return on plan assets	1.09%	1.75%
Salary increase (1)	2.00%	2.00%
Increase in the cost of health care	3.20%	3.20%

(1) Benchmark percentage for estimating salary increases.

The interest rate applied to discount the commitments is obtained from a curve constructed using the yields on corporate bond issues by companies with an "AA" credit rating and based on the estimated term over which the obligations deriving from each commitment will be settled.

Other information.

ENDESA's pension plans are administered in accordance with the general restrictions on management and risk assumption in the respective laws and regulations in force and applicable in Spain.

At present, the pension fund which manages the pension schemes promoted by ENDESA companies assumes the risks that are inherent in the assets in which it is invested, which are mainly:

- Risks of investment in fixed income assets arising from interest rate variations and the credit risk of the portfolio shares.
- Risks of investment in equities arising from the potential impact of volatility (changes) in the prices of the related assets, which is greater than that of fixed income.
- Risks of investment in derivative financial instruments arising in accordance with the degree of related leverage, making them especially vulnerable to changes in the prices of the underlying assets (benchmark asset).
- Investment in assets denominated in currencies other than the euro, which are subject to additional risk relating to changes in exchange rates.
- Investments in non-tradable assets, made in less efficient markets with scant liquidity, pose measurement risks arising from the approaches used and the lack of market prices for comparison.

At 31 December 2019 the weighted average duration, calculated based on probable flows of the obligation, was 16.5 years (16.1 years at 31 December 2018), and the calendar for payments of defined benefit obligations is as follows:

Millions of Euros

	31 December 2019	31 December 2018
Year 1	50	48
Year 2	54	52
Year 3	58	55
Year 4	60	59
Year 5	63	62
From Year 5 on	1,827	1,869
TOTAL	**2,112**	**2,145**

The classification of defined benefit plan assets measured at fair value by fair value hierarchy at 31 December 2019 and 2018 is as follows:

Millions of Euros

	31 December 2019				31 December 2018			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Defined benefit plan assets	614	522	51	41	604	536	53	15

The valuation of assets classified as Level 3 is determined based on valuation reports prepared by the corresponding management company.

In 2019 and 2018, amounts recognised for defined benefit and defined contribution pension obligations in the Consolidated Income Statement, are as follows:

Millions of Euros

	Notes	2019	2018
Plan assets		**(28)**	**(44)**
Current cost during the year (1)	26	(12)	(11)
Net finance costs	29	(16)	(15)
Other current costs during the year	26	-	(18)
Defined contribution		**(48)**	**(55)**
Current cost during the year (2)	26	(48)	(55)
TOTAL		**(76)**	**(99)**

(1) In 2019, it includes Euros 6 million of current cost relating to employees opting to take early retirement, which had been recognised previously under provisions for workforce restructuring and was transferred during the year to Provisions for Pensions and other Similar Provisions (Euros 7 million in 2018).
(2) In 2019 and 2018, Euros 30 million and Euros 34 million were also contributed, respectively, which had been previously included under provisions for workforce restructuring plans.

In 2019 and 2018, amounts recognised for defined benefit pension obligations under Other Comprehensive Income were as follows:

Millions of Euros

	Notes	2019	2018
Actuarial return on plan assets excluding interest expense		31	(30)
Actuarial gains and losses		(200)	(3)
TOTAL	14.1.10	**(169)**	**(33)**

At 31 December 2019, according to the best available estimate, the contributions planned to meet the defined benefit plans in the year 2020 will amount to approximately Euros 17 million (Euros 20 million at 31 December 2018, to meet the defined benefit plans in 2019).

Sensitivity analysis.

At 31 December 2019 and 2018, the sensitivity of the value of the actuarial liability for pensions to fluctuations in the main actuarial assumptions, with the other variables remaining constant, is as follows:

Millions of Euros

Assumption	31 December 2019	31 December 2018
50 bps decrease in the interest rate	153	132
50 bps increase in the interest rate	(135)	(117)
50 bps decrease in the Consumer Price Index (CPI) (1)	(82)	(67)
50 bps increase in the Consumer Price Index (CPI) (1)	91	75
1% increase in healthcare costs	2	2
1 year increase in the life expectancy of working and retired employees	62	50

(1) Benchmark percentage for estimating salary increases.

16.2. Provisions for workforce restructuring plans.

The obligations included in the Consolidated Statement of Financial Position as provisions for workforce restructuring plans arise as a result of collective or individual agreements in which a commitment is made by the company to provide a regime complementary to that granted by the public system to cover the situation of termination or suspension of the employment relationship by agreement between the parties.

16.2.1. Workforce reduction plans

At 31 December 2019 there were basically 3 types of plans in force (Voluntary Departure Plan 2000, Mining Plans 2006-2012 and Mining Plan 2016) affecting a total of 834 people, all of whom were taking early retirement (4 types of plans in force at 31 December 2018, including the Redundancy Proceedings prior to 1999, affecting a total of 974 people, all of whom were taking early retirement).

Movements in this non-current provision in 2019 and 2018 were as follows:

Millions of Euros

	Notes	2019	2018
Opening balance		**78**	**120**
Amounts charged to profit and loss		**6**	**2**
Personnel Expenses	26	1	2
Net financial profit/(loss)	29	5	-
Transfers to current and other		**(24)**	**(44)**
Closing balance		**60**	**78**

At 31 December 2019, the Current provisions heading of the Consolidated Statement of Financial Position included Euros 57 million of provisions for workforce reductions plans (Euros 65 million at 31 December 2018) (see Note 23).

Actuarial assumptions

The assumptions used in the actuarial calculation of the obligations arising under these workforce reduction plans at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Interest Rate	0.27%	0.78%
CPI	2.00%	2.00%
Mortality Tables	PERM/F 2000	PERM/F 2000

Sensitivity analysis.

At 31 December 2019 and 2018, the sensitivity of the value of the actuarial liability for restructuring plans to fluctuations in the main actuarial assumptions, with the other variables remaining constant, is as follows:

Millions of Euros

Assumption	31 December 2019		31 December 2018	
	50 bps increase	50 bps decrease	50 bps increase	50 bps decrease
Interest Rate	(3)	3	(4)	5
CPI (1)	1	(1)	2	(1)

(1) Benchmark percentage for estimating salary increases.

16.2.2. Agreement on voluntary suspension or termination of employment contracts 2013-2018

At 31 December 2019 there were 1,413 employees whose contracts had been suspended in application of the “Agreement on Voluntary Measures for Suspension or Termination of Employment Contracts” in the 2013-2018 period of the Guarantee Framework Agreement for ENDESA, S.A. and its electricity subsidiaries” for which ENDESA has undertaken not to exercise the power to request the return to the company (1,423 employees at 31 December 2018) (see Note 38).

This agreement, which expired on 31 December 2018, provided for the possibility of suspending the employment contract of workers over 50 years of age for a period of one year, renewable for annual periods until the date of the worker's ordinary retirement, provided that neither the employee nor the company requested the reincorporation of the worker into the company, in exchange for the receipt of a periodic income during the period of suspension of the contract.

The provision covered the total cost to be assumed by the Company during the period for which, in accordance with the commitments undertaken at 31 December 2019, the Company cannot prevent the employment contract from being suspended.

Movements in this non-current provision in 2019 and 2018 were as follows:

Millions of Euros

	Notes	2019	2018
Opening balance		**536**	**653**
Amounts charged to profit and loss		**13**	**3**
Personnel Expenses	26	(2)	2
Net financial profit/(loss)	29	15	1
Transfers to current and other		**(113)**	**(120)**
Closing balance		**436**	**536**

At 31 December 2019, the Current provisions heading of the Consolidated Statement of Financial Position included Euros 124 million of provisions for workforce reductions plans (Euros 123 million at 31 December 2018) (see Note 23).

Actuarial assumptions

The assumptions used in the actuarial calculation of the obligations arising from the contracts suspension agreement at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Interest Rate	0.27%	0.78%
Future increase in guarantee	2.00%	2.00%
Increase in other items	2.00%	2.00%
Mortality Tables	PERM/F2000	PERM/F2000

Sensitivity analysis.

At 31 December 2019 and 2018, the sensitivity of the value of the actuarial liability for contracts suspensions to fluctuations in the main actuarial assumptions, with the other variables remaining constant, is as follows:

Millions of Euros

Assumption	31 December 2019		31 December 2018	
	50 bps increase	50 bps decrease	50 bps increase	50 bps decrease
Interest Rate	(12)	7	(14)	15
Guarantee and remaining items	10	(10)	13	(12)

16.3. Other provisions.

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Notes	Provisions for litigation, termination benefits and other legal or contractual obligations	Provisions for decommissioning costs	Total
Balance at 31 December 2018		**611**	**1,111**	**1,722**
Operating expenses		66	(13)	53
Charges		106	10	116
Reversals		(40)	(23)	(63)
Net financial profit/(loss)	29	6	7	13
Net provisions charged to property, plant and equipment	6	-	445	445
Payments		(70)	(14)	(84)
Transfers and other		(103)	(4)	(107)
Changes in consolidation scope		-	-	-
Balance at 31 December 2019		**510**	**1,532**	**2,042**

Millions of Euros

	Notes	Provisions for litigation, termination benefits and other legal or contractual obligations	Provisions for decommissioning costs	Total
Balance at 31 December 2017		**701**	**957**	**1,658**
Operating expenses		(62)	(6)	(68)
Charges		39	1	40
Reversals		(101)	(7)	(108)
Net financial profit/(loss)	29	4	10	14
Net provisions charged to property, plant and equipment	6	-	159	159
Payments		(29)	(8)	(37)
Transfers and other		(3)	(2)	(5)
Changes in consolidation scope	5.2	-	1	1
Balance at 31 December 2018		**611**	**1,111**	**1,722**

At 31 December 2019 and 2018, the detail of provisions for decommissioning costs by type of plant is as follows:

Millions of Euros

	Notes	31 December 2019	31 December 2018
Nuclear power plants		640	552
Other plants		790	442
Dismantling of meters		93	97
Decommissioning of mines		9	20
TOTAL	3a and 6	**1,532**	**1,111**

Litigation and arbitration

At the date of authorisation for issue of these Consolidated Financial Statements, the main litigation and arbitration proceedings involving ENDESA companies were as follows:

– Two distinct legal actions are ongoing against ENDESA Distribución Eléctrica, S.L.U. in respect of forest fires in Catalonia. These actions could give rise to an obligation to settle miscellaneous claims for damages of a combined value of around Euros 10 million. In the action relating to the fire in Gargallá (Catalonia), following the ruling handed down by the Supreme Court on 5 April 2019, funds of Euros 23 million were consigned to the court corresponding to the amounts owed to victims that have still not been paid out.

– On 8 May 2008, a decision was made on the motion filed by ENDESA, S.A. at the Spanish Supreme Court to quash a ruling by the Spanish High Court rendering null and void the Order of 29 October 2002 regulating the competition transition costs (CTC) for 2001, passed in the appeal for judicial review no. 825/2002 filed by Iberdrola, S.A. The Supreme Court dismissed ENDESA, S.A.'s motion to quash the ruling from the High Court. Implementation of this decision is not expected to have any material economic effect for ENDESA, S.A., among other reasons because the ruling did not mention any possible amounts of competition transition costs, but merely stated that, in view of the total amount of book capital gains obtained by ENDESA, S.A. from the sale of Electra de Viesgo, S.L., there would be some capital gains in relation to the competition transition costs, but neither this ruling nor the Supreme Court appeal ruling stated any amount on which calculation of the potential impact on ENDESA, S.A. could be based.

– By order of the Ministry of the Environment and Rural and Marine Media (currently Ministry for the Ecological Transition and the Demographic Challenge and Ministry of Agriculture, Fisheries and Food) dated 17 June 2008, ENDESA Generación, S.A.U., harmed by its inability to implement the Jánovas dam and the termination of the three hydroelectric facilities associated with this work, was awarded compensation to pay the concession holder for the expenses incurred, including interest at the legal interest rate, for the purpose of which an agreement would be drafted for the full or partial reimbursement of the concession holder the extension of the Cinqueta concession at the Lafortunada plant (which had expired on 12 July 2007). Nonetheless, on 22 December 2017, ENDESA Generación, S.A.U. was informed of the Resolution passed by the Ministry of Agriculture and Fishing, Food and the Environment (currently Ministry for the Ecological Transition and the Demographic Challenge and Ministry of Agriculture, Fisheries and Food) of 18 December 2017, which declared the concession to be extinguished and ordered the Salto de Lafortunada-Cinqueta hydroelectric facility to be reverted to the state. ENDESA Generación, S.A.U. filed a contentious-administrative appeal with the Contentious-Administrative Chamber of the National Court against the Resolution of 18 December 2017, which has been substantiated by all its procedures and is now pending ruling. The precautionary measure to suspend the contested administrative act having been rejected, the delivery of the plant to the Confederación Hidrográfica del Ebro took place on 28 November 2019.

– On 11 May 2009, the Ministry for Energy, Tourism and Digital Agenda (currently Ministry for the Ecological Transition and the Demographic Challenge) issued a Ministerial Order imposing four distinct fines, for a combined value of Euros 15 million, on ENDESA Generación, S.A.U. as the operator of the Ascó I nuclear plant, in connection with a radioactive particle leak in December 2007, on the basis that the company had committed four serious violations contrary to the Nuclear Energy Act, Law 25/1964 of 29 April 1964. This Order was appealed against before the High Court, and on 1 December 2009 it ruled to stay the execution of the decision under challenge. ENDESA paid into court a bank guarantee covering the value of the fine. At the date of authorisation of these Consolidated Financial Statements, the Spanish High Court has suspended the appeal proceedings under its ruling of 6 April 2011, for as long as the decision on the criminal proceedings 111/2011 remain pending at the Court of First Instance no. 1 in Gandesa (Tarragona). In addition, the Director General of Energy Policy and Mines imposed two fines of a combined value of Euros 90 thousand for minor infringements relating to the same incidents. These fines were contested in administrative proceedings, and later in judicial review and with respect to which a) on the Euros 15 thousand appealed against before the Central Judicial Review Court, a Judgement was handed down on 3 July 2012, dismissing the appeal and the penalty was paid, and b) the penalty of Euros 75 thousand was appealed against before the Madrid High Court of Justice, through the judicial review number 189/2010, and the procedure was suspended by the Order of 16 July 2012, due to the existing criminal proceedings. As for the criminal proceedings, by Order of 25 May 2018, of the Court of Gandesa, the Preliminary Investigation in Summary Proceedings are transformed for transfer to the Prosecutor and accusations of the scope of the accusation and they request oral judgement (or dismissal) in 5 days, or exceptionally additional proceedings. It alludes to the complexity of the huge volume of evidence adduced and the contradictory opinions, which could only be resolved in oral proceedings. On 7 June 2018, Asociación Nuclear Ascó-Vandellós II, A.I.E. lodged an appeal with the Provincial Court of Tarragona. By Diligence of the Provincial Court of Tarragona of 18 October 2019, the hearing was set for deliberation and decision on 25 November 2019. There had been no pronouncement at the date of formulation of these Consolidated Annual Accounts.

- Between December 2014 and the end of the 2014 financial year, ENDESA Generación, S.A.U. was notified of the settlements issued by the Guadalquivir Hydrographic Federation (CHG) regarding reserve power for electricity generation at the Tranco de Beas, Guadalmellato, Guadalen, Bembezar, Iznájar, Guadalmena, Doña Aldonza and Pedro Marín hydroelectric plants in the second half of 2009 and in the years from 2010 to 2015 for reserve energy (Euros 19 million), and for the years 2011 to 2015 for the following items: electricity production fees (Euros 7 million) and free electricity from hydroelectric power plants (Euros 0.5 million). ENDESA Generación, S.A.U. challenged all these settlements before the High Court of Justice of Andalusia, contentious administrative appeals that have been substantiated by all its procedures, all the records of the same pending voting and ruling. Notwithstanding the foregoing, all such settlements have been paid. Subsequently, at the end of 2019, ENDESA Generación, S.A.U. was notified of new settlements for 2016 in respect of the following items: reserve energy (Euros 1 million), electricity production fees (Euros 1 million) and free electricity from hydroelectric power plants (Euros 0.1 million). All these last settlements for the year 2016 have been paid, without prejudice to their having been challenged in contentious-administrative proceedings before the High Court of Justice of Andalusia. The last pleadings have already been admitted for processing and are pending substantiation.

- The administrative authorisations of the “Peña del Gato” and “Valdesamario” wind farms held by Energías Especiales del Alto Ulla, S.A.U. (100% owned by ENEL Green Power España, S.L.U. (EGPE), were invalidated through Supreme Court Decisions of 13 July 2015 and 5 May 2017 respectively on the grounds that the Environmental Impact Statement had not been processed correctly. For the same reasons, the licences granted by the Municipal Councils of Valdesamario and Riello for the Valdesamario wind farm were also invalidated (Ruling of the High Court of Castilla y León dated 26 June 2017 and Ruling of the Regional Appeal Court of León of 30 May 2017, both finals) in addition to the permits for the farm's feed-in infrastructures (Ruling of the Regional Appeal Court of Castilla y León of 13 and 19 March 2018, which were contested before the Supreme Court by its owner, Promociones Energéticas del Bierzo, S.L.U. (100% owned by ENEL Green Power España, S.L.U. (EGPE)), with the Supreme Court having rejected the three appeals filed by the ruling of 20 December 2018 and 31 January 2019) and the approval of the Ponjos electrical substation transformation project (Ruling of the Administrative Court 1 of León of 31 May 2017, contested by Promociones Energéticas del Bierzo, S.L.U. with the appeal pending). Turning to the Peña del Gato wind farm, a fresh administrative authorisation was secured on 8 May 2017 (after re-processing the project, rectifying the defects in the environmental impact report). The facilities were commissioned on 3 January 2018 (14 machines), and the remaining 11 machines on 4 April 2018, after receiving the permit for the occupation of public forest, in line with new administrative requirements. In the ruling on the enforcement, the Regional Appeal Court of Castilla y León has annulled the new administrative authorisation granted by Order of 30 July 2018, on the understanding that it was issued with the purpose of avoiding the ruling of the Regional Appeal Court of 13 July 2015. An appeal for reconsideration was filed against said Order by the Regional Government of Castilla y León and Energías Especiales del Alto Ulla, S.A.U., which was dismissed by Order of 21 December 2018. Energías Especiales del Alto Ulla, S.A.U., has filed an appeal for judicial review before the Supreme Court, which was ruled inadmissible by an order of 3 July 2019.

  The Peña del Gato wind farm was forced to suspend operation again in May 2019 as a result of the paralysis of the evacuation infrastructure.

With regard to the Valdesamario wind farm, currently closed, Energías Especiales del Alto Ulla, S.A.U. also requested the re-processing of the administrative authorisation and will ask for the cancelled permits to be re-assessed. With regard to the feed-in infrastructures and Ponjos electric transformer substation, facilities that are also currently closed, Promociones Energéticas del Bierzo, S.L.U. has filed a request with the regional government of Castilla y León to process the award of a new administrative authorisation and declaration of public interest. Additionally, on 16 May 2019, a request was filed with the León Contentious-Administrative Court with regard to the execution of the rulings on the high voltage line and amendments, asking that the infrastructure be allowed to continue to operate while the administrative procedure is being processed by the regional government.

- On 11 January 2016, a lawsuit was received in which the Andalusia regional government claimed an indemnity from Edistribución Redes Digitales, S.L.U. related to damages arising from a fire which was allegedly started by a line located in Paraje Gatuna in Alhama de Almería, which caused the destruction of 3,259 hectares of public and private land considered a danger zone. Euros 35 million were demanded for expenses related to fire extinguishing, environmental damages, and losses arising from burnt products. On 25 April 2018, a judgement was handed down by the Court of First Instance of Almería, partially upholding the claim filed by the Andalusian Regional Government and ordering Edistribución Redes Digitales, S.L.U. to pay Euros 8 million plus legal interest from 4 November 2015, which is when the claim was filed. This Ruling has been appealed by Edistribución Redes Digitales, S.L.U. however, the principal claimed was recognised in the Court.

- The Supreme Court handed down several judgements in the appeals filed by ENDESA, S.A. (and other companies in the electricity sector) against the obligation to finance the Social Bonus established in the former article 45.4 of Law 24/2013, of 26 December 2013, on the Electricity Sector (declared inapplicable as incompatible with Directive 2009/72/EC, of the European Parliament and of the Council, of 13 July 2009, as established in the Supreme Court Judgements of 24 October 2016, 25 October 2016 and 2 November 2016). The Supreme Court recognised the right of ENDESA, S.A. to be compensated for the amounts paid as Social Bonuses, as per the article declared void, ruling that all the amounts paid for this concept plus corresponding legal interest. The authorities submitted applications for nullification of these rulings, but these were dismissed by the Supreme Court. Faced with this rejection, the Administration filed appeals for protection before the Constitutional Court, which ruled in favour of the Administration, obliging the Supreme Court to backtrack the actions of the appeal so that the Supreme Court would present a preliminary question (question prior to issuing a sentence) on the applicability to the case of European Community law. ENDESA, S.A. first presented arguments before the Constitutional Court and then before the Supreme Court arguing that the Supreme Court's rulings have not violated the Administration's right to effective judicial protection without defencelessness and to a process with all guarantees (see Notes 4 and 25.3), so the Supreme Court's annulment decision had not been affected at all and should be ratified. On 17 July 2019, the Supreme Court, in proceedings followed by another company in the sector, notified a Resolution with 2 questions to the European Court. In the argumentation of these questions it maintains that the obligation to finance the Social Bonus is neither proportional nor transparent (article 3.2 of the Electricity Directive) and that for the Supreme Court the matter is clear: it has no doubt of the certainty of its ruling annulling the system of financing the Social Bonus that the Constitutional Court annulled by the appeal for protection. Five magistrates of the Supreme Court have voted that Resolution but one has cast a particular vote against the majority decision, maintaining that the Social Bonus was a proportional and transparent public service obligation. The European Court will now decide, and with its decision the Supreme Court will issue new judgements, including that of ENDESA, S.A.

- In June 2017, the Competition Directorate of the Spanish National Commission on Markets and Competition (CNMC) opened infringement proceedings against ENDESA Energía XXI Comercializadora de Referencia, S.L.U. for a possible breach of article 3 of the Competition Act, Law 15/2007 of 3 July 2007, for using the invoices of customers making use of the Small Consumer Voluntary Price (PVPC) system or the Last Resort Tariff (TUR) to advertise the services offered by the deregulated supplier of ENDESA.

After the processing of the infringement proceedings, the submission of the resolution proposal and the filing of the corresponding allegations by ENDESA Energía XXI Comercializadora de Referencia, S.L.U., on 20 June 2019 the ruling of the National Commission on Markets and Competition (CNMC) was issued, which involved a fine of Euros 5.5 million for an alleged act of unfair competition contrary to article 3 of the Competition Act, Law 15/2007 of 3 July 2007, and article 4 of Law 3/1991 of 10 January 1991 on unfair competition.

According to the National Commission on Markets and Competition (CNMC), ENDESA Energía XXI Comercializadora de Referencia, S.L.U. made use of a privileged channel (invoices issued to customers under the Small Consumer Voluntary Price (PVPC) or the Last Resort Tariff (TUR) systems), which was not accessible to competitors, to advertise deregulated market services to a supposedly vulnerable group i.e. regulated market consumers.

On 31 July 2019, Energía XXI Comercializadora de Referencia, S.L.U. filed a contentious-administrative appeal with the National Court, with a request for precautionary suspension of the execution of the sanctioning Resolution, among other issues, because it considers that (i) the National Commission on Markets and Competition (CNMC) bases its conclusions on mere unproven assumptions, (ii) the conduct of Energía XXI Comercializadora de Referencia, S.L.U. does not meet the necessary requirements to be considered an act contrary to good faith and (iii) it has also not been proven that the imputed conduct had an impact on competition and the public interest that could be sanctioned under Article 3 of Law 15/2007, of 3 July on the Defence of Competition (LDC).

The matter is currently being processed before the National Court.

– On 2 March 2018, the decision of the European Commission of 27 November 2017 in case SA.47.912 (2017/NN), 'environmental incentive for coal-fired power plants', was published in the Official Journal of the European Union. By that decision, the Directorate-General for Competition of the European Commission initiated a formal investigation procedure under Article 108.2 of the Treaty on the Functioning of the European Union in order to determine whether the environmental investment incentive for coal-fired power plants provided for in Order ITC/3860/2007 of 28 December 2007 constitutes State aid compatible with the internal market. According to the wording of the Decision, the European Commission has reached the preliminary conclusion that this incentive constitutes State aid within the meaning of Article 107.1 of the Treaty on the Functioning of the European Union and has doubts as to its compatibility with the internal market.

  On 13 April 2018, ENDESA Generación S.A.U., in its capacity as an interested third party in the procedure, sent a letter of allegations in order to defend that the incentive for environmental investment does not constitute state aid and, alternatively, in the event that the European Commission were to reach the opposite conclusion, that it is compatible with the internal market. Subsequently, in July 2018, Gas Natural SDG, S.A. filed an appeal (T-328/18) before the General Court against the decision of the European Commission to open a formal investigation procedure, the case being currently pending.

– A lawsuit regarding the proceedings initiated by the Inspection in 2017 of ENEL Green Power España, S.L.U. (EGPE) is ongoing in relation to Corporation Tax for the years 2010 to 2013. The main issue under discussion concerns the applicability or otherwise of the tax neutrality regime to the merger of ENEL Green Power España, S.L.U. (EGPE) by absorption of ENEL Unión Fenosa Renovables, S.A. in 2011. On 10 December 2019, a dismissal Resolution was obtained from the Central Economic-Administrative Court on the Corporate Income Tax for 2011 (as regards the position of ENEL Green Power España, S.L.U. (EGPE) as successor to ENEL Unión Fenosa Renovables, S.A.) and it was decided to lodge an appeal with the National Court; the remaining years are pending resolution at the Central Economic-Administrative Court. There is a guarantee covering the suspension of the debt.

– In 2016, the Tax Agency informed ENDESA of the start of proceedings on the consolidated tax group n. 572/10 to which ENDESA, S.A. And its subsidiaries belong regarding corporate income tax for the years 2011 to 2014. In April 2018, notices of disagreement of the consolidated income tax expense group for 2011 to 2014. On 9 July 2018, the final settlement agreements were issued, which were appealed on 27 July 2018 before the Central Economic and Administrative Court and is pending resolution. The items in dispute stem mainly from the difference in criterion applied to the deductibility of dismantling expenses and of certain financial expenses during the period inspected. There is a guarantee covering the suspension of the debt.

– Following a large number of meetings of the "Committee responsible for negotiating ENDESA's V Framework Collective Agreement", starting in October 2017 and continuing throughout 2018, and given that no agreement was reached, the Company's management informed its workers and their representatives that, with effect from 1 January 2019, "IV Framework Collective Agreement of ENDESA" would be considered to have ended, in addition to the "Guarantee Framework Agreement" and the "Agreement on voluntary suspension or termination of employment contracts for 2013-2018", from which date the general collective agreement would apply, in addition to all case law established in this regard.

  The different interpretations by ENDESA and by the trade unions representatives of the effects of terminating "IV Framework Collective Agreement of ENDESA", specifically with regard to the social benefits for former employees, led the trade unions representative in ENDESA's companies to file a collective dispute claim with the Spanish High Court at the beginning of 2019. On 26 March 2019, the Spanish High Court ruled in favour of ENDESA, validating the Company's interpretation that recognizes the legality of the completion of the application of certain social benefits for former employees following the termination of "IV Framework Collective Agreement of ENDESA".

  Although this ruling is fully enforceable, the unions with representation in ENDESA's companies presented in April 2019 an appeal to the Supreme Court against it, to which the company responded by means of a written challenge filed on 19 June 2019. In December 2019, the majority trade union in ENDESA, General Workers Union (UGT), agreed to withdraw the aforementioned Appeal as a result of voluntarily submitting to an arbitration in equity for the resolution of certain aspects relating to the "V Framework Collective Agreement of ENDESA". The appeal to the Supreme Court is therefore continuing at the request of the three applicant minority unions (Comisiones Obreras (CCOO), Sindicato Independiente de la Energía (SIE) and Confederación Intersindical Galega (CIG)) and at the time of issue of these Consolidated Annual Accounts its resolution is pending, with the expectation that it will take place in the second half of 2020.

  In addition to the aforementioned Collective Conflict lawsuit, almost a thousand individual claims have been submitted at the time of issue of these Consolidated Annual Accounts by passive personnel or personnel under the voluntary departures plan (AVS) who claim that the termination of the "IV Framework Collective Agreement of ENDESA" did not affect them in the terms notified by the Company. At the time of issue of these Consolidated Annual Accounts, most of these claims are pending or suspended, since the Collective Conflict lawsuit is pending before the Supreme Court determines the stoppage of the individual proceedings affected by the same matter, in accordance with labour law procedural regulations. Consequently, the result of these individual claims, and of any new ones that could be initiated after the issue of these Consolidated Annual Accounts, will depend to a large extent on the outcome of the appeal filed.

The Directors of the Parent Company consider that the provisions recognised in the Consolidated Financial Statements adequately cover the risks relating to litigation, arbitration and other matters referred to in this Note, and do not expect these issues to give rise to any liability not already provided for.

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

Payments made to settle litigation in 2019 and 2018 came to Euros 60 million and Euros 14 million, respectively.

17. Financial debt

17.1. Current and non-current borrowings.

Details of current and non-current interest-bearing loans and borrowings in the Consolidated Statement of Financial Position at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Notes	31 December 2019				
		Nominal value	Carrying amount			Fair Value
			Non-Current	Current	Total	
Bonds and other negotiable securities		808	20	796	816	816
Owed to credit institutions		2,010	1,943	65	2,008	2,146
Other financial liabilities		3,762	3,669	93	3,762	4,251
Financial Debts Associated with Rights of Use	6.1.1	710	646	64	710	725
Leases in Application of IFRS 16 “Leases”	2.1a and 6.1.1	274	235	39	274	274
Other Leases		436	411	25	436	451
Other		3,052	3,023	29	3,052	3,526
Total borrowings excluding derivatives	**18**	**6,580**	**5,632**	**954**	**6,586**	**7,213**
Derivatives	18.3	900	20	1	21	21
TOTAL		**7,480**	**5,652**	**955**	**6,607**	**7,234**

Millions of Euros

	Notes	31 December 2018				
		Nominal value	Carrying amount			Fair Value
			Non-Current	Current	Total	
Bonds and other negotiable securities		932	19	920	939	939
Owed to credit institutions		1,543	1,488	53	1,541	1,625
Other financial liabilities		3,535	3,462	73	3,535	4,005
Financial Debts Associated with Rights of Use	6.1.1	454	432	22	454	471
Other		3,081	3,030	51	3,081	3,534
Total borrowings excluding derivatives	**18**	**6,010**	**4,969**	**1,046**	**6,015**	**6,569**
Derivatives	18.3	71	6	-	6	6
TOTAL		**6,081**	**4,975**	**1,046**	**6,021**	**6,575**

At 31 December 2019 and 2018, details of the nominal value of financial debt not counting derivatives by maturity were as follows:

Millions of Euros

	Maturity	Carrying amount at 31 December 2019	Fair Value	Nominal value		Maturities					Total Nominal Value
				Current	Non-Current	2021	2022	2023	2024	Subsequent	
Bonds and other negotiable securities		**816**	**816**	**796**	**12**	**-**	**-**	**-**	**-**	**12**	**808**
Fixed rate	2031	20	20	-	12	-	-	-	-	12	12
Floating rate	2020	796	796	796	-	-	-	-	-	-	796
Owed to credit institutions		**2,008**	**2,146**	**65**	**1,945**	**91**	**254**	**190**	**188**	**1,222**	**2,010**
Fixed rate		-	-	-	-	-	-	-	-	-	-
Floating rate	2034	2,008	2,146	65	1,945	91	254	190	188	1,222	2,010
Other financial liabilities		**3,762**	**4,251**	**93**	**3,669**	**78**	**74**	**52**	**3,052**	**413**	**3,762**
Financial Debts Associated with Rights of Use		710	725	64	646	68	66	51	51	410	710
Leases in Application of IFRS 16 “Leases”		274	274	39	235	44	42	27	25	97	274
Fixed rate	2065	274	274	39	235	44	42	27	25	97	274
Floating rate		-	-	-	-	-	-	-	-	-	-
Other Leases		436	451	25	411	24	24	24	26	313	436
Fixed rate	2038	436	451	25	411	24	24	24	26	313	436
Floating rate		-	-	-	-	-	-	-	-	-	-
Other		3,052	3,526	29	3,023	10	8	1	3,001	3	3,052
Fixed rate	2030	3,009	3,481	2	3,007	1	1	1	3,001	3	3,009
Floating rate	2022	43	45	27	16	9	7	-	-	-	43
TOTAL		**6,586**	**7,213**	**954**	**5,626**	**169**	**328**	**242**	**3,240**	**1,647**	**6,580**

Millions of Euros

	Maturity	Carrying amount at 31 December 2018	Fair Value	Nominal value		Maturities					Total Nominal Value
				Current	Non-Current	2020	2021	2022	2023	Subsequent	
Bonds and other negotiable securities		**939**	**939**	**920**	**12**	**-**	**-**	**-**	**-**	**12**	**932**
Fixed rate	2031	19	19	-	12	-	-	-	-	12	12
Floating rate	2019	920	920	920	-	-	-	-	-	-	920
Owed to credit institutions		**1,541**	**1,625**	**53**	**1,490**	**130**	**226**	**147**	**147**	**840**	**1,543**
Fixed rate	2046	-	-	-	-	-	-	-	-	-	-
Floating rate	2029	1,541	1,625	53	1,490	130	226	147	147	840	1,543
Other financial liabilities		3,535	4,005	73	3,462	33	38	25	25	3,341	3,535
Financial Debts Associated with Rights of Use		**454**	**471**	**22**	**432**	**23**	**23**	**24**	**24**	**338**	**454**
Fixed rate	2036	454	471	22	432	23	23	24	24	338	454
Floating rate		-	-	-	-	-	-	-	-	-	-
Other		3,081	3,534	51	3,030	10	15	1	1	3,003	3,081
Fixed rate	2030	3,019	3,470	11	3,008	1	2	1	1	3,003	3,019
Floating rate	2029	62	64	40	22	9	13	-	-	-	62
TOTAL		**6,015**	**6,569**	**1,046**	**4,964**	**163**	**264**	**172**	**172**	**4,193**	**6,010**

At 31 December 2019 and 2018, the breakdown of gross finance debt before derivatives, by currencies, and the impact of currency hedges, was as follows:

Millions of Euros

	31 December 2019							
	Initial debt structure			Effects of debt hedging	Structure of debt subsequent to hedging		Interest Rate	
	Amortised cost	Nominal value	% of total		Amortised cost	% of total	Average interest rate	Effective interest rate
Euros	6,477	6,471	98.3%	-	6,477	98.3%	1.8%	1.8%
U.S. Dollar (USD)	109	109	1.7%	-	109	1.7%	4.1%	4.1%
Other	-	-	0.0%	-	-	0.0%	-	-
TOTAL	**6,586**	**6,580**	**100.0%**	**-**	**6,586**	**100.0%**	**1.8%**	**1.8%**

Millions of Euros

	31 December 2018							
	Initial debt structure			Effects of debt hedging	Structure of debt subsequent to hedging		Interest Rate	
	Amortised cost	Nominal value	% of total		Amortised cost	% of total	Average interest rate	Effective interest rate
Euros	6,015	6,010	100.0%	-	6,015	100.0%	1.9%	1.9%
Other	-	-	0.0%	-	-	0.0%	-	-
TOTAL	**6,015**	**6,010**	**100.0%**	**-**	**6,015**	**100.0%**	**1.9%**	**1.9%**

Movement in the nominal amount of non-current financial debt excluding derivatives in 2019 and 2018 was as follows:

Millions of Euros

	Nominal value at 31 December 2018	Does not create cash flows				Creates cash flows		Nominal value at 31 December 2019
		Adjustments due to Changes in Accounting Policies IFRS 16 (Note 2.1a)	Changes in consolidation scope	Additions/ (Disposals)	Transfers	Repayments and redemptions (Note 32.3)	New borrowings (Note 32.3)	
Bonds and other negotiable securities	12	-	-	-	-	-	-	12
Owed to credit institutions	1,490	-	-	-	(29)	(183)	667	1,945
Other financial liabilities	3,462	159	-	123	(64)	(14)	3	3,669
Financial Debts Associated with Rights of Use	432	159	-	123	(71)	-	3	646
Leases in Application of IFRS 16 “Leases”	-	159	-	123	(47)	-	-	235
Other Leases	432	-	-	-	(24)	-	3	411
Other	3,030	-	-	-	7	(14)	-	3,023
TOTAL	**4,964**	**159**	**-**	**123**	**(93)**	**(197)**	**670**	**5,626**

Millions of Euros

	Nominal value at 31 December 2017	Does not create cash flows			Creates cash flows		Nominal Value at 31 December 2018
		Changes in consolidation scope (Note 5.2)	Additions/ (Disposals)	Transfers	Repayments and redemptions (Note 32.3)	New borrowings (Note 32.3)	
Bonds and other negotiable securities	27	-	-	(15)	-	-	12
Owed to credit institutions	892	104	-	(157)	(55)	706	1,490
Other financial liabilities	3,475	-	-	(27)	(1)	15	3,462
Financial Debts Associated with Rights of Use	452	-	-	(22)	-	2	432
Other	3,023		-	(5)	(1)	13	3,030
TOTAL	**4,394**	**104**	**-**	**(199)**	**(56)**	**721**	**4,964**

Movement in the nominal amount of current financial debt excluding derivatives in 2019 and 2018 was as follows:

Millions of Euros

	Nominal value at 31 December 2018	Does not create cash flows				Creates cash flows		Nominal value at 31 December 2019
		Adjustments due to Changes in Accounting Policies IFRS 16 (Note 2.1a)	Changes in consolidation scope	Additions/ (Disposals)	Transfers	Repayments and redemptions (Note 32.3)	New borrowings (Note 32.3)	
Bonds and other negotiable securities	920	-	-	-	-	(10,972)	10,848	796
Owed to credit institutions	53	-	-	-	28	(49)	33	65
Other financial liabilities	73	27	-	1	66	(118)	44	93
Financial Debts Associated with Rights of Use	22	27	-	1	70	(57)	1	64
Leases in Application of IFRS 16 "Leases"	-	27	-	1	46	(35)	-	39
Other Leases	22	-	-	-	24	(22)	1	25
Other	51	-	-	-	(4)	(61)	43	29
TOTAL	**1,046**	**27**	**-**	**1**	**94**	**(11,139)**	**10,925**	**954**

Millions of Euros

	Nominal value at 31 December 2017	Does not create cash flows			Creates cash flows		Nominal value at 31 December 2018
		Changes in consolidation scope (Note 5.3)	Additions/ (Disposals)	Transfers	Repayments and redemptions (Note 32.3)	New borrowings (Note 32.3)	
Bonds and other negotiable securities	889	-	-	15	(7,406)	7,422	920
Owed to credit institutions	18	12	-	159	(138)	2	53
Other financial liabilities	71	-	-	28	(6,673)	6,647	73
Financial Debts Associated with Rights of Use	23	-	-	22	(24)	1	22
Other	48	-	-	6	(6,649)	6,646	51
TOTAL	**978**	**12**	**-**	**202**	**(14,217)**	**14,071**	**1,046**

The average interest on gross financial debt in 2019 was 1.8% (1.9% in 2018) (see Note 3a.1).

17.2. Other matters.

17.2.1. Liquidity

At 31 December 2019, ENDESA's liquidity amounted to Euros 3,300 million (Euros 3,040 million at 31 December 2018) as detailed below:

Millions of Euros

	Notes	Liquidity	
		31 December 2019	31 December 2018
Cash and Cash Equivalents	13	223	244
Unconditional availability in credit lines (1)	19.4	3,077	2,796
TOTAL		**3,300**	**3,040**

(1) At 31 December 2019 and 2018, Euros 1,000 million corresponded to the available committed and irrevocable credit line arranged with ENEL Finance International, N.V. (See Note 34.1.2).

These undrawn credit lines secure the refinancing of current debt presented in Non-Current Financial Debt in the accompanying Consolidated Statement of Financial Position (see Note 3m), which amounted to Euros 29 million at 31 December 2019 (Euros 11 million at 31 December 2018).

The amount of these credit lines, together with the current assets, provides sufficient coverage of ENDESA's short-term payment obligations (see Note 19.4).

17.2.2. Main financial transactions

The main transactions in 2019 were as follows:

- ENDESA, S.A. extended the credit lines arranged with various financial institutions maturing in March 2022, and increased the limit of several of these, such that the total now stands at Euros 2,125 million.

- In this period, the Euro Commercial Paper (ECP) issuance programme through International ENDESA B.V. was completed and a new Euro Commercial Paper (ECP) issuance programme through ENDESA, S.A. was registered, the outstanding balance of this programme at 31 December 2019 being Euros 796 million and renewal being backed by irrevocable credit lines.

- As part of the financial transaction arranged through a green loan taken out with the European Investment Bank (EIB) in 2018, on 19 March 2019, Euros 335 million was drawn down. This draw down bears a floating interest rate, with a 15-year maturity depreciable as of March 2023 (see Note 32.3).

- ENDESA, S.A. took out a green loan with "Instituto de Crédito Oficial" ("ICO") for Euros 300 million, which was drawn down on 20 May 2019. This draw down bears a variable rate of interest and matures in 12 years, depreciable as of May 2022 (see Note 32.3).

- On 30 June 2019, ENDESA, S.A. signed the extension of the intercompany credit line with ENEL Finance International, N.V., for Euros 1,000 million, extending its maturity to 30 June 2022 (See Note 34.1.2).

- With the entry into force on 1 January 2019 of IFRS 16 "Leases", net financial debt includes a liability recognising the payment obligation for the right-of-use contracts in which ENDESA acts as lessee. The main right-of-use contracts signed by ENDESA are detailed in Note 6.1.

  At 31 December 2019, this financial liability amounted to Euros 274 million (Euros 186 million at 1 January 2019) (see Notes 2.1a and 17.1)

17.2.3. Covenants.

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

At 31 December 2019, ENDESA, S.A. and all but one of its subsidiaries are in compliance with their financial obligations or with any type of obligation that could give rise to early maturity of their financial commitments.

ENDESA's directors do not consider that these clauses affect the current/non-current classification in the Consolidated Statement of Financial Position at 31 December 2019.

Covenants.

The financing agreements of ENDESA, S.A. and International ENDESA B.V., which cover almost all of ENDESA's financing activity in Spain, contain no obligations whereby failure to maintain certain financial ratios would lead to breach of contract and early termination.

Bond issues by International ENDESA, B.V. under its Global Medium Term Notes and bank financing arranged by ENDESA, S.A. contain the following clauses:

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

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

In the case of outstanding bond issues made by International ENDESA B.V. under its Global Medium Term Notes programmes (Euros 12 million outstanding at 31 December 2019 and Euros 27 million at 31 December 2018) these contain:

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

Credit rating clauses.

At 31 December 2019 and 2018, ENDESA, S.A. had entered into financial transactions with the European Investment Bank (EIB) and with the "Instituto de Crédito Oficial" ("ICO") amounting to Euros 1,702 million and Euros 1,100 million, respectively that could require additional guarantees or renegotiation if its credit rating were downgraded to below certain levels.

Clauses related to the change of control.

At 31 December 2019, ENDESA, S.A. had loans and other borrowings from banks and ENEL Finance International, N.V. For an amount equivalent to Euros 5,814 million, with an outstanding debt of Euros 4,814 million, which might have to be repaid early in the event of a change of control over ENDESA, S.A. (Euros 4,560 million at 31 December 2018, with an outstanding debt of Euros 4,225 million).

Clauses related to the assignment of assets.

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

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

The amount of debt affected by these clauses at 31 December 2019 was Euros 1,814 million (Euros 1,225 million at 31 December 2018).

Project financing.

At 31 December 2019, certain ENDESA subsidiaries operating in the renewable energy business and financed through project finance had financial debt of Euros 91 million (Euros 103 million at 31 December 2018) (see Notes 6.4, 14.1.12 and 35.1), which included the following clauses:

- These debts and their associated derivatives with a negative net market value of Euros 3 million might have to be settled early in the event of a change of shareholding control (Euros 6 million at 31 December 2018).

- Pledges of shares granted as assurance of compliance with obligations under contract to financial institutions for the amount of the outstanding financial debt (see Notes 6.4 and 35.1).

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

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

- The obligation to recognise a debt service reserve account (see Note 13).

Clauses related to compliance with ratios.

At 31 December 2019 and 2018, certain ENDESA subsidiaries that operate in the renewable generation business were obliged to comply with specific annual debt servicing coverage ratios (ADSCR). In reference thereto, with the exception of one of those companies in which the Directors are taking the steps necessary to refinance the short-term debt of Euros 1 million, the debt pending payment at 31 December 2019 fulfils these ratios.

17.2.4. Other matters

At 31 December 2019 and 2018, the estimated interest on gross financial debt, considering the interest rates in force on those dates and until maturity, was as follows:

Millions of Euros

Instrument	Total	Interest on Gross financial debt at 31 December 2019					
		2020	2021	2022	2023	2024	Subsequent
Bonds and other negotiable securities	8	-	1	1	1	1	4
Owed to credit institutions	23	4	3	3	2	3	8
Other financial liabilities	703	122	120	117	115	112	117
Financial Debts Associated with Rights of Use	252	31	30	27	25	22	117
Leases in Application of IFRS 16 “Leases”	38	7	6	5	4	3	13
Other Leases	214	24	24	22	21	19	104
Other	451	91	90	90	90	90	-
TOTAL	**734**	**126**	**124**	**121**	**118**	**116**	**129**

Millions of Euros

Instrument	Total	Interest on Gross financial debt at 31 December 2018					
		2019	2020	2021	2022	2023	Subsequent
Bonds and other negotiable securities	10	1	1	1	1	1	5
Owed to credit institutions	14	2	2	2	2	2	4
Other financial liabilities	779	117	115	113	112	110	212
Financial Debts Associated with Rights of Use	241	26	25	24	22	21	123
Other	538	91	90	89	90	89	89
TOTAL	**803**	**120**	**118**	**116**	**115**	**113**	**221**

At 31 December 2019 and 2018, no issues were convertible into Company shares or granted holders privileges or rights that could, in certain cases, make the issues convertible into shares.

18. Financial instruments,

At 31 December 2019 and 2018, the classification of financial instruments in the Consolidated Statement of Financial Position is as follows:

Millions of Euros

	Notes	31 December 2019		31 December 2018	
		Non-Current	Current	Non-Current	Current
Financial asset instruments					
Derivatives	18.3	96	563	90	229
Financial Assets	18.1	812	1,215	768	982
Customers for Sales & Services and other Debtors	12	-	2,483	-	2,479
Cash and Cash Equivalents	13	-	223	-	244
TOTAL	**18.1**	**908**	**4,484**	**858**	**3,934**
Financial liability instruments					
Derivatives	18.3	45	462	96	276
Borrowings	17.1	5,632	954	4,969	1,046
Other liabilities	20	653	-	667	-
Trade Payables and Other Current Liabilities	22	-	5,587	-	5,146
TOTAL	**18.2**	**6,330**	**7,003**	**5,732**	**6,468**

18.1. Classification of non-current and current financial instruments

At 31 December 2019 and 2018, the classification of financial instruments in the Consolidated Statement of Financial Position by category was as follows:

Millions of Euros

	Notes	31 December 2019		31 December 2018	
		Non-Current	Current	Non-Current	Current
Financial assets measured at amortised cost	18.1.1	**807**	**3,921**	**762**	**3,705**
Financial Assets		807	1,215	762	982
Customers for Sales & Services and other Debtors	12	-	2,483	-	2,479
Cash and Cash Equivalents	13	-	223	-	244
Financial assets at fair value with changes through profit and loss		**14**	**400**	**25**	**88**
Equity instruments	18.1.2 and 18.6.1	5	-	6	-
Derivatives not designated as hedging instruments	18.3	9	400	19	88
Financial assets at fair value with changes through Other Comprehensive Income		-	-	**-**	**-**
Hedging derivatives	18.3	**87**	**163**	**71**	**141**
TOTAL		**908**	**4,484**	**858**	**3,934**

Movements in non-current financial assets, without derivatives, in 2019 and 2018 were as follows:

Millions of Euros

	Balance at 31 December 2018	Additions or charges	Disposals, derecognitions or reductions	Valuation adjustments recognised in equity	Transfers and other	Changes in consolidation scope	Balance at 31 December 2019
Loans and receivables	771	291	(18)	-	(207)	-	837
Equity instruments	8	(1)	-	-	1	-	8
Derivatives	-	-	-	-	-	-	-
Impairment losses	(11)	-	-	-	(22)	-	(33)
TOTAL	**768**	**5290**	**(18)**	**-**	**(228)**	**-**	**812**

Millions of Euros

	Balance at 31 December 2017	Adjustments due to changes in accounting policies IFRS 9 (1)	Additions or charges	Disposals, derecognitions or reductions	Valuation adjustments recognised in equity Net profit/(loss)	Transfers and other	Changes in consolidation scope	Balance at 31 December 2018
Loans and receivables	757	(31)	198	(29)	-	(124)	-	771
Equity instruments	7	-	-	-	-	1	-	8
Derivatives	8	(8)	-	-	-	-	-	-
Impairment losses	(3)	(10)	-	-	-	2	-	(11)
TOTAL	**769**	**(49)**	**198**	**(29)**	**-**	**(121)**	**-**	**768**

(1) Correspond to hedging derivatives and derivatives not designated as hedges for accounting purposes amounting to Euros 31 million and Euros 8 million, respectively, which have been reclassified to the category Derivatives or Financial Assets at Fair Value with changes through profit and loss.

Details of non-current financial assets, without derivatives, by maturity at 31 December 2019 and 2018 are as follows:

Millions of Euros

	31 December 2019	31 December 2018
Between 1 and 3 years	248	181
Between 3 and 5 years	14	12
More than five years	550	575
TOTAL	**812**	**768**

18.1.1. Financial assets at amortised cost.

At 31 December 2019 and 2018, details of financial assets at amortised cost, by nature, were as follows:

Millions of Euros

	Notes	31 December 2019		31 December 2018	
		Non-Current	Current	Non-Current	Current
Financial Assets		807	1,215	762	982
Financing of the revenue shortfall from regulated activities in Spain and other regulated remuneration	4	-	389	-	236
Compensation for extra costs in non-mainland generation (TNP)	4	-	561	-	609
Guarantee and deposits		449	-	437	-
Loans to employees		22	9	23	10
Loans to Associated Companies, Joint Ventures and Joint Operation Entities	34.2	65	4	63	4
Remuneration of Distribution Activity	4	224	178	155	83
Remuneration for Renewable Energy Investment	4	-	-	-	1
Other financial assets		77	88	93	50
Valuation adjustments		(30)	(14)	(9)	(11)
Customers for Sales & Services and other Debtors	12	-	2,483	-	2,479
Cash and Cash Equivalents	13	-	223	-	244
TOTAL		**807**	**3,921**	**762**	**3,705**

(1) Includes Euros 1 million euros corresponding to credits to Associates, Joint Ventures and Joint Operating Entities.

The fair value of these financial assets does not differ substantially from their carrying amount.

Factoring transactions were carried out in 2018. The undue balances at 31 December 2018 amounted to Euros 73 million, which were derecognised from the Consolidated Statement of Financial Position. The cost of these transactions was less than Euros 1 million, recognised under "Gains/(Losses) on Disposal of Assets" in the Consolidated Income Statement (see Note 30).

Financing of the revenue shortfall from regulated activities in Spain

On 13 December, 2014, Royal Decree 1054/2014 of 12 December was published in the Official State Gazette (BOE), regulating the procedure for the assignment of collection rights of the electricity system deficit for 2013 and implementing the methodology for calculating the rate at which the collection rights of this deficit and, if applicable, previous negative timing mismatches, will accrue interest (see Note 4).

At 31 December 2019, the amount of the collection right associated with the shortfall for temporary adjustments was Euros 389 million, recognised under "Current Financial Assets" in the Consolidated Statement of Financial Position (Euros 236 million at 31 December 2018).

In 2019 and 2018, the financing of the revenue shortfall from regulated activities in Spain did not accrue interest, since the entirety of the amount pending collection during both years corresponded to transitory variations.

Compensation for extra costs of Non-mainland Territories generation (TNP)

At 31 December 2019 and 2018, in application of the regulation described in Note 4, the amounts recognised amounted to Euros 561 million and Euros 609 million "Current Financial Assets", respectively.

Guarantee deposits

At 31 December 2019 and 2018, Guarantees and Deposits mainly include guarantees and deposits received from customers in Spain at the date of signing contracts in guarantee of electricity supply, and which are also recognised as Other non-current liabilities in the Consolidated Statement of Financial Position, as they have been deposited with the pertinent public administrations in accordance with standards in force in Spain (see Note 20).

Loans to associated companies, joint ventures and joint operation entities.

Details by maturity of non-current and current loans to associates, joint ventures and joint operation entities at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Notes	Balance at 31 December 2019	Current maturity 2020	Non-current maturity					
				2021	2022	2023	2024	Subsequent	Total
In Euros		69	4	-	-	-	-	65 (1)	65
In Foreign currency		-	-	-	-	-	-	-	-
TOTAL	34.2	**69**	**4**	**-**	**-**	**-**	**-**	**65**	**65**

Millions of Euros

	Notes	Balance at 31 December 2018	Current maturity 2019	Non-current maturity					
				2020	2021	2022	2023	Subsequent	Total
In Euros		67	4	3	1	1	3	55	63
In Foreign currency		-	-	-	-	-	-	-	-
TOTAL	34.2	**67**	**4**	**3**	**1**	**1**	**3**	**55**	**63**

These loans accrued interest at an average annual rate of 3.37% in 2019 and 3.40% in 2018.

Remuneration of the distribution activity.

At 31 December 2019, in application of the regulation described in Note 4, the amounts recognised totalled Euros 224 million and Euros 178 million, recognised under Non-current Financial Assets and Current Financial Assets respectively (Euros 155 million and Euros 83 million at 31 December 2018).

Remuneration of investment in Renewable Energies

At 31 December 2019, in application of the regulations described in Note 4, the amounts recognised were Euros 47 million under Other Non-Current Liabilities in the Consolidated Statement of Financial Position (see Note 20) (Euros 28 million and Euros 1 million in Other Non-Current Liabilities and Current Financial Assets, respectively, at 31 December 2018).

Valuation adjustments.

In 2019 and 2018 the changes in the heading Valuation Adjustment of the financial assets, excluding the heading Trade Receivables for Sales and Services and Other Receivables (see Note 12.1) was as follows:

Millions of Euros

	Notes	2019	2018
Opening balance		**20**	**2**
Adjustments due to Changes in Accounting Policies IFRS 9 “Financial Instruments”		-	20
Adjusted opening balance		**20**	**22**
Charges	18.4.1, 28, 29 and 33.2	25	1
Applications	29	(1)	(3)
Closing balance		**44**	**20**

In 2019, as a consequence of the discontinuation of the activity at the Litoral thermal power plant (Almería), an impairment loss of Euros 21 million was recognised corresponding to the compensation to be received by ENDESA Generación, S.A.U. from the Port Authority of Almeria 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.18.1.2.

Financial assets at fair value with changes through profit and loss.

At 31 December 2019 and 2018, this category included equity instruments corresponding to interests in other companies amounting to Euros 5 million and Euros 6 million, respectively.

The individual amounts of the investments recognised under this heading are not significant.

18.1.3. Commitments in respect of financial instruments (assets)

At 31 December 2019, ENDESA had not entered into any agreements that included commitments to make financial investments of a significant amount.

18.2. Classification of non-current and current financial instruments (liabilities)

At 31 December 2019 and 2018, the classification of financial instruments (liabilities) in the Consolidated Statement of Financial Position by category is as follows:

Millions of Euros

	Notes	31 December 2019		31 December 2018	
		Non-Current	Current	Non-Current	Current
Financial liabilities measured at amortised cost	18.2.1	**6,265**	**6,541**	**5,617**	**6,176**
Borrowings	17.1	5,612	954	4,950	1,030
Other liabilities		653	-	667	-
Trade Payables and Other Current Liabilities	22	-	5,587	-	5,146
Financial liabilities at fair value with changes through profit or loss		**28**	**283**	**41**	**180**
Financial Debt (1)	17.1 and 18.6.3	20	-	19	16
Derivatives not designated as hedging instruments	18.3	8	283	22	164
Hedging derivatives	18.3	37	179	74	112
TOTAL		**6,330**	**7,003**	**5,732**	**6,468**

(1) Corresponds in its entirety to financial liabilities that, from the start of the transaction, are underlyings of fair value hedges and are measured at fair value with changes through profit and loss.

18.2.1. Financial liabilities at amortised cost.

At 31 December 2019 and 2018, the details of financial liabilities at amortised cost, by nature, is as follows:

Millions of Euros

	Notes	31 December 2019		31 December 2018	
		Non-Current	Current	Non-Current	Current
Bonds and other negotiable securities	17.1	-	796	-	904
Owed to credit institutions	17.1	1,943	65	1,488	53
Other financial liabilities	17.1	3,669	93	3,462	73
Trade Payables and Other Current Liabilities	22	-	5,587	-	5,146
Other liabilities	20	653	-	667	-
TOTAL		**6,265**	**6,541**	**5,617**	**6,176**

18.3. Derivative financial instruments

Applying the risk management policy described in Note 19, ENDESA mainly uses interest rate, foreign currency and physical transaction hedging derivatives.

ENDESA does not present information on embedded derivatives separately, as the economic characteristics and risks incidental to these derivatives relate closely to the host contracts.

Details of the valuation of derivative financial instruments at 31 December 2019 and 2018 are as follows:

Millions of Euros

	31 December 2019			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Debt derivatives	**7**	**-**	**20**	**1**
Interest rate hedges	7	-	17	-
Cash Flow hedges	-	-	17	-
Fair value hedges	7	-	-	-
Derivatives not designated as hedging instruments	-	-	3	1
Physical transaction derivatives	**89**	**563**	**25**	**460**
Foreign currency hedges	18	55	1	5
Cash flow hedges	18	55	1	5
Price hedges	62	108	19	173
Cash flow hedges	62	108	19	173
Derivatives not designated as hedging instruments	9	400	5	282
Other derivatives	**-**	**-**	**-**	**1**
TOTAL	**96**	**563**	**45**	**462**

Millions of Euros

	31 December 2018			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Debt derivatives	**6**	**1**	**6**	**-**
Interest rate hedges	6	1	-	-
Cash Flow hedges	-	-	-	-
Fair value hedges	6	1	-	-
Derivatives not designated as hedging instruments	-	-	6	-
Physical transaction derivatives	**84**	**227**	**90**	**276**
Foreign currency hedges	14	48	2	7
Cash flow hedges	14	48	2	7
Price hedges	51	91	72	105
Cash flow hedges	51	91	72	105
Derivatives not designated as hedging instruments	19	88	16	164
Other derivatives	**-**	**1**	**-**	**-**
TOTAL	**90**	**229**	**96**	**276**

The breakdown of derivatives contracted, their fair values and maturities at 31 December 2019 and 2018 is as follows:

Millions of Euros

Derivatives	31 December 2019							
	Fair Value	Notional						
		2020	2021	2022	2023	2024	Subsequent	Total
FINANCIAL DERIVATIVES	**(14)**	**34**	**-**	**31**	**-**	**-**	**847**	**912**
Interest rate hedges	**(10)**	**-**	**-**	**-**	**-**	**-**	**847**	**847**
Cash flow hedges	(17)	-	-	-	-	-	835	835
Swaps	(17)	-	-	-	-	-	835	835
Fair value hedges	7	-	-	-	-	-	12	12
Swaps	7	-	-	-	-	-	12	12
Derivatives not designated as hedging instruments	**(4)**	**34**	**-**	**31**	**-**	**-**	**-**	**65**
Swaps	(4)	34	-	31	-	-	-	65
PHYSICAL DERIVATIVES	**166**	**6,065**	**1,577**	**29**	**26**	**16**	**2**	**7,715**
Foreign currency	**65**	**1,589**	**615**	**2**	**-**	**-**	**-**	**2,206**
Designated as hedges	66	1,283	614	2	-	-	-	1,899
Futures	66	1,283	614	2	-	-	-	1,899
Not designated as hedges	(1)	306	1	-	-	-	-	307
Futures	(1)	306	1	-	-	-	-	307
Price	**101**	**4,476**	**962**	**27**	**26**	**16**	**2**	**5,509**
Designated as hedges	(22)	1,754	833	9	9	-	-	2,605
Swaps	(22)	1,754	833	7	9	-	-	2,603
Other	-	-	-	2	-	-	-	2
Not designated as fuel hedges	120	2,072	64	-	-	-	-	2,136
Swaps	125	1,899	64	-	-	-	-	1,963
Other	(5)	173	-	-	-	-	-	173
Not designated as electricity hedges	3	650	65	18	17	16	2	768
Swaps	4	636	64	18	16	16	-	750
Other	(1)	14	1	-	1	-	2	18
TOTAL	**152**	**6,099**	**1,577**	**60**	**26**	**16**	**849**	**8,627**

Millions of Euros

Derivatives	31 December 2018							
	Fair Value	Notional						
		2019	2020	2021	2022	2023	Subsequent	Total
FINANCIAL DERIVATIVES	**1**	**15**	**37**	**-**	**34**	**-**	**12**	**98**
Interest rate hedges	**7**	**15**	**-**	**-**	**-**	**-**	**12**	**27**
Cash flow hedges	-	-	-	-	-	-	-	-
Swaps	-	-	-	-	-	-	-	-
Fair value hedges	7	15	-	-	-	-	12	27
Swaps	7	15	-	-	-	-	12	27
Derivatives not designated as hedging instruments	**(6)**	**-**	**37**	**-**	**34**	**-**	**-**	**71**
Swaps	(6)	-	37	-	34	-	-	71
PHYSICAL DERIVATIVES	**(54)**	**4,647**	**2,259**	**189**	**18**	**14**	**16**	**7,143**
Foreign currency	**50**	**1,319**	**860**	**52**	**2**	**-**	**-**	**2,233**
Designated as hedges	54	1,253	830	52	2	-	-	2,137
Futures	54	1,253	830	52	2	-	-	2,137
Not designated as hedges	(4)	66	30	-	-	-	-	96
Futures	(4)	66	30	-	-	-	-	96
Price	**(104)**	**3,328**	**1,399**	**137**	**16**	**14**	**16**	**4,910**
Designated as hedges	(35)	1,594	1,132	108	-	-	-	2,834
Swaps	(34)	1,594	1,126	108	-	-	-	2,828
Other	(1)	-	6	-	-	-	-	6
Not designated as fuel hedges	(77)	1,214	133	-	-	-	-	1,347
Swaps	(78)	1,089	98	-	-	-	-	1,187
Other	1	125	35	-	-	-	-	160
Not designated as electricity hedges	8	520	134	29	16	14	16	729
Swaps	8	501	133	28	15	14	14	705
Other	-	19	1	1	1	-	2	24
TOTAL	**(53)**	**4,662**	**2,296**	**189**	**52**	**14**	**28**	**7,241**

The notional and/or contractual amounts of the contracts entered into do not reflect the actual risk undertaken by ENDESA, since these amounts only constitute the basis on which the derivative settlement calculations were made.

The amounts recognised in the Consolidated Income Statement in 2019 and 2018 in relation to the derivatives and hedged items of fair value hedges are as follows:

Millions of Euros

	2019		2018	
	Income	Expenses	Income	Expenses
Hedged items	1	1	1	-
Derivatives (1)	1	1	-	1
TOTAL	**2**	**2**	**1**	**1**

(1) Without settlement.

The Consolidated Income Statement did not reflect any amounts in respect of the ineffective portion of cash flow hedges in 2019 and 2018.

In 2019, there were discontinuations in derivatives initially designated as cash flow hedges amounting to Euros 19 million in expenses.

In 2018, there were no discontinuations in derivatives initially designated as cash flow hedges.

18.4. Net gains and losses on non-current and current financial assets and liabilities by category

18.4.1. Net gains and losses on financial assets by category.

The net gains and losses on financial assets by categories at 31 December 2019 and 2018 are as follows:

Millions of Euros

	2019				
	Financial assets measured at amortised cost	Financial assets at fair value with changes through profit and loss	Financial assets at fair value with changes through Other Comprehensive Income	Hedging derivatives	TOTAL
Gains/(losses) in the Consolidated Income Statement	(152) (1)	551 (2)	-	(34)	365
Gains/(losses) recognised in Other Comprehensive Income	-	-	-	171	171
TOTAL	**(152)**	**551**	**-**	**137**	**536**

(1) Corresponds to net impairment losses on accounts receivable (see Notes 12.1, 18.1.1, 28, 29 and 33.2).
(2) Relates to income from changes in energy derivatives and income from derivatives at fair value through profit or loss (see Notes 24.2 and 29).

Millions of Euros

	2018				
	Financial assets measured at amortised cost	Financial assets at fair value with changes through profit and loss	Financial assets at fair value with changes through Other Comprehensive Income	Hedging derivatives	TOTAL
Gains/(losses) in the Consolidated Income Statement	(80) (1)	47	-	78	45
Gains/(losses) recognised in Other Comprehensive Income	-	-	-	(23)	(23)
TOTAL	**(80)**	**47**	**-**	**55**	**22**

(1) Corresponds to net impairment losses on accounts receivable (see Notes 12.1, 28 and 33.2).

18.4.2. Net gains and losses on financial liabilities by category.

The net gains and losses on financial liabilities by categories at 31 December 2019 and 2018 are as follows:

Millions of Euros

	2019			
	Financial liabilities measured at amortised cost	Financial liabilities at fair value with changes through profit or loss	Hedging derivatives	TOTAL
Gains/(losses) in the Consolidated Income Statement	(133) (1)	(654) (2)	(10)	(797)
Gains/(losses) recognised in Other Comprehensive Income	-	-	-	-
TOTAL	**(133)**	**(654)**	**(10)**	**(797)**

(1) Corresponds to financial expenses in respect of debt (see Note 29).
(2) Relates to expenses from changes in energy derivatives (see Notes 25.3).

Millions of Euros

	2018			
	Financial liabilities measured at amortised cost	Financial liabilities at fair value with changes through profit or loss	Hedging derivatives	TOTAL
Gains/(losses) in the Consolidated Income Statement	(129) (1)	(60)	(1)	(190)
Gains/(losses) recognised in Other Comprehensive Income	-	-	-	-
TOTAL	**(129)**	**(60)**	**(1)**	**(190)**

(1) Corresponds to financial expenses in respect of debt (see Note 29).

18.5. Offsetting of non-current and current financial assets and liabilities

The details of non-current and current financial assets and liabilities set off at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Notes	31 December 2019					
		Gross amount of financial assets	Amount set off	Net amount of financial assets presented in the financial statements	Amounts in netting arrangements not set off		Net amount
					Financial instrument	Financial guarantees	
Non-current Financial Assets	18.1	908	-	908	(24)	-	884
Derivatives	18.3	89	-	89	(24)	-	65
Total non-current assets		**908**	**-**	**908**	**(24)**	**-**	**884**
Trade and other receivables (1)	12	3,046	-	3,046	(499)	-	2,547
Trade receivables for sales and services		2,479	-	2,479	(119)	-	2,360
Non-financial Derivatives	18.3	563	-	563	(380)	-	183
Current financial assets	18.1	1,215	-	1,215	-	(40)	1,175
Other financial assets		88	-	88	-	(40)	48
Total current assets		**4,261**	**-**	**4,261**	**(499)**	**(40)**	**3,722**

(1) Does not include balances with Public Administrations.

Millions of Euros

	Notes	31 December 2018					
		Gross amount of financial assets	Amount set off	Net amount of financial assets presented in the financial statements	Amounts in netting arrangements not set off		Net amount
					Financial instrument	Financial guarantees	
Non-current Financial Assets	18.1	858	-	858	(68)	-	790
Derivatives	18.3	84	-	84	(68)	-	16
Total non-current assets		**858**	**-**	**858**	**(68)**	**-**	**790**
Trade and other receivables (1)	12	2,707	-	2,707	(275)	-	2,432
Trade receivables for sales and services		2,578	-	2,578	(110)	-	2,468
Non-financial Derivatives	18.3	228	-	228	(165)	-	63
Current financial assets	18.1	982	-	982	-	(1)	981
Other financial assets		50	-	50	-	(1)	49
Total current assets		**3,689**	**-**	**3,689**	**(275)**	**(1)**	**3,413**

(1) Does not include balances with Public Administrations.

Millions of Euros

	Notes	31 December 2019					
		Gross amount of financial liabilities	Amount set off	Net amount of financial liabilities presented in the financial statements	Amounts in netting arrangements not set off		Net amount
					Financial instrument	Financial guarantees	
Non-current financial debt	17.1	5,652	-	5,652	-	-	5,652
Other financial debts		3,669	-	3,669	-	-	3,669
Other non-current Liabilities	20	678	-	678	(24)	-	654
Non-current derivatives	18.3	25	-	25	(24)	-	1
Total non-current liabilities		**6,330**	**-**	**6,330**	**(24)**	**-**	**6,306**
Trade payables and other current liabilities (1)	22	6,048	-	6,048	(538)	-	5,510
Suppliers and other payables		3,884	-	3,884	(119)	-	3,765
Non-financial Derivatives	18.3	461	-	461	(419)	-	42
Current financial debt	17.1	955	-	955	-	-	955
Total current liabilities		**7,003**	**-**	**7,003**	**(538)**	**-**	**6,465**

(1) Does not include balances with Public Administrations.

Millions of Euros

	Notes	31 December 2018					
		Gross amount of financial liabilities	Amount set off	Net amount of financial liabilities presented in the financial statements	Amounts in netting arrangements not set off		Net amount
					Financial instrument	Financial guarantees	
Non-current financial debt	17.1	4,975	-	4,975	-	-	4,975
Other financial debts		3,462	-	3,462	-	-	3,462
Other non-current Liabilities	20	757	-	757	(65)	-	692
Non-current derivatives	18.3	90	-	90	(65)	-	25
Total non-current liabilities		**5,732**	**-**	**5,732**	**(65)**	**-**	**5,667**
Trade payables and other current liabilities (1)	22	5,422	-	5,422	(270)	-	5,152
Suppliers and other payables		3,644	-	3,644	(110)	-	3,534
Non-financial Derivatives	18.3	276	-	276	(160)	-	116
Current financial debt	17.1	1,046	-	1,046	-	(9)	1,037
Total current liabilities		**6,468**	**-**	**6,468**	**(270)**	**(9)**	**6,189**

(1) Does not include balances with Public Administrations.

18.6. Fair value measurement.

18.6.1. Fair value measurement of categories of financial assets.

The classifications of non-current and current financial assets measured at fair value in the Consolidated Statement of Financial Position by fair value hierarchy level at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Notes	31 December 2019			
		Fair Value	Level 1	Level 2	Level 3
Equity instruments	18.1	5	-	-	5
Debt derivatives	18.3	7	-	7	-
Interest rate hedges		7	-	7	-
Fair value hedges		7	-	7	-
Physical transaction derivatives	18.3	89	4	85	-
Foreign currency hedges		18	-	18	-
Cash flow hedges		18	-	18	-
Price hedges		62	-	62	-
Cash flow hedges		62	-	62	-
Derivatives not designated as hedging instruments	18.1	9	4	5	-
Total non-current assets		**101**	**4**	**92**	**5**
Debt derivatives		-	-	-	-
Interest rate hedges		-	-	-	-
Fair value hedges		-	-	-	-
Physical transaction derivatives	12	563	39	524	-
Foreign currency hedges		55	-	55	-
Cash flow hedges		55	-	55	-
Price hedges		108	11	97	-
Cash flow hedges		108	11	97	-
Derivatives not designated as hedging instruments	18.1	400	28	372	-
Other derivatives		-	-	-	-
Inventories		3	2	1	-
Total current assets		**566**	**41**	**525**	**-**

Millions of Euros

	Notes	31 December 2018			
		Fair Value	Level 1	Level 2	Level 3
Equity instruments	18.1	6	-	-	6
Debt derivatives		6	-	6	-
Interest rate hedges	18.3	6	-	6	-
Fair value hedges		6	-	6	-
Physical transaction derivatives	18.3	84	10	74	-
Foreign currency hedges		14	-	14	-
Cash flow hedges		14	-	14	-
Price hedges		51	1	50	-
Cash flow hedges		51	1	50	-
Derivatives not designated as hedging instruments	18.1	19	9	10	-
Total non-current assets		**96**	**10**	**80**	**6**
Debt derivatives		1	-	1	-
Interest rate hedges		1	-	1	-
Fair value hedges		1	-	1	-
Physical transaction derivatives	12	227	30	197	-
Foreign currency hedges		48	-	48	-
Cash flow hedges		48	-	48	-
Price hedges		91	12	79	-
Cash flow hedges		91	12	79	-
Derivatives not designated as hedging instruments	18.1	88	18	70	-
Other derivatives	12	1	-	1	-
Total current assets		**229**	**30**	**199**	**-**

There were no hierarchy level transfers among these financial assets in 2019 and 2018.

18.6.2. Fair value measurement of categories of assets not measured at fair value

At 31 December 2019 and 2018 the non-current and current assets not measured at fair value in the Consolidated Statement of Financial Position, but disclosed in the notes to these Consolidated Financial Statements by fair value hierarchy level are as follows:

Millions of Euros

	Notes	31 December 2019				31 December 2018			
		Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Investment Property	3b and 7.1	68	-	-	68	69	-	-	69

18.6.3. Fair value measurement of categories of financial liabilities.

The classifications of non-current and current financial liabilities measured at fair value in the Consolidated Statement of Financial Position by fair value hierarchy level at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Notes	31 December 2019			
		Fair Value	Level 1	Level 2	Level 3
Bonds and other negotiable securities	18.2	20	-	20	-
Debt derivatives	17.1 and 18.3	20	-	20	-
Interest rate hedges		17	-	17	-
Cash flow hedges		17	-	17	-
Derivatives not designated as hedging instruments		3	-	3	-
Physical transaction derivatives	18.3	25	2	23	-
Foreign currency hedges		1	-	1	-
Cash flow hedges		1	-	1	-
Price hedges		19	-	19	-
Cash flow hedges		19	-	19	-
Derivatives not designated as hedging instruments		5	2	3	-
Total non-current liabilities		**65**	**2**	**65**	**-**
Bonds and other negotiable securities	18.2	-	-	-	-
Debt derivatives	18.2	1	-	1	-
Derivatives not designated as hedging instruments		1	-	1	-
Physical transaction derivatives	22	460	71	389	-
Foreign currency hedges		5	-	5	-
Cash flow hedges		5	-	5	-
Price hedges		173	32	141	-
Cash flow hedges		173	32	141	-
Derivatives not designated as hedging instruments		282	39	243	-
Other hedges	22	1	-	1	-
Total current liabilities	**18.3**	**462**	**71**	**391**	**-**

Millions of Euros

	Notes	31 December 2018			
		Fair Value	Level 1	Level 2	Level 3
Bonds and other negotiable securities	18.2	19	-	19	-
Debt derivatives	17.1 and 18.3	6	-	6	-
Interest rate hedges		-	-	-	-
Cash flow hedges		-	-	-	-
Derivatives not designated as hedging instruments		6	-	6	-
Physical transaction derivatives	18.3	90	7	83	-
Foreign currency hedges		2	-	2	-
Cash flow hedges		2	-	2	-
Price hedges		72	-	72	-
Cash flow hedges		72	-	72	-
Derivatives not designated as hedging instruments		16	7	9	-
Total non-current liabilities		**115**	**7**	**108**	**-**
Bonds and other negotiable securities	18.2	16	-	16	-
Debt derivatives		-	-	-	-
Derivatives not designated as hedging instruments		-	-	-	-
Physical transaction derivatives	18.3 & 22	276	25	251	-
Foreign currency hedges		7	-	7	-
Cash flow hedges		7	-	7	-
Price hedges		105	8	97	-
Cash flow hedges		105	8	97	-
Derivatives not designated as hedging instruments		164	17	147	-
Other hedges		-	-	-	-
Total current liabilities		**292**	**25**	**267**	**-**

There were no hierarchy level transfers among these financial liabilities in 2019 and 2018.

18.6.4. Fair value measurement of categories of financial liabilities not measured at fair value

The non-current and current financial liabilities not measured at fair value in the Consolidated Statement of Financial Position, but disclosed in the notes to these Consolidated Financial Statements by fair value hierarchy level at 31 December 2019 and 2018 are as follows:

Millions of Euros

	31 December 2019			
	Fair Value	Level 1	Level 2	Level 3
Owed to credit institutions	2,078	-	2,078	-
Fixed rate	-	-	-	-
Floating rate	2,078	-	2,078	-
Other financial liabilities	4,064	-	4,064	-
Financial Debts Associated with Rights of Use	658	-	658	-
Leases in Application of IFRS 16 "Leases"	235	-	235	-
Fixed rate	235	-	235	-
Floating rate	-	-	-	-
Other Leases	423	-	423	-
Fixed rate	423	-	423	-
Floating rate	-	-	-	-
Other	3,406	-	3,406	-
Fixed rate	3,389	-	3,389	-
Floating rate	17	-	17	-
Total non-current liabilities	**6,142**	**-**	**6,142**	**-**
Owed to credit institutions	68	-	68	-
Fixed rate	-	-	-	-
Floating rate	68	-	68	-
Bonds and other negotiable securities	796	-	796	-
Fixed rate	-	-	-	-
Floating rate	796	-	796	-
Other financial liabilities	1875	-	187	-
Financial Debts Associated with Rights of Use	67	-	67	-
Leases in Application of IFRS 16 "Leases"	39	-	39	-
Fixed rate	39	-	39	-
Floating rate	-	-	-	-
Other Leases	28	-	28	-
Fixed rate	28	-	28	-
Floating rate	-	-	-	-
Other	120	-	120	-
Fixed rate	92	-	92	-
Floating rate	28	-	28	-
Total current liabilities	**1,051**	**-**	**1,051**	**-**

Millions of Euros

	31 December 2018			
	Fair Value	Level 1	Level 2	Level 3
Owed to credit institutions	1,607	-	1,607	-
Fixed rate	-	-	-	-
Floating rate	1,607	-	1,607	-
Other financial liabilities	3,837	-	3,837	-
Financial Debts Associated with Rights of Use	446	-	446	-
Fixed rate	446	-	446	-
Floating rate	-	-	-	-
Other	3,391	-	3,391	-
Fixed rate	3,369	-	3,369	-
Floating rate	22	-	22	-
Total non-current liabilities	**5,444**	**-**	**5,444**	**-**
Owed to credit institutions	18	-	18	-
Fixed rate	-	-	-	-
Floating rate	18	-	18	-
Bonds and other negotiable securities	904	-	904	-
Fixed rate	-	-	-	-
Floating rate	904	-	904	-
Other financial liabilities	168	-	168	-
Financial Debts Associated with Rights of Use	25	-	25	-
Fixed rate	25	-	25	-
Floating rate	-	-	-	-
Other	143	-	143	-
Fixed rate	101	-	101	-
Floating rate	42	-	42	-
Total current liabilities	**1,090**	**-**	**1,090**	**-**

19. General risk management and control policy

The activity of ENDESA, S.A. and its Subsidiary Companies (ENDESA) is performed in an environment with various external factors that could affect its transactions and financial performance, thus requiring that exposure to such factors be managed and controlled.

The General Risk Management and Control Policy establishes the basic principles and the general framework for the control and management of risks of all kinds that might affect the attainment of the objectives, ensuring that they are identified, analysed, assessed, managed and controlled systematically and within the levels of risk established.

The General Risk Control and Management Policy seeks to guide and steer the set of strategic, organisational and operational actions that allow the Board of Directors of ENDESA, S.A. to precisely delineate the acceptable level of risk, so that the managers, staff and service functions of the various Business Lines can maximise the Company's profitability, preservation or increase of its Equity and treasury and certainty of level of success, preventing uncertain and future events from having a negative influence on its ability to achievement the company's profitability objectives, its operations, sustainability, resilience or reputation in a sustained manner over time, providing an adequate level of guarantees to shareholders and safeguarding their interests, as well as those of customers and other stakeholders.

The general principles of ENDESA's Risk Management and Control Policy, aimed at controlling and mitigating the possible risks identified, are as follows:

- Existence of a regulatory system, people, means and systems to develop a continual process of identification, quantification and reporting of all relevant risks that may affect the Company.
- Ensure adequate segregation of duties, and coordination mechanisms between different areas and risk control systems.
- The risks must be consistent with the strategy, objectives and core values of ENDESA, ensuring the appropriateness of the risk levels to the objectives and limits set by the Board of Directors.
- Optimisation of risk management and control from a consolidated perspective, prioritising in this regard individual management of each risk.
- Continual assessment of hedging, transference and mitigation mechanisms to guarantee their suitability and the adoption of the best market practices.
- Ongoing study of the laws, rules and regulations in force, including on taxes, to ensure transactions are carried out in accordance with the rules governing the activity.
- Respect and comply with internal regulations, with a particular focus on Corporate Governance and the Code of Ethics, Zero Tolerance Corruption Plan and Principles for the Prevention of Criminal Risks and Anti-Bribery.
- Safety is the number one value at ENDESA the health and safety of the people working in and for ENDESA are a consideration in all its activities.
- Commitment to sustainable development, efficiency and respect for the environment and Human Rights.
- Responsible optimisation of the use of available resources with a view to providing profits to our shareholders in the context of relationships based on the principles of loyalty and transparency.

The general guidelines of the Risk Management and Control Policy are implemented and supplemented by other specific corporate risk policies for each Business Line, as well as by limits established for optimal risk management.

The Internal Control and Risk Management System conforms to a model based on the one hand on an ongoing study of the risk profile, applying current best practices in the energy or benchmark sectors as regards risk management, homogeneous measurement criteria within the same type of risk, segregation of risk managers and controllers, and, on the other hand, on ensuring a link between the risk assumed and the resources needed to operate the businesses, always maintaining an appropriate balance between the risk assumed and the objectives set by the Board of Directors of ENDESA, S.A.

The risk control and management process consists in the identification, evaluation, monitoring and management over time of the various risks, and takes account of the main risks to which the Company is exposed, whether of internal or external origin. The objective of risk management is the performance of the actions aimed at keeping risk levels at optimum levels and in any case within the established limits.

The risk management and control mechanisms are set out in the following notes.

19.1. Interest rate risk

Interest rate fluctuations change the fair value of assets and liabilities bearing interest at fixed rates and the future flows from assets and liabilities indexed to variable interest rates.

The objective of interest rate risk management is to achieve a balanced debt structure that makes it possible to minimise the cost of the debt over several years with reduced Income Statement volatility, through diversification of types of financial assets and liabilities and modifications to the risk exposure profile by arranging derivatives.

The goal of reducing the amount of borrowings subject to interest rate fluctuations is achieved through the use of specific hedging contracts, generally interest rate derivatives. In any case, the structure of the contracts adapts to that of the underlying financial instrument, and never exceeds the maturity of the underlying financial instrument, so that any changes in the fair value or cash flows of these contracts are offset by changes in the fair value or cash flows of the underlying position.

At 31 December 2019 and 2018, the structure of financial risk, factoring in the derivatives arranged, is as follows:

Millions of Euros

	Net position			
	31 December 2019		31 December 2018	
	Before derivatives	After derivatives	Before derivatives	After derivatives
Fixed interest rate	4,618	4,639	3,544	3,550
Floating interest rate	1,745	1,738	2,227	2,220
TOTAL	**6,363**	**6,377**	**5,771**	**5,770**

At 31 December 2019 and 2018, the reference interest rate for the borrowings arranged by ENDESA was mainly Euribor.

The breakdown of interest-rate derivatives at 31 December 2019 and 2018 by designation is as follows:

Millions of Euros

INTEREST RATE DERIVATIVES	31 December 2019					
	Net notional amount	Net fair value	Notional, financial assets	Assets, fair value	Notional, financial liabilities	Liabilities, fair value
Cash flow hedging derivatives						
Interest rate swaps	835	(17)	-	-	835	(17)
Interest rate options	-	-	-	-	-	-
Fair value hedging derivatives						
Interest rate swaps	12	7	12	7	-	-
Interest rate options	-	-	-	-	-	-
Trading derivatives						
Interest rate swaps	65	(4)	-	-	65	(4)
Interest rate options	-	-	-	-	-	-
Total interest rate swaps	**912**	**(14)**	**12**	**7**	**900**	**(21)**
Total interest rate options	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL INTEREST RATE DERIVATIVES	**912**	**(14)**	**12**	**7**	**900**	**(21)**

Millions of Euros

INTEREST RATE DERIVATIVES	31 December 2018					
	Net notional amount	Net fair value	Notional, financial assets	Assets, fair value	Notional, financial liabilities	Liabilities, fair value
Cash flow hedging derivatives						
Interest rate swaps	-	-	-	-	-	-
Interest rate options	-	-	-	-	-	-
Fair value hedging derivatives						
Interest rate swaps	27	7	27	7	-	-
Interest rate options	-	-	-	-	-	-
Trading derivatives						
Interest rate swaps	71	(6)	-	-	71	(6)
Interest rate options	-	-	-	-	-	-
Total interest rate swaps	**98**	**1**	**27**	**7**	**71**	**(6)**
Total interest rate options	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL INTEREST RATE DERIVATIVES	**98**	**1**	**27**	**7**	**71**	**(6)**

The effect of hedging derivatives in the Consolidated Statement of Financial Position, in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income was as follows:

Millions of Euros

	31 December 2019				2019	
	Net notional amount	Assets, fair value	Liabilities, fair value	Carrying Amount of the Hedged Item in the Statement of Financial Position	Changes in the Fair Value of the Hedged Item	Accumulated Amount of the Adjustments to Fair Value Hedges in the Hedged Item
Fair value hedging derivatives						
Interest rate swaps	12	7 (1)	-	12	1	8
Interest rate options	-	-	-	-	-	-
Total fair value hedging derivatives	**12**	**7**	**-**	**12**	**1**	**8**

(1) Included in "Non-current financial assets - Hedging Derivatives" in the accompanying Consolidated Statement of Financial Position.

Millions of Euros

	31 December 2019			2019		
	Net notional amount	Assets, fair value	Liabilities, fair value	Changes in fair value in Other Comprehensive Income	Amount reclassified from the Statement of Comprehensive Income to the Income Statement (3)	Amount reclassified from the Statement of Comprehensive Income to the Income Statement (4)
Cash flow hedging derivatives						
Interest rate swaps	835	-	(17) (1)	(17)	(5) (2)	-
Total cash flow hedging derivatives	**835**	**-**	**(17)**	**(17)**	**(5)**	**-**

(1) Included in "Non-current financial debt - Derivatives" in the Consolidated Statement of Financial Position.
(2) It is included under the heading "Financial Expenses - Financial Expenses on Financial Instruments" of the Consolidated Income Statement.
(3) Amount reclassified from the Income Statement because the hedged item has affected the profit/loss.
(4) Amount reclassified from the Income Statement because the future cash flows are no longer expected to occur.

Millions of Euros

	31 December 2018				2018	
	Net notional amount	Assets, fair value	Liabilities, fair value	Carrying Amount of the Hedged Item in the Statement of Financial Position	Changes in the Fair Value of the Hedged Item	Accumulated Amount of the Adjustments to Fair Value Hedges in the Hedged Item
Fair value hedging derivatives						
Interest rate swaps	27	7 (1)	-	27	-	8
Interest rate options	-	-	-	-	-	-
Total fair value hedging derivatives	**27**	**7**	**-**	**27**	**-**	**8**

(1) Included in "Non-current financial assets - Hedging Derivatives" in the accompanying Consolidated Statement of Financial Position.

At 31 December 2019 and 2018, cash flows projected for the coming years in relation to these derivatives are as follows:

Millions of Euros

Present value (net of accumulated interest)	Stratification of Expected Cash Flows						
	31 December 2019	2020	2021	2022	2023	2024	Subsequent
Cash flow hedging derivatives	(17)	(7)	(7)	(6)	(5)	(3)	(3)
Fair value hedging derivatives	7	1	1	1	-	-	4
Interest rate trading derivatives	(4)	(2)	(1)	(1)	-	-	-

Millions of Euros

Present value (net of accumulated interest)	Stratification of Expected Cash Flows						
	31 December 2018	2019	2020	2021	2022	2023	Subsequent
Cash flow hedging derivatives	-	-	-	-	-	-	-
Fair value hedging derivatives	7	1	1	1	1	1	4
Interest rate trading derivatives	(6)	(3)	(2)	(1)	(1)	-	-

Considering effective cash flow hedges, 69% of debt is protected from interest rate risk at 31 December 2019 (59% at 31 December 2018). Considering fair value hedges too, this percentage was 69% at 31 December 2019 (59% at 31 December 2018).

Sensitivity analysis.

At 31 December 2019 and 2018, the impact of interest-rate fluctuations on the Consolidated Income Statement and Statement of Consolidated Income, other variables remaining constant, is as follows:

Millions of Euros

	Basis points change	31 December 2019		31 December 2018	
		Consolidated Income Statement	Consolidated Statement of Comprehensive Income	Consolidated Income Statement	Consolidated Statement of Comprehensive Income
Finance costs of variable gross borrowings after derivatives					
Interest rate increase	+25	7	-	8	-
Interest rate reduction	-25	(7)	-	(8)	-
Fair value of derivative hedging instruments					
Fair value					
Interest rate increase	+25	-	-	(1)	-
Interest rate reduction	-25	-	-	1	-
Cash flow					
Interest rate increase	+25	-	15	-	-
Interest rate reduction	-25	-	(12)	-	-
Fair value of derivative instruments not designated as hedging					
Interest rate increase	+25	-	-	-	-
Interest rate reduction	-25	-	-	-	-

19.2. Currency risk

Currency risks mainly relate to transactions for the purchase of energy raw materials (especially natural gas and coal) on international markets where the prices of these materials ("commodities") are normally in US dollars. Similarly, ENDESA incurs this risk in the management of debt in foreign currencies, procurements, the payment of insurance premiums, plant maintenance contracts, and dividends.

ENDESA has contracted currency swaps and forward exchange contracts to mitigate its currency risk. ENDESA also strives to balance cash collections and payments for its assets and liabilities in foreign currencies.

The structure of these contracts is adapted to that of the underlying financial instruments, and in particular the term of the contracts never exceeds the maturity of the underlying financial instrument, so that any changes in the fair value or cash flows of these contracts are offset by changes in the fair value or cash flows of the underlying position.

The breakdown of exchange rate derivatives by notional amount and fair value at 31 December 2019 and 2018 is as follows:

Millions of Euros

EXCHANGE RATE DERIVATIVES	31 December 2019					
	Net notional amount	Net fair value	Notional, financial assets	Assets, fair value	Notional, financial liabilities	Liabilities, fair value
Cash flow hedging derivatives						
Futures	1,899	66	1,514	73	385	(7)
Trading derivatives						
Futures	307	(1)	153	4	154	(5)
Total futures	**2,206**	**65**	**1,667**	**77**	**539**	**(12)**
TOTAL EXCHANGE RATE DERIVATIVES	**2,206**	**65**	**1,667**	**77**	**539**	**(12)**

Millions of Euros

EXCHANGE RATE DERIVATIVES	31 December 2018					
	Net notional amount	Net fair value	Notional, financial assets	Assets, fair value	Notional, financial liabilities	Liabilities, fair value
Cash flow hedging derivatives						
Futures	2,137	54	1,530	63	607	(9)
Trading derivatives						
Futures	96	(4)	24	-	72	(4)
Total futures	**2,233**	**50**	**1,554**	**63**	**679**	**(13)**
TOTAL EXCHANGE RATE DERIVATIVES	**2,233**	**50**	**1,554**	**63**	**679**	**(13)**

The effect of hedging derivatives in the Consolidated Statement of Financial Position, in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income was as follows:

Millions of Euros

	31 December 2019			2019		
	Net notional amount	Assets, fair value	Liabilities, fair value	Changes in fair value in Other Comprehensive Income	Amount reclassified from the Statement of Comprehensive Income to the Income Statement (4)	Amount reclassified from the Statement of Comprehensive Income to the Income Statement (5)
Cash flow hedging derivatives						
Futures	1,899	73 (1)	(7) (2)	11	70 (3)	1 (3)
Total cash flow hedging derivatives	**1,899**	**73**	**(7)**	**11**	**70**	**1**

(1) Included in "Trade and other receivables - Hedging derivatives and "Non-Current Financial Assets – Hedging derivatives" in the Consolidated Statement of Financial Position.
(2) Included in "Trade Payables and Other Current Liabilities – Hedging derivatives" and "Other non-current liabilities - Hedging derivatives" in the Consolidated Statement of Financial Position.
(3) Included in "Procurements and services" in the Consolidated Statement of Financial Position.
(4) Amount reclassified from the Income Statement because the hedged item has affected the profit/loss.
(5) Amount reclassified from the Income Statement because the future cash flows are no longer expected to occur.

Millions of Euros

	31 December 2018			2018		
	Net notional amount	Assets, fair value	Liabilities, fair value	Changes in fair value in Other Comprehensive Income	Amount reclassified from the Statement of Comprehensive Income to the Income Statement (4)	Amount reclassified from the Statement of Comprehensive Income to the Income Statement (5)
Cash flow hedging derivatives						
Futures	2,137	63 (1)	(9) (2)	87	(5) (3)	-
Total cash flow hedging derivatives	**2,137**	**63**	**(9)**	**87**	**(5)**	**-**

(1) Included in "Trade and other receivables - Non-financial derivatives" in the Consolidated Statement of Financial Position.
(2) Included in "Other non-current liabilities - Non-financial derivatives" in the Consolidated Statement of Financial Position.
(3) Included in "Procurements and services" in the Consolidated Statement of Financial Position.
(4) Amount reclassified from the Income Statement because the hedged item has affected the profit/loss.
(5) Amount reclassified from the Income Statement because the future cash flows are no longer expected to occur.

At 31 December 2019 and 2018, cash flows projected for the coming years in relation to these derivatives are as follows:

Millions of Euros

Present value (net of accumulated interest)	Stratification of Expected Cash Flows						
	31 December 2019	2020	2021	2022	2023	2024	Subsequent
Cash flow hedging derivatives	66	47	18	-	-	-	-
Exchange rate derivatives - trading	(1)	(1)	-	-	-	-	-

Millions of Euros

Present value (net of accumulated interest)	Stratification of Expected Cash Flows						
	31 December 2018	2019	2020	2021	2022	2023	Subsequent
Cash flow hedging derivatives	54	39	15	1	-	-	-
Exchange rate derivatives - trading	(4)	(3)	(1)	-	-	-	-

At 31 December 2019, long-term debt in foreign currency amounted to Euros 109 million and Cash and Cash Equivalents in foreign currency amounted to Euros 2 million (Euros 2 million of Cash and Cash Equivalent in foreign currency at 31 December 2018) (see Notes 17.1 and 13).

Sensitivity analysis.

At 31 December 2019 and 2018, the pre-tax impact of exchange rate movements of the Euro against the US Dollar (USD) on the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, other variables remaining constant, was as follows.

Millions of Euros

	Percentage variation	31 December 2019		31 December 2018	
		Consolidated Income Statement	Consolidated Statement of Comprehensive Income	Consolidated Income Statement	Consolidated Statement of Comprehensive Income
Fair value of derivative hedging instruments					
Cash flow					
Euro depreciation	10%	-	161	-	171
Euro appreciation	10%	-	(133)	-	(139)
Fair value					
Euro depreciation	10%	-	-	-	-
Euro appreciation	10%	-	-	-	-
Fair value of derivative instruments not designated as hedging instruments					
Euro depreciation	10%	(1)	-	(4)	-
Euro appreciation	10%	1	-	3	-

19.3. Commodity price risk.

The Company is exposed to the risk of fluctuations in energy commodity prices, including carbon dioxide (CO_2) emission rights, mainly through the following:

– Purchases of fuel stocks in the electricity generation process

– Power sale and purchase transactions on domestic and international markets.

Exposure to fluctuations in commodity prices is controlled by monitoring risk to ensure that it remains within the risk appetite as a measure to balance expected returns against assumed risk. These limits are based on expected results with a confidence interval of 95%. Industrial portfolio positions are reviewed monthly on the basis of Profit at Risk, and the trading portfolio is reviewed daily on the basis of Value at Risk.

Individual analyses are also performed on the impact of certain relevant transactions on ENDESA's risk profile and delivery of its predefined limits.

Exposure to this risk in the long term is managed by diversifying contracts, managing the procurements portfolio by reference to indices with a similar or comparable trend to that of the end electricity (generation) or sale (retailing) prices and through regularly renegotiated contractual clauses aimed at maintaining the economic balance of procurements.

In the short and medium term, fluctuations in commodity prices are managed through specific hedges, generally derivatives.

The breakdown of commodity derivatives by notional amount and fair value at 31 December 2019 and 2018 is as follows:

Millions of Euros

COMMODITIES DERIVATIVES	31 December 2019					
	Net notional amount	Net fair value	Notional, financial assets	Assets, fair value	Notional, financial liabilities	Liabilities, fair value
Cash flow hedging derivatives	**2,605**	**(22)**	**1,180**	**170**	**1,425**	**(192)**
Liquid fuel and gas swaps	1,953	27	1,013	152	940	(125)
Coal derivatives	-	-	-	-	-	-
Electricity swaps	649	(49)	167	18	482	(67)
Other physical derivatives	3	-	-	-	3	-
Derivatives not designated as hedging instruments	**2,904**	**123**	**1,522**	**405**	**1,382**	**(282)**
Liquid fuel and gas swaps	1,822	121	988	324	834	(203)
Liquid fuel and gas options	7	-	5	-	2	-
Other liquid fuel and gas derivatives	75	(4)	39	10	36	(14)
Electricity swaps	750	5	392	48	358	(43)
Electricity options	16	(2)	-	-	16	(2)
Other electricity derivatives	2	-	2	-	-	-
Coal swaps	141	5	69	19	72	(14)
Other physical derivatives	91	(2)	27	4	64	(6)
TOTAL COMMODITIES DERIVATIVES	**5,509**	**101**	**2,702**	**575**	**2,807**	**(474)**

Millions of Euros

COMMODITIES DERIVATIVES	31 December 2018					
	Net notional amount	Net fair value	Notional, financial assets	Assets, fair value	Notional, financial liabilities	Liabilities, fair value
Cash flow hedging derivatives	**2,834**	**(35)**	**1,402**	**142**	**1,432**	**(177)**
Liquid fuel and gas swaps	2,341	(37)	1,101	126	1,240	(163)
Coal derivatives	102	(2)	49	2	53	(4)
Electricity swaps	385	5	252	14	133	(9)
Other physical derivatives	6	(1)	-	-	6	(1)
Derivatives not designated as hedging instruments	**2,076**	**(69)**	**940**	**107**	**1,136**	**(176)**
Liquid fuel and gas swaps	1,160	(78)	476	49	684	(127)
Liquid fuel and gas options	-	-	-	-	-	-
Other liquid fuel and gas derivatives	143	-	69	8	74	(8)
Electricity swaps	705	8	369	46	336	(38)
Electricity options	18	-	-	-	18	-
Other electricity derivatives	6	-	4	1	2	(1)
Coal swaps	27	-	9	1	18	(1)
Other physical derivatives	17	1	13	2	4	(1)
TOTAL COMMODITIES DERIVATIVES	**4,910**	**(104)**	**2,342**	**249**	**2,568**	**(353)**

The effect of hedging derivatives in the Consolidated Statement of Financial Position, in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income was as follows:

Millions of Euros

	31 December 2019			2019		
	Net notional amount	Assets, fair value	Liabilities, fair value	Changes in fair value in the Consolidated Statement of Comprehensive Income	Amount reclassified from the Consolidated Statement of Comprehensive Income to the Consolidated Income Statement (5)	Amount reclassified from the Consolidated Statement of Comprehensive Income to the Consolidated Income Statement (6)
Cash flow hedging derivatives						
Liquid fuel and gas derivatives	1,953	152 (1)	(125) (2)	250	(6) (3)	(16) (3)
Coal derivatives	-	-	-	2	(27) (4)	(4) (4)
Electricity derivatives	649	18 (1)	(67) (2)	(76)	(68) (3)	-
Other physical derivatives	3	-	-	1	-	-
Total cash flow hedging derivatives	**2,605**	**170**	**(192)**	**177**	**(101)**	**(20)**

(1) Included in "Trade and other receivables - Hedging derivatives" and “Non-current financial assets – Hedging derivatives” in the Consolidated Statement of Financial Position.
(2) Included in "Trade payables and other current liabilities - Hedging derivatives" and “Other Non-current liabilities – Hedging derivatives” in the Consolidated Statement of Financial Position.
(3) Included in "Income" and "Procurements and services" in the Consolidated Income Statement.
(4) Included in "Procurements and services" in the Consolidated Income Statement.
(5) Amount reclassified from the Income Statement because the hedged item has affected the profit/loss.
(6) Amount reclassified from the Income Statement because the future cash flows are no longer expected to occur.

Millions of Euros

	31 December 2018			2018		
	Net notional amount	Assets, fair value	Liabilities, fair value	Changes in fair value in the Consolidated Statement of Comprehensive Income	Amount reclassified from the Consolidated Statement of Comprehensive Income to the Consolidated Income Statement (5)	Amount reclassified from the Consolidated Statement of Comprehensive Income to the Consolidated Income Statement (6)
Cash flow hedging derivatives						
Liquid fuel and gas derivatives	2,341	126 (1)	(163) (2)	(112)	43 (3)	-
Coal derivatives	102	2 (1)	(4) (2)	(44)	55 (4)	-
Electricity derivatives	385	14 (1)	(9) (2)	47	(16) (3)	-
Other physical derivatives	6	-	(1) (2)	(1)	-	-
Total cash flow hedging derivatives	**2,834**	**142**	**(177)**	**(110)**	**82**	**-**

(1) Included in "Trade and other receivables - Non-financial derivatives" in the Consolidated Statement of Financial Position.
(2) Included in "Trade payables and other current liabilities - Non-financial derivatives" in the Consolidated Statement of Financial Position.
(3) Included in "Income" and "Procurements and services" in the Consolidated Income Statement.
(4) Included in "Procurements and services" in the Consolidated Income Statement.
(5) Amount reclassified from the Income Statement because the hedged item has affected the profit/loss.
(6) Amount reclassified from the Income Statement because the future cash flows are no longer expected to occur.

The breakdown of fair value projected for the coming years in relation to these derivatives at 31 December 2019 and 2018 is as follows:

Millions of Euros

Fair Value	Fair value stratification						
	31 December 2019	2020	2021	2022	2023	2024	Subsequent
Cash flow hedging derivatives							
Electricity derivatives	(49)	(49)	-	-	-	-	-
Coal derivatives	-	-	-	-	-	-	-
Liquid fuel and gas derivatives	27	(16)	42	-	1	-	-
Other physical derivatives	-	-	-	-	-	-	-
Derivatives not designated as hedging instruments							
Electricity derivatives	3	-	-	1	1	1	-
Coal derivatives	5	5	-	-	-	-	-
Liquid fuel and gas derivatives	117	115	2	-	-	-	-
Other physical derivatives	(2)	(2)	-	-	-	-	-

Millions of Euros

Fair Value	Fair value stratification						
	31 December 2018	2019	2020	2021	2022	2023	Subsequent
Cash flow hedging derivatives							
Electricity derivatives	5	4	1	-	-	-	-
Coal derivatives	(2)	(2)	-	-	-	-	-
Liquid fuel and gas derivatives	(37)	(16)	(22)	1	-	-	-
Other physical derivatives	(1)	-	(1)	-	-	-	-
Derivatives not designated as hedging instruments							
Electricity derivatives	8	4	2	-	1	1	-
Coal derivatives	-	-	-	-	-	-	-
Liquid fuel and gas derivatives	(78)	(77)	(1)	-	-	-	-
Other physical derivatives	1	1	-	-	-	-	-

Sensitivity analysis.

Details of the impact on the value of existing commodities derivatives at 31 December 2019 and 2018 of a variation in raw material prices, other variables remaining constant, are as follows:

Millions of Euros

Cash flow hedging derivatives	Fluctuations in commodity prices	31 December 2019		31 December 2018	
		Consolidated Income Statement	Consolidated Statement of Comprehensive Income	Consolidated Income Statement	Consolidated Statement of Comprehensive Income
Electricity derivatives	10%	-	39	-	34
	-10%	-	(39)	-	(33)
Coal derivatives	10%	-	-	-	8
	-10%	-	-	-	(8)
Liquid fuel and gas derivatives	10%	-	4	-	(39)
	-10%	-	(2)	-	39

Millions of Euros

Derivatives not designated as hedging instruments	Fluctuations in commodity prices	31 December 2019 Consolidated Income Statement	31 December 2019 Consolidated Statement of Comprehensive Income	31 December 2018 Consolidated Income Statement	31 December 2018 Consolidated Statement of Comprehensive Income
Electricity derivatives	10%	1	-	8	-
	-10%	5	-	(7)	-
Coal derivatives	10%	1	-	-	-
	-10%	(1)	-	-	-
Liquid fuel and gas derivatives	10%	(6)	-	8	-
	-10%	7	-	(14)	-
Other physical derivatives	10%	-	-	1	-
	-10%	-	-	(1)	-

19.4. Liquidity risk

Liquidity risk may cause difficulties in meeting the obligations associated with financial liabilities, which are settled by provision of cash or other financial assets. Liquidity risk management aims to guarantee a level of liquidity minimising opportunity cost, and to maintain a structure of financial debt on the basis of due dates and sources of finance. In the short term, liquidity risk is mitigated by maintaining a sufficient level of resources available unconditionally, including cash and short-term deposits, available lines of credit and a portfolio of highly liquid assets.

ENDESA’s liquidity policy consists of arranging committed long-term credit lines with both banking entities and ENEL Group companies and financial investments in an amount sufficient to cover projected needs over a given period, based on the status and expectations of the debt and capital markets.

These needs include maturity of net financial debt. Further details of the characteristics and conditions of borrowings and financial derivatives are provided in Notes 17 and 18, respectively.

The cash function is centralised at ENDESA Financiación Filiales, S.A.U., which draws up cash forecasts to ensure it has sufficient cash to meet operational needs, maintaining sufficient levels of availability on its undrawn loans.

At 31 December 2019 and 2018, ENDESA's liquidity was as follows:

Millions of Euros

	Notes	31 December 2019 Current	31 December 2019 Non-Current	31 December 2019 Total	31 December 2018 Current	31 December 2018 Non-Current	31 December 2018 Total
Cash and Cash Equivalents	13	223	-	223	244	-	244
Unconditional undrawn credit lines (1)	17.2.1	20	3,057	3,077	17	2,779	2,796
Liquidity		**243**	**3,057**	**3,300**	**261**	**2,779**	**3,040**

(1) 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 Note 34.1.2).

At 31 December 2019, ENDESA had negative working capital of Euros 2,365 million as a result of its cash management policy. The undrawn amount on the Company's long-term credit lines provides assurance that ENDESA can obtain sufficient financial resources to continue to operate, realise its assets and settle its liabilities for the amounts shown in the Consolidated Statement of Financial Position (see Note 17.2.1).

19.5. Credit risk

Credit risk is generated when a counterparty does not meet its obligations set out in a financial or commercial contract, giving rise to financial losses. ENDESA is exposed to credit risk from its operational and financial activities, including derivatives, deposits with banks, transactions in foreign currency and other financial instruments.

Unexpected changes to the credit rating of a counterparty have an impact on the creditor's position in terms of solvency (non-compliance risk) or changes to market value (spread risk).

ENDESA closely monitors its credit risk, taking additional precautions which include the following, among others:

- Risk analysis, assessment and monitoring of counterparty credit quality

- Establishing contractual clauses guarantee requests or contracting insurance where necessary.

- Exhaustive review of the level of counterparty exposure.

- Counterparty diversification.

Historically, credit risk on trade receivables is limited, given the short period of collection from customers, as supply may be cut off in accordance with the applicable regulations before any significant arrears are accumulated (see Note 12).

At 31 December 2019, overdue debt to third parties totalled Euros 624 million, which represents 14.8 equivalent invoicing days (2018: Euros 751 million and 15.4 equivalent invoicing days, respectively).

ENDESA's policies for managing credit risk on financial assets are as follows:

- ENDESA and its subsidiaries place their cash surpluses with counterparties which are leading entities in the markets in which they operate. At 31 December 2019, the greatest exposure to cash positions held with a counterparty not belonging to the ENEL Group amounted to Euros 25 million (31 December 2018: Euros 24 million).

- Interest-rate and exchange-rate derivatives are arranged with highly solvent entities, whereby at 31 December 2019, 91% of interest rate and exchange rate derivative exposures related to transactions with entities with a credit rating of "A-" or higher (76% at year-end 2018).

- Credit risk associated with financial instruments arranged on commodities is limited. At 31 December 2019, taking market values as a basis, exposure to commodity derivatives was less than Euros 167 million (less then Euros 15 million at 31 December 2018).

- At 31 December 2019, the maximum accumulated credit risk by counterparty arising from interest rate, exchange rate and commodities derivatives was Euros 145 million, and therefore no counterparty accumulated more than 64% of the total credit risk related to financial instruments (31 December 2018: Euros 23 million and 31% of the total, respectively).

At 31 December 2019 and 2018, there were guarantees, letters of guarantee, and pledges received for commercial transactions, as follows:

Millions of Euros

	31 December 2019	31 December 2018
Business to Business (B2B)	218	163
Commodity market counterparties	308	367
TOTAL	**526**	**530**

At 31 December 2019 and 2018, no guarantees, letters of guarantee or pledges had been executed in any significant amounts.

Due dates and expected loss of financial assets

At 31 December 2019 and 2018, the breakdown of trade receivables for sales and services rendered by due dates and expected loss was as follows:

Millions of Euros

	Notes	31 December 2019			31 December 2018		
		Trade receivables for sales and services	Weighted Average of Expected Loss Rates	Value Correction for Expected Losses	Trade receivables for sales and services	Weighted Average of Expected Loss Rates	Value Correction for Expected Losses
Current not yet due		**1,855**	**1.0%**	**18**	**1,954**	**0.1%**	**1**
Due:		**624**	**56.3%**	**351**	**624**	**61.9%**	**386**
Less than three months		134	11.2%	15	108	10.2%	11
Three to six months		74	31.1%	23	68	29.4%	20
Six to twelve months		82	56.1%	46	97	51.5%	50
Over twelve months		334	79.9%	267	351	86.9%	305
TOTAL	12	**2,479**	**14.9%**	**369**	**2,578**	**15.0%**	**387**

At 31 December 2019 and 2018 the breakdown of customer contract assets and expected losses was as follows:

Millions of Euros

	Notes	31 December 2019			31 December 2018		
		Assets from contracts with customers	Weighted Average of Expected Loss Rates	Value Correction for Expected Losses	Assets from contracts with customers	Weighted Average of Expected Loss Rates	Value Correction for Expected Losses
Current not yet due		**15**	6.7%	**1**	12	0.8%	-
TOTAL	12	**15**	**6.7%**	**1**	**12**	**0.8%**	**-**

Analysis of counterparty risk

At 31 December 2019 and 2018, the breakdown of the credit risk of current and non-current financial instruments (assets) which were not due, and which were not trade receivables, was as follows:

Millions of Euros

	Notes	31 December 2019	31 December 2018
Cash and Cash Equivalents	13	**223**	**244**
A+		15	6
A		1	57
A-		105	55
BBB+		28	43
BBB		60	30
BBB-		2	35
BB+		8	10
BB		-	3
B+		-	-
Counterparty without credit rating		4	5
Available-for-sale Financial Assets	18.1.2	**5**	**6**
A-		2	3
BBB+		-	-
Counterparty without credit rating		3	3
Hedging financial derivatives	18.3	**7**	**7**
A+		7	7
A		-	-
Non-financial Derivatives	18.3	**652**	**312**
AAA		31	34
AA-		4	8
A+		11	7
A		11	15
A-		42	31
BBB+		14	190
BBB		26	-
BBB-		5	21
BB+		1	3
BB		7	2
BB-		497	1
B+		1	-
Counterparty without credit rating		2	-
Financial Assets (1)		**2,022**	**1,744**
Financing of the revenue shortfall from regulated activities in Spain	4 and 18.1.1	**389**	**236**
Compensation for extra costs in Non-mainland Territories generation (TNP)	4 and 18.1.1	**561**	**609**
Guarantee and deposits	18.1.1	**449**	**437**
Loans to employees	18.1.1	**31**	**33**
Loans to Associated Companies, Joint Ventures and Joint Operation Entities	18.1.1 and 34.2	**69**	**67**
Remuneration of Distribution Activity	4 and 18.1.1	**402**	**238**
Remuneration for Renewable Energy Investment	4 and 18.1.1	**-**	**1**
Other financial assets	18.1.1	**165**	**143**
Impairment loss		**(44)**	**(20)**
TOTAL		**2,909**	**2,313**

(1) Mainly includes receivables from Public Administrations, as well as from counterparties without a credit rating.

19.6. Concentration risk

ENDESA is exposed to customer and supplier concentration risk in its activity.

Customer concentration risk is managed and minimised by a business strategy with several diversification criteria:

– Types of customer: Large industrial customers, medium-sized companies and residential customers, both private individuals and public authorities;

– Economic activity of customers: Business with customers operating in different sectors; and

– Types of product sold: Electricity, natural gas and other value added products and services.

This strategy ensures that sales to a specific customer do not account for a major portion of ENDESA's economic results.

This risk is controlled by regular monitoring of trade receivable accounts (debts past-due and outstanding) for individuals and groups of companies under joint control.

In its relationships with its main shareholder, ENDESA is exposed to credit risk. In 2019, this risk was not significant, and related mainly to the potential change in commodities hedging contracts which ENDESA has arranged through ENEL Group companies.

At 31 December 2019, receivables from the ten largest customers (business group) accounted for less than 13% of the total, and none of them individually accounted for more than 2.7% at that date (12% and 2.9%, respectively, at 31 December 2018).

ENDESA's current relationships with main industry service suppliers and providers are essential for the development and growth of its business, and may affect its capacity to negotiate contracts with these parties under favourable conditions. Nonetheless, ENDESA's technical and economic rating processes allow it to ensure the quality of services acquired as well as the supplier's financial status, and offer a diversified supplier portfolio in all its purchasing categories, thereby making it possible to replace one in the case of interrupted service, mitigating its supplier concentration risk.

At 31 December 2019, its top 10 suppliers did not represent more than 39.4% of the total (31 December 2018: 25.6%).

20. Other non-current liabilities

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Notes	31 December 2019	31 December 2018
Guarantee and deposits	18.1.1 and 18.2.1	490	487
Derivatives	18.3	25	90
Hedging derivatives		20	74
Derivatives not designated as hedging instruments		5	16
Remuneration for Investment in Renewable Energies	18.1.1 and 18.2.1	47	28
Other payables	18.2.1	116	152
TOTAL		**678**	**757**

21. Deferred tax assets and liabilities.

21.1. Deferred tax assets

At 31 December 2019 and 2018, the origin of the deferred tax assets recognised in both periods is as follows:

Millions of Euros

	31 December 2019	31 December 2018
Deferred tax assets originating from:		
Depreciation and amortisation of property, plant and equipment and intangible assets	503	164
Provisions for pension funds and workforce reduction plans	600	582
Other provisions	231	228
Tax loss carryforwards	25	39
Unused tax credits	26	31
Other	129	114
TOTAL	**1,514**	**1,158**

In 2019 and 2018 the movements in "Deferred Tax Assets" of the Consolidated Statement of Financial Position were as follows:

Millions of Euros

	Deferred Tax Assets				
	Balance at 31 December 2018	(Debit) / credit to profit or loss (Note 31)	(Debit) / credit to equity (Note 31)	Transfers and others	Balance at 31 December 2019
Depreciation and amortisation of property, plant and equipment and intangible assets	164	336	-	3	503
Provisions for pension funds and workforce reduction plans	582	(16)	34	-	600
Other provisions	228	3	-	-	231
Tax loss carryforwards	39	(14)	-	-	25
Unused tax credits	31	(5)	-	-	26
Other	114	28	7	(20)	129
TOTAL	**1,158**	**332**	**41**	**(17)**	**1,514**

Millions of Euros

	Deferred Tax Assets						
	Balance at 31 December 2017	Adjustments due to changes in accounting policies IFRS 9	Inclusion/(Exclusion) of companies (1)	(Debit) / credit to profit or loss (Note 31)	(Debit) / credit to equity (Note 31)	Transfers and other	Balance at 31 December 2018
Depreciation and amortisation of property, plant and equipment and intangible assets	147	-	1	17	-	(1)	164
Provisions for pension funds and workforce reduction plans	598	-	-	(20)	4	-	582
Other provisions	265	-	-	(19)	-	(18)	228
Tax loss carryforwards	36	-	-	3	-	-	39
Unused tax credits	60	-	-	(29)	-	-	31
Other	36	22	7	15	19	15	114
TOTAL	**1,142**	**22**	**8**	**(33)**	**23**	**(4)**	**1,158**

(1) Corresponds to the addition of Parques Eólicos Gestinver, S.L.U. to the consolidation scope. (see Note 5.2).

Recovery of the deferred tax assets depends on the generation of sufficient taxable profits in the future. The Parent Company's directors consider that the projected taxable profits of the various ENDESA companies amply cover the amounts required to recover these assets.

At 31 December 2019 and 2018, there are recognised deferred taxes related to tax losses awaiting recognition amounting to Euros 11 million and Euros 12 million, respectively.

At 31 December 2019, there were deferred tax assets corresponding to tax loss carryforwards susceptible of being offset against future profits in the amount of Euros 25 million (Euros 39 million at 31 December 2018).

At 31 December 2019 and 2018 the breakdown of the deferred tax assets corresponding to unused tax credits available for use against future profits and the year until which they can be utilised were as follows:

Millions of Euros

Year	31 December 2019	31 December 2018
2028	9	9
No limit	17	22
TOTAL	**26**	**31**

21.2. Deferred tax liabilities

At 31 December 2019 and 2018, the origin of the deferred tax liabilities recognised in both periods was as follows:

Millions of Euros

	31 December 2019	31 December 2018
Deferred tax liabilities arising from:		
Accelerated depreciation and amortisation of assets for tax purposes	554	619
Other	533	518
TOTAL	**1,087**	**1,137**

In 2019 and 2018, the movements in "Deferred Tax Liabilities" of the Consolidated Statement of Financial Position were as follows:

Millions of Euros

	Deferred Tax Liabilities				
	Balance at 31 December 2018	Debit / (credit) to profit or loss (Note 31)	Debit / (credit) to equity (Note 31)	Transfers and other	Balance at 31 December 2019
Accelerated depreciation and amortisation of assets for tax purposes	619	(64)	-	(1)	554
Other	518	(20)	50	(15)	533
TOTAL	**1,137**	**(84)**	**50**	**(16)**	**1,087**

Millions of Euros

	Deferred Tax Liabilities						
	Balance at 31 December 2017	Adjustments due to Changes in Accounting Policies IFRS 9 and IFRS 15	Inclusion/(Exclusion) of companies (1)	Debit / (credit) to profit or loss (Note 31)	Debit / (credit) to equity (Note 31)	Transfers and other	Balance at 31 December 2018
Accelerated depreciation and amortisation of assets for tax purposes	649	-	-	(29)	-	(1)	619
Other	448	33	15	12	13	(3)	518
TOTAL	**1,097**	**33**	**15**	**(17)**	**13**	**(4)**	**1,137**

(1) Corresponds to the acquisition of the companies relating to the renewables business (Euros 1 million) and the addition of Parques Eólicos Gestinver, S.L.U. to the consolidation scope. (Euros 9 million) and Empresa de Alumbrado Eléctrico de Ceuta, S.A. (Euros 5 million) (see Notes 2.3.1, 5.1, 5.2 and 5.4).

At 31 December 2019 and 2018, there were no deferred tax liabilities not recognised in the Consolidated Statement of Financial Position associated with investments in subsidiaries, associates and jointly controlled entities where ENDESA can control the reversal of these and it is probable that they will not revert in the foreseeable future.

21.3. Other information.

Offsetting of deferred tax assets and liabilities

At 31 December 2019 and 2018, deferred taxes eligible for offset amounted to Euros 905 million and Euros 883 million, respectively.

Of total deferred tax assets and deferred tax liabilities at 31 December 2019 and 2018, the following may not be set off:

Millions of Euros

	31 December 2019	31 December 2018
Deferred tax assets not eligible for offset	609	275
Deferred tax liabilities not eligible for offset	182	254

Realisation of deferred tax assets and liabilities.

Estimated realisation of deferred tax assets and liabilities recognised in the Consolidated Statement of Financial Position at 31 December 2019 and 2018 is as follows:

Millions of Euros

	31 December 2019	31 December 2018
Deferred Tax Assets	**1,514**	**1,158**
Realisable in one year	254	89
Realisable at more than one year	1,260	1,069
Deferred Tax Liabilities	**1,087**	**1,137**
Realisable in one year	42	29
Realisable at more than one year	1,045	1,108

22. Trade payables and other current liabilities.

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2019 and 2018 are as follows:

Millions of Euros

	Notes	31 December 2019	31 December 2018
Trade Payables and Other Current Liabilities	**18**	**5,587**	**5,146**
Suppliers and other payables		3,884	3,644
Dividend payable	14.1.9, 14/01/2011 & 32.3	747	743
Other payables		689	500
Interest on borrowings associated with rights of use (IFRS 16 Leases)		2	-
Other		687	500
Current liabilities on contracts with customers		267	259
Derivatives	**18.3**	**461**	**276**
Hedging derivatives		179	112
Derivatives not designated as hedging instruments		282	164
Tax liabilities		**886**	**655**
Current income tax		385	159
Value Added Tax (VAT) payable		84	47
Other taxes		417	449
TOTAL		**6,934**	**6,077**

At 31 December 2019 and 2018, "Current Liabilities of Contracts with Customers" includes the current part of the items detailed in Note 15 and the contracts for the execution of works that ENDESA Ingeniería, S.L.U. has entered into with Red Eléctrica de España, S.A.U. (REE).

During 2019 and 2018, the movement of current liabilities of contracts with customers was as follows:

Millions of Euros

	Notes	2019	2018
Opening balance		**259**	**97**
Transfer from Non-current Liabilities of Contracts with Customers	15	-	157
Allocation to profit and loss	24.2	(158)	(157)
Transfers and other		166	162
Closing balance		**267**	**259**

At 31 December 2019 and 2018, "Dividend Payable" mainly consisted of the dividends corresponding to ENDESA, S.A.:

Millions of Euros

	Notes	Dividend payable to date	Euros per share, gross	Amount	Payment date
2019 interim dividend	14.1.9 and 32.3	31 December 2019	0.70	741	02 January 2020
2018 interim dividend	14.1.9, 14/01/2011 and 32.3	31 December 2018	0.70	741	02 January 2019

At 31 December 2019, the amount of trade debt discounted with financial institutions for managing payments to suppliers (confirming), recognised under Trade and other payables, totalled Euros 111 million (31 December 2018: Euros 58 million).

Financial income accruing on confirming contracts in 2019 was less than Euros 1 million (less than Euros 1 million in 2018).

At 31 December 2019, the estimate of invoices receivable for electricity and gas tariff costs arising from energy supplied and not invoiced amounted to Euros 268 million and Euros 82 million, respectively (Euros 282 million and Euros 129 million, respectively, at 31 December 2018) and was included in the Consolidated Statement of Financial Position.

22.1. Information on average payment period to suppliers Third additional provision. “Duty of disclosure” under Law 15/2010 of 5 July 2010.

The following are details of the degree of compliance by the Company with the statutory deadlines for payment to suppliers for commercial transactions under Law 15/2010 of 5 July 2010:

Number of days

	2019	2018
Average payment period for suppliers	15	14
Ratio of transactions paid	14	14
Ratio of transactions pending payment	39	51

Millions of Euros

	2019	2018
Total payments made	14,407	16,592
Total payments pending	276	360

23. Current provisions

The breakdown of this heading on the Consolidated Statement of Financial Position at 31 December 2019 and 2018 is as follows:

Millions of Euros

	Notes	31 December 2019	31 December 2018
Provisions for workforce restructuring plans		181	188
Workforce reduction plans	16.2.1	57	65
Contracts suspensions	16.2.2	124	123
CO_2 emission rights	11.1	364	359
Other current provisions		31	24
TOTAL		**576**	**571**

24. Income.

During 2019 and 2018, the breakdown of this heading in the Consolidated Income Statement is as follows:

Millions of Euros

	2019	2018
Sales	19,258	19,555
Other Operating Income	900	640
TOTAL	**20,158**	**20,195**

24.1. Sales.

The details of this section, by Segment, in the 2019 and 2018 Consolidated Income Statements relating to income from ordinary activities from contracts with customers, are as follows:

Millions of Euros

	2019	2018
Generation and Supply	**16,846**	**17,203**
Electricity sales	13,801	14,137
Deregulated market sales	9,404	9,236
Deregulated market sales – Spain	8,320	8,227
Deregulated market sales - other than Spain	1,084	1,009
Sales at regulated prices	2,055	2,339
Wholesale market sales	843	1,130
Non-mainland Territories (TNP) compensations	1,376	1,318
Remuneration for Renewable Energy Investment	105	96
Other electricity sales	18	18
Gas sales	2,450	2,554
Deregulated market sales	2,369	2,469
Sales at regulated prices	81	85
Other sales and services rendered	595	512
Distribution	**2,566**	**2,509**
Regulated revenue from electricity distribution	2,266	2,209
Other sales and services rendered	300	300
Structure and Others (1)	**(154)**	**(157)**
Other sales and services rendered	(154)	(157)
TOTAL (2)	**19,258**	**19,555**

(1) Structure, Services and Adjustments.
(2) See Note 33.2.1.

In 2019 and 2018, the details of sales to external customers in the main geographical areas are as follows:

Millions of Euros

Country	2019	2018
Spain	17,117	17,686
Portugal	1,026	942
France	420	510
Germany	221	200
Italy	173	27
United Kingdom	103	55
Netherlands	50	55
Other	148	80
TOTAL	**19,258**	**19,555**

24.2. Other Operating Income.

Details of this section, by Segments, in the 2019 and 2018 Consolidated Income Statement are as follows:

Millions of Euros

	Notes	2019	2018
Generation and Supply		**691**	**418**
Change in energy derivatives		550	294
Grants released to income (1)		10	7
Trading rights		48	37
Third Party Indemnities		5	8
Other		78	72
Distribution		**262**	**275**
Grants released to income (1)		13	14
Allocation to Profit and Loss of Liabilities under Contracts with Customers	22	158	157
Provision of Services in Facilities		4	6
Trading rights		8	5
Third Party Indemnities		9	23
Other		70	70
Structure and Other (2)		**(53)**	**(53)**
Third Party Indemnities		-	-
Other		(53)	(53)
TOTAL (3) (4)		**900**	**640**

(1) Includes Euros 18 million relating to capital grants (see Note 15) and Euros 5 million of operating grants in 2019 (Euros 18 million and Euros 3 million respectively in 2018).
(2) Structure, Services and Adjustments.
(3) Includes Euros 257 million relating to income from ordinary activities from contracts with customers in 2019 (Euros 239 million in 2018).
(4) See Note 33.2.1.

In 2019 and 2018, the details of sales to external customers in the main geographical areas were as follows:

Millions of Euros

Country	2019	2018
Italy	460	141
Spain	373	380
United Kingdom	22	42
Portugal	19	47
France	8	2
Netherlands	4	-
Germany	2	3
Other	12	25
TOTAL	**900**	**640**

25. Procurements and services.

25.1. Power Purchases.

During 2019 and 2018, the breakdown of this heading in the Consolidated Income Statement is as follows:

Millions of Euros

	2019	2018
Electricity	3,060	2,946
Energy stocks	1,844	1,838
TOTAL	**4,904**	**4,784**

25.2. Fuel consumption.

During 2019 and 2018, the breakdown of this heading in the Consolidated Income Statement is as follows:

Millions of Euros

	2019	2018
Fuel stocks	1,780	2,269
Coal	308	836
Nuclear fuel	125	118
Fuel oil	927	979
Gas	420	336
TOTAL	**1,780**	**2,269**

25.3. Other variable procurements and services

During 2019 and 2018, the breakdown of this heading in the Consolidated Income Statement is as follows:

Millions of Euros

	2019	2018
Changes in energy stock derivatives	654	247
CO_2 emission rights	372	361
Tax on electricity production	225	300
Water Tax	34	59
Catalan nuclear tax	(27)	12
“Social Bonus” discount	51	88
Rate of Occupancy of the Public Road / Lighting	195	190
Radioactive Waste Treatment	181	166
Nuclear tax	124	121
Other	457	507
TOTAL	**2,266**	**2,051**

26. Personnel expenses

During 2019 and 2018, the breakdown of this heading in the Consolidated Income Statement is as follows:

Millions of Euros

	Notes	2019	2018
Wages and salaries		695	664
Contributions to pension schemes	16.1	60	84
Provisions for workforce restructuring plans		(1)	4
Provisions for workforce reduction plans	16.2.1	1	2
Provisions for suspension of contracts	16.2.2	(2)	2
Other personnel expenses and social charges		268	195
TOTAL		**1,022**	**947**

27. Other fixed operating expenses.

During 2019 and 2018, the breakdown of this heading in the Consolidated Income Statement is as follows:

Millions of Euros

	2019	2018
Repairs and maintenance	270	303
Insurance premiums	57	61
Independent professional services and external services	78	72
Leases and levies	21	44
Taxes other than income tax	105	112
Travel expenses	18	23
Other Fixed Operating Expenses	789	709
Systems and Applications Support Services	189	191
Disciplinary proceedings	57	6
Oher	543	512
TOTAL	**1,338**	**1,324**

28. Depreciation and amortisation, and impairment losses

During 2019 and 2018, the breakdown of this heading in the Consolidated Income Statement is as follows:

Millions of Euros

	Notes	2019	2018
DEPRECIATION AND AMORTISATION		**1,553**	**1,480**
Depreciation charge for property, plant and equipment	6	1,302	1,259
Depreciation charge for right-of-use assets in application of	2.1a and 6.2	34	-
Other depreciation charges for property, plant and equipment		1,268	1,259
Amortisation charge for intangible assets	8	251	221
IMPAIRMENT LOSSES		**1,900**	**228**
Non-financial assets		**1,769**	**148**
Charge for impairment losses on property, plant and equipment and investment property	6 & 33.2	1,757	153
Mainland coal-fired thermal power plants	3e.4	1,352 (1)	-
Cash-generating Units (CGUs) of the Non-mainland Territories (TNP)	3e.4	401 (1) (2)	-
Alcudia thermal power plant (Balearic Islands)	3e.4	-	157 (3)
Other property, plant and equipment and investment property		4	(4)
Charge for impairment losses on intangible assets	8 & 33.2	(5)	(6)
Other intangible assets		(5)	(6)
Charge for impairment losses on goodwill	9 & 33.2	17	1
Cash-generating unit (CGU) of Generation of the Iberian Peninsula	3e.4	14 (1)	-
Cash-generating unit (CGU) of the Non-mainland Territory (TNP) of the Canary Islands	3e.4	3 (1)	-
Cash-generating unit (CGU) of the Non-mainland Territory (TNP) of the Balearic Islands	3e.4	-	1 (3)
Financial Assets	18.4.1 and 33.2	**131**	**80**
Charge for impairment of receivables from contracts with customers	12.1	128	79
Charge for impairment losses on other financial assets	18.1.1	3	1
TOTAL		**3,453**	**1,708**

(1) Euros 1,332 million, net of tax effect.
(2) Euros 14 million were allocated to the Alcudia Thermal Power Plant (Balearic Islands).
(3) Euros 119 million, net of tax effect.

29. Net financial result.

During 2019 and 2018, the breakdown of this heading in the Consolidated Income Statement is as follows:

Millions of Euros

	Notes	2019	2018
Financial Income		**24**	**33**
Income from Financial Assets at Amortised Cost		2	10
Income from Financial Assets at Fair Value with changes through profit and loss		-	-
Income in respect of workforce restructuring plans	16.2	-	5
Other financial income		22	18
Financial expense		**(202)**	**(169)**
Expense in respect of Financial Liabilities at Amortised Cost	18.4.2	(133)	(129)
Expense from Rights-of-use contracts in application of IFRS 16 Leases	6.1	(5)	-
Expense from Financial Liabilities at Amortised Cost		(128)	(129)
Expenses for financial liabilities at fair value with changes through profit and loss		-	(1)
Expenses for workforce restructuring plans	16.2	(20)	(6)
Expenses for other provisions	16.3	(13)	(14)
Capitalised finance costs	3a.1 and 3i.1	6	4
Post-employment obligations expense	16.1	(16)	(15)
Expenses for impairment losses on other financial assets	18.1.1 and 33.2	(21)	3
Other financial expenses		(5)	(11)
Income from derivative financial instruments		**3**	**3**
Income from cash flow hedges		-	-
Income from derivatives at fair value with changes through profit/loss	18.4.1	1	1
Income from fair value hedging derivatives		2	1
Income from the measurement of financial instruments at fair value	18.4.1	-	1
Finance costs on derivative financial instruments		**(10)**	**(4)**
Cash flow hedge expenses	18.4.2	(8)	-
Expenses from derivatives at fair value with changes through profit/loss	18.4.2	-	(3)
Expenses for fair value hedging derivatives	18.4.2	(1)	(1)
Expenses from the measurement of financial instruments at fair value		(1)	-
Exchange gains/(losses)		**1**	**(2)**
Gains		19	28
Losses		(18)	(30)
Net financial profit/(loss)		**(184)**	**(139)**

30. Gains/(losses) on disposal of assets

The main transactions in 2019 and 2018 were as follows:

Millions of Euros

	Notes	2019	2018
Non-Financial Assets		**40**	**38**
Transfer of Optical Fibre Use Rights		24 (2)	-
Land at Sant Adrià del Besòs	10.1	-	34 (4)
Other gains/losses		16	4
Disposals of Investments in Group Companies and Other		1 (3)	-
Proceeds from disposals of property, plant and equipment (1)		15	4
Financial Assets		**(29)**	**(35)**
Factoring transaction fees	12.1 and 18.1.1	(29)	(35)
TOTAL		**11**	**3**

(1) Corresponds to capital gains generated by the sale of land and buildings.
(2) Euros 18 million, net of tax effect.
(3) Corresponds to the gross result generated by the divestment of Eólica del Noroeste, S.L. and Ufefys, S.L. (in Liquidation) (see Notes 2.3. And 2.4)
(4) Euros 25 million, net of tax effect.

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 whereby it granted, exclusively and at long term, all the rights of use of its surplus dark fibre optic network, for an amount of Euros 132 million, generating a gross capital gain of Euros 24 million.

31. Income Tax.

During 2019 and 2018, the breakdown of this heading in the Consolidated Income Statement is as follows:

Millions of Euros

	Notes	2019	2018
Current income tax for the year		438	356
Deferred income tax for the year	21	(416)	16
Adjustments of prior years		26	11
Income tax provisions		2	9
TOTAL		**50**	**392**

Reconciliation between accounting profit and income tax expense

The 2019 and 2018 reconciliation of the accounting profit (loss) from continuing activities to the income tax expense is as follows:

Millions of Euros

	2019					
	Income Statement	Rate (%)	Income and expenses directly recognised in equity	Rate (%)	Total	Rate (%)
Accounting profit after income tax	**180**	**-**	**(9)**	**-**	**171**	**-**
Income Tax Expense	50	-	9	-	59	-
Accounting profit before tax	**230**	**-**	**-**	**-**	**230**	**-**
Theoretical tax	**58**	**25.0**	**-**	**25.0**	**58**	**25.0**
Permanent differences	**17**	**-**	**9**	**-**	**26**	**-**
Impact of net gains/losses under the equity method	(4)	-	1	-	(3)	-
Unrecognised tax losses	-	-	-	-	-	-
Canary Islands Investment Reserve (CIR) tax credit	(1)	-	-	-	(1)	-
Non-deductible provisions	5	-	-	-	5	-
Consolidation adjustments and others	17	-	8	-	25	-
Tax credits taken to profit and loss	**(31)**	**-**	**-**	**-**	**(31)**	**-**
Prior years' adjustments and other deferred taxes	**(22)**	**-**	**-**	**-**	**(22)**	**-**
Tax impact in the year	**22**	**9.6**	**9**	**-**	**31**	**13.5**

Millions of Euros

	2018					
	Income Statement	Rate (%)	Income and expenses directly recognised in equity	Rate (%)	Total	Rate (%)
Accounting profit after income tax	**1,426**	**-**	**(44)**	**-**	**1,382**	**-**
Income Tax Expense	392	-	(10)	-	382	-
Accounting profit before tax	**1,818**	**-**	**(54)**	**-**	**1,764**	**-**
Theoretical tax	**455**	**25.0**	**(14)**	**25.0**	**441**	**25.0**
Permanent differences	**(28)**	**-**	**4**	**-**	**(24)**	**-**
Impact of net gains/losses under the equity method	(8)	-	-	-	(8)	-
Unrecognised tax losses	-	-	-	-	-	-
Canary Islands Investment Reserve (CIR) tax credit	(5)	-	-	-	(5)	-
Non-deductible provisions	(3)	-	-	-	(3)	-
Consolidation adjustments and others	(12)	-	4	-	(8)	-
Tax credits taken to profit and loss	**(39)**	**-**	**-**	**-**	**(39)**	**-**
Prior years' adjustments and other deferred taxes	**(16)**	**-**	**-**	**-**	**(16)**	**-**
Tax impact in the year	**372**	**20.5**	**(10)**	**17.9**	**362**	**20.5**

Reconciliation of net tax

In 2019 and 2018, the reconciliation of the income tax expense to the net tax from continuing activities is as follows:

Millions of Euros

	Notes	2019		
		Income Statement	Income and expenses directly recognised in equity	Total
Tax impact in the year		**22**	**9**	**31**
Change in deferred tax	21.1 & 21.2	416	(9)	407
Net tax payable on continuing operations		**438**	**-**	**438**

Millions of Euros

	Notes	2018		
		Income Statement	Income and expenses directly recognised in equity	Total
Tax impact in the year		**372**	**(10)**	**362**
Change in deferred tax	21.1 & 21.2	(16)	10	(6)
Net tax payable on continuing operations		**356**	**-**	**356**

Details of the income tax expense

The breakdown of the income tax expense for 2019 and 2018 is as follows:

Millions of Euros

	2019		
	Current tax	Change in deferred tax (Note 21)	Total
Recognition in the Income Statement, of which:	**438**	**(416)**	**22**
Net tax payable on continuing operations	438	-	438
Deferred taxes	-	(416)	(416)
Depreciation and amortisation of property, plant and equipment and intangible assets	-	(336)	(336)
Provisions for pension funds and workforce reduction plans	-	16	16
Other provisions	-	(3)	(3)
Tax loss carryforwards	-	14	14
Unused tax credits	-	5	5
Accelerated depreciation and amortisation of assets for tax purposes	-	(64)	(64)
Other	-	(48)	(48)
Recognition in equity, of which:	**-**	**9**	**9**
Provisions for pension funds and workforce reduction plans	-	(34)	(34)
Other	-	43	43
Tax impact in the year	**438**	**(407)**	**31**

Millions of Euros

	2018		
	Current tax	Change in deferred tax (Note 21)	Total
Recognition in the Income Statement, of which:	**356**	**16**	**372**
Net tax payable on continuing operations	356	-	356
Deferred taxes	-	16	16
Depreciation and amortisation of property, plant and equipment and intangible assets	-	(17)	(17)
Provisions for pension funds and workforce reduction plans	-	20	20
Other provisions	-	19	19
Tax loss carryforwards	-	(3)	(3)
Unused tax credits	-	29	29
Accelerated depreciation and amortisation of assets for tax purposes	-	(29)	(29)
Other	-	(3)	(3)
Recognition in equity, of which:	**-**	**(10)**	**(10)**
Provisions for pension funds and workforce reduction plans	-	(4)	(4)
Other	-	(6)	(6)
Tax impact in the year	**356**	**6**	**362**

In 2019 tax deductions and rebates allocated to profit and loss totalled Euros 31 million, and included Euros 13 million in credits related to the production of moveable assets in the Canary Islands and Euros 12 million for deductions in respect of investments in new fixed assets in the Canary Islands (2018: Euros 16 million and Euros 14 million respectively).

32. Statement of cash flows.

At 31 December 2019, cash and cash equivalents stood at Euros 223 million (Euros 244 million at 31 December 2018) (see Note 13).

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
Net cash flows from operating activities	3,181	2,420
Net cash flows from investing activities	(1,951)	(1,627)
Net cash flows from financing activities	(1,251)	(948)

In 2019, the net cash flows generated by operating activities (Euros 3,181 million) and the Euros 21 million decrease in cash and cash equivalents enabled us to meet the net investments required to develop ENDESA's businesses (Euros 1,951 million) and the net cash flows applied to financing activities (Euros 1,251 million).

32.1. Net Cash Flows from/used in Operating Activities.

In 2019, net cash flows from operating activities amounted to Euros 3,181 million (Euros 2,420 million in 2018), with the same being as follows:

Millions of Euros

	Notes	2019	2018
Profit before tax and non-controlling interests		230	1,818
Adjustments for:		3,981	1,910
Depreciation and amortisation, and impairment losses	28	3,453	1,708
Other adjustments (net)		528	202
Changes in working capital:		(230)	(653)
Trade and other receivables		(157)	298
Inventories		(296)	(361)
Current financial assets		(85)	(285)
Trade Payables and Other Current Liabilities		308	(305)
Other cash flows from/(used in) operating activities:		(800)	(655)
Interest received		27	29
Dividends received		26	30
Interest paid		(136) (1)	(142)
Corporation tax paid		(440)	(326)
Other proceeds from/(payments for) operating activities (2)		(277)	(246)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**3,181**	**2,420**

(1) Includes interest paid on financial liabilities for rights of use (IFRS 16 “Leases”) for Euros 2 million.
(2) Correspondent with payments from provisions.

The variations 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 periods amounting to Euros 423 million, mainly as a result of the decrease in payments to trade creditors (Euros 613 million), reduction in payments for inventories (Euros 65 million), the reduction in collections from trade and other receivables (Euros 455 million) and the higher collections for compensations for the extra-costs in Non-mainland Territories (TNP) generation (Euros 413 million) (see Notes 4, 12, 18.1.1 and 22).

– The variation in the payment of Corporation Tax in the two periods amounting to Euros 114 million.

In 2019, the Company also continued with its active policy concerning the management of current assets and current liabilities, focusing on, among other aspects, the improvement of processes, the factoring of accounts receivable and agreements extending payment periods with suppliers (see Notes 12 and 22).

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

Millions of Euros

	Notes	Working Capital	
		31 December 2019	31 December 2018
Current Assets (1)		**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 (2)		**7,510**	**6,648**
Current provisions	23	576	571
Trade Payables and Other Current Liabilities	22	6,934	6,077
Parent Company Dividend	14.1.9 & 14/01/2011	741	741
Other		6,193	5,336

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

32.2. Net Cash Flows from/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 include, among other aspects:

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

Millions of Euros

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

(1) Does not include Euros134 million relating to additions to rights of use in application of IFRS 16 Leases.
(2) Includes Euros 70 million euro relating to the operation of transferring the rights of use related to the surplus optical fibre (see Note 30).
(3) 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 Note 30).

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

Millions of Euros

	Notes	2019	2018
Equity investments in Group Companies		**(37)**	**(136)**
Companies acquired by ENEL Green Power España, S.L.U. (EGPE)	2.3, 5.1 & 8	(37)	(5)
Parques Eólicos Gestinver, S.L.U.	2.3 & 5.2	-	(45)
Eólica del Principado, S.A.U.	2.3 & 5.3	-	(1)
Empresa de Alumbrado Eléctrico de Ceuta, S.A.	2.3 & 5.4	-	(83)
Front Marítim del Besòs, S.L.		-	(1)
Eléctrica del Ebro, S.A.U.		-	(1)
Disposals of investments in Group Companies		**-**	**20**
Nueva Marina Real Estate, S.L. (1)		-	20
TOTAL		**(37)**	**(116)**

(1) Sale transaction formalised in 2017.

32.3. Net Cash Flows from/used in Financing Activities

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

– Cash flows in respect of equity instruments:

Millions of Euros

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

– Drawdowns of non-current financial debt:

Millions of Euros

	Notes	2019	2018
Drawdowns of the European Investment Bank (EIB) Green Loan	17.2.2	335	500
Drawdowns of the Official Credit Institute (“ICO”) Green Loan	17.2.2	300	-
Drawdowns from credit lines		-	206
Other		35	15
TOTAL	**17.1**	**670**	**721**

– Reimbursements from non-current financial debt:

Millions of Euros

	Notes	2019	2018
Reimbursements 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)**

– Amortisations and drawdowns of current financial debt:

Millions of Euros

	Notes	2019	2018
Drawdowns			
Euro Commercial Paper (ECP) issues	17.2.2	10,848	7,422
Drawdowns of credit lines with ENEL Finance International, B.V.		-	6,600
Other		77	49
Repayments			
Euro Commercial Paper (ECP) repayments	17.2.2	(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	(35)	-
Repayments of Parque Eólico Gestinver, S.L.U. bank loan		-	(116)
Other		(148)	(95)
TOTAL	**17.1**	**(214)**	**(146)**

– Dividends paid:

Millions of Euros

	Notes	2019	2018
Dividends paid of the Parent	14.1.9 & 14/01/2011	(1,511)	(1,463)
Dividends paid to non-controlling interests (1)	14.2	(9)	(9)
TOTAL		**(1,520)**	**(1,472)**

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

33. Segment information.

33.1. Basis of segmentation.

In carrying out its business activities, ENDESA's organisation prioritises its core business of electricity and gas generation, distribution, and sale as well as related services. Therefore, the financial information analysed by the executive committee for the purposes of taking its decisions is the segment information, which includes:

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

The corporate organisation of ENDESA essentially matches these segments. Therefore, the allocation established in the Segment reporting presented below is based on the financial information of the companies making up each Segment. Transactions between Segments form part of normal business activities in terms of their purpose and terms and conditions.

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

External customers did not represent 10% or more of the income of any ENDESA segment in 2019 and 2018.

33.2. Segment information.

Segment information in the Consolidated Income Statements, and Consolidated Statements of Cash Flows for the year ended 31 December 2019 and 2018 and the Consolidated Statements of Financial Position at 31 December 2019 and 2018 is as follows:

33.2.1. Segment Information: Consolidated Income Statement for the year ended 31 December 2019 and Consolidated Statement of Financial Position at 31 December 2019.

Millions of Euros

	2019				
	Generation and supply (1)	Distribution (2)	Structure	Consolidated adjustments and eliminations	Total
INCOME	**17,537**	**2,828**	**638**	**(845)**	**20,158**
Sales (Note 24.1)	16,846	2,566	620	(774)	19,258
Other operating income (Note 24.2)	691	262	18	(71)	900
PROCUREMENTS AND SERVICES	**(14,204)**	**(182)**	**(44)**	**178**	**(14,252)**
Energy purchased	(4,895)	(9)	-	-	(4,904)
Fuel consumption	(1,780)	-	-	-	(1,780)
Transmission expenses	(5,289)	(13)	-	-	(5,302)
Other Variable Procurements and Services	(2,240)	(160)	(44)	178	(2,266)
CONTRIBUTION MARGIN	**3,333**	**2,646**	**594**	**(667)**	**5,906**
Self-constructed Assets	96	175	24	-	295
Personnel Expenses	(542)	(280)	(215)	15	(1,022)
Other Fixed Operating Expenses	(1,117)	(442)	(427)	648	(1,338)
EBITDA	**1,770**	**2,099**	**(24)**	**(4)**	**3,841**
Depreciation, Amortisation and Impairment Losses	(2,759)	(626)	(68)	-	(3,453)
EBIT	**(989)**	**1,473**	**(92)**	**(4)**	**388**
NET FINANCE INCOME/(EXPENSE)	**(115)**	**(63)**	**(6)**	**-**	**(184)**
Finance income	29	5	458	(465)	27
Finance expense	(139)	(68)	(470)	465	(212)
Net Exchange Differences	(5)	-	6	-	1
Net Profit/(Loss) of Companies accounted for using the Equity Method	11	4	-	-	15
Gains/(losses) from other investments	-	-	1,731	(1,731)	-
Net gains/(losses) on disposal of assets	(19)	30	-	-	11
PROFIT/(LOSS) BEFORE TAX	**(1,112)**	**1,444**	**1,633**	**(1,735)**	**230**
Income Tax Expense	297	(366)	18	1	(50)
PROFIT AFTER TAX FOR THE PERIOD FROM CONTINUING OPERATIONS	**(815)**	**1,078**	**1,651**	**(1,734)**	**180**
PROFIT AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**-**	**-**	**-**	**-**	**-**
PROFIT FOR THE YEAR	**(815)**	**1,078**	**1,651**	**(1,734)**	**180**
Parent company	(823)	1,077	1,651	(1,734)	171
Non-controlling interests	8	1	-	-	9

(1) Includes provisions for impairment of property, plant and equipment (Euros 1,757 million), goodwill (Euros 17 million), trade insolvencies (Euros 135 million) and other financial assets (Euros 22 million) (see Notes 6, 9, 12.1, 18.1.1, 28 and 29).

(2) Includes reversals of impairment of property, plant and equipment (Euros 5 million), trade insolvencies (Euros 7 million) and impairment of other financial assets (Euros 2 million) (see Notes 8, 12.1, 18.1.1 and 28).

Millions of Euros

	31 December 2019				
	Generation and Supply	Distribution	Structure	Consolidated adjustments and eliminations	Total
ASSETS					
Non-current assets	**13,514**	**13,592**	**30,429**	**(31,654)**	**25,881**
Property, plant and equipment	9,231	11,968	130	-	21,329
Investment Property	-	55	6	-	61
Intangible assets	1,027	213	135	-	1,375
Goodwill (Note 9)	361	97	4	-	462
Investments accounted for using the equity method	211	18	3	-	232
Non-current Financial Assets	1,638	920	30,015	(31,665)	908
Deferred Tax Assets	1,046	321	136	11	1,514
Current assets	**4,940**	**1,380**	**1,527**	**(1,747)**	**6,100**
Inventories	1,064	113	-	-	1,177
Trade and other receivables	3,038	710	1,460	(1,723)	3,485
Current financial assets	664	541	34	(24)	1,215
Cash and Cash Equivalents	174	16	33	-	223
Non-current assets held for sale and discontinued operations	-	-	-	-	-
TOTAL ASSETS	**18,454**	**14,972**	**31,956**	**(33,401)**	**31,981**
EQUITY AND LIABILITIES					
Equity	**6,079**	**3,108**	**17,524**	**(18,874)**	**7,837**
Of the Parent	5,937	3,101	17,524	(18,874)	7,688
Of non-controlling interests	142	7	-	-	149
Non-Current liabilities	**7,468**	**8,926**	**12,099**	**(12,814)**	**15,679**
Deferred income	42	4,553	-	(19)	4,576
Non-current provisions	2,420	948	295	23	3,686
Non-current financial debt	4,098	2,631	11,724	(12,801)	5,652
Other non-current Liabilities	200	476	22	(20)	678
Deferred Tax Liabilities	708	318	58	3	1,087
Current liabilities	**4,907**	**2,938**	**2,333**	**(1,713)**	**8,465**
Current financial debt	102	8	876	(31)	955
Current provisions	444	74	58	-	576
Trade Payables and Other Current Liabilities	4,361	2,856	1,399	(1,682)	6,934
Liabilities Associated with Non-current Assets Classified as held for Sale and Discontinued Operations	-	-	-	-	-
TOTAL EQUITY AND LIABILITIES	**18,454**	**14,972**	**31,956**	**(33,401)**	**31,981**

33.2.2. Segment Information: Consolidated Income Statement for the year ended 31 December 2018 and Consolidated Statement of Financial Position at 31 December 2018.

Millions of Euros

	2018				
	Generation and supply (1)	Distribution (2)	Structure (3)	Consolidated adjustments and eliminations	Total
INCOME	**17,621**	**2,784**	**614**	**(824)**	**20,195**
Sales (Note 24.1)	17,203	2,509	596	(753)	19,555
Other operating income (Note 24.2)	418	275	18	(71)	640
PROCUREMENTS AND SERVICES	**(14,464)**	**(201)**	**(81)**	**179**	**(14,567)**
Energy purchased	(4,781)	(3)	-	-	(4,784)
Fuel consumption	(2,269)	-	-	-	(2,269)
Transmission expenses	(5,457)	(6)	-	-	(5,463)
Other Variable Procurements and Services	(1,957)	(192)	(81)	179	(2,051)
CONTRIBUTION MARGIN	**3,157**	**2,583**	**533**	**(645)**	**5,628**
Self-constructed Assets	83	167	20	-	270
Personnel Expenses	(520)	(263)	(180)	16	(947)
Other Fixed Operating Expenses	(1,103)	(428)	(419)	626	(1,324)
EBITDA	**1,617**	**2,059**	**(46)**	**(3)**	**3,627**
Depreciation, Amortisation and Impairment Losses	(1,029)	(630)	(49)	-	(1,708)
EBIT	**588**	**1,429**	**(95)**	**(3)**	**1,919**
NET FINANCE INCOME/(EXPENSE)	**(150)**	**(75)**	**86**	**-**	**(139)**
Finance income	27	7	422	(420)	36
Finance expense	(173)	(82)	(338)	420	(173)
Net Exchange Differences	(4)	-	2	-	(2)
Net Profit/(Loss) of Companies accounted for using the Equity Method	29	4	2	-	35
Gains/(losses) from other investments	-	-	1,666	(1,666)	-
Net gains/(losses) on disposal of assets	1	5	(3)	-	3
PROFIT/(LOSS) BEFORE TAX	**468**	**1,363**	**1,656**	**(1,669)**	**1,818**
Income Tax Expense	(64)	(316)	(13)	1	(392)
PROFIT AFTER TAX FOR THE PERIOD FROM CONTINUING OPERATIONS	**404**	**1,047**	**1,643**	**(1,668)**	**1,426**
PROFIT AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS	**-**	**-**	**-**	**-**	**-**
PROFIT FOR THE YEAR	**404**	**1,047**	**1,643**	**(1,668)**	**1,426**
Parent company	396	1,046	1,643	(1,668)	1,417
Non-controlling interests	8	1	-	-	9

(1) Includes provisions for impairment of property, plant and equipment (Euros 153 million), goodwill (Euros 1 million), trade insolvencies (Euros 80 million) and other financial assets (Euros 1 million) (see Notes 6, 9, 12.1, 18.1.1 and 28).
(2) Includes the reversal of impairment of intangible assets (Euros 6 million) (see Notes 8 and 28).
(3) Includes Euros 1 million for net impairment losses on trade insolvencies (see Notes 12.1 and 28).

Millions of Euros

	31 December 2018				
	Generation and Supply	Distribution	Structure	Consolidated adjustments and eliminations	Total
ASSETS					
Non-current assets	**13,235**	**13,349**	**29,981**	**(30,564)**	**26,001**
Property, plant and equipment	9,856	11,916	68	-	21,840
Investment Property	-	56	6	-	62
Intangible assets	991	223	141	-	1,355
Goodwill (Note 9)	378	97	4	-	479
Investments accounted for using the equity method	229	18	2	-	249
Non-current Financial Assets	1,093	718	29,623	(30,576)	858
Deferred Tax Assets	688	321	137	12	1,158
Current assets	**5,083**	**1,106**	**2,910**	**(3,444)**	**5,655**
Inventories	1,348	125	-	-	1,473
Trade and other receivables	2,622	671	1,941	(2,279)	2,955
Current financial assets	889	304	955	(1,165)	983
Cash and Cash Equivalents	224	6	14	-	244
Non-current assets held for sale and discontinued operations	-	-	-	-	-
TOTAL ASSETS	**18,318**	**14,455**	**32,891**	**(34,008)**	**31,656**
EQUITY AND LIABILITIES					
Equity	**7,194**	**3,472**	**17,388**	**(18,873)**	**9,181**
Of the Parent	7,057	3,465	17,388	(18,873)	9,037
Of non-controlling interests	137	7	-	-	144
Non-Current liabilities	**6,079**	**8,522**	**12,111**	**(11,931)**	**14,781**
Deferred income	44	4,562	-	(19)	4,587
Non-current provisions	1,995	954	323	53	3,325
Non-current financial debt	3,022	2,197	11,707	(11,951)	4,975
Other non-current Liabilities	281	474	19	(17)	757
Deferred Tax Liabilities	737	335	62	3	1,137
Current liabilities	**5,045**	**2,461**	**3,392**	**(3,204)**	**7,694**
Current financial debt	59	4	1,916	(933)	1,046
Current provisions	444	65	62	-	571
Trade Payables and Other Current Liabilities	4,542	2,392	1,414	(2,271)	6,077
Liabilities Associated with Non-current Assets Classified as held for Sale and Discontinued Operations	-	-	-	-	-
TOTAL EQUITY AND LIABILITIES	**18,318**	**14,455**	**32,891**	**(34,008)**	**31,656**

33.2.3. Segment Information: Consolidated Statements of Cash Flows for the years ended 31 December 2019 and 2018.

Millions of Euros

Statement of cash flows	2019			
	Generation and Supply	Distribution	Structure, services and adjustments	TOTAL (1)
Net cash flows from operating activities	1,602	1,659	(80)	3,181
Net cash flows from investing activities	(1,614)	(747)	410	(1,951)
Net cash flows from financing activities	(38)	(902)	(311)	(1,251)

(1) See Note 32.

Millions of Euros

Statement of cash flows	2018			
	Generation and Supply	Distribution	Structure, services and adjustments	TOTAL (1)
Net cash flows from operating activities	942	1,491	(13)	2,420
Net cash flows from investing activities	(940)	(847)	160	(1,627)
Net cash flows from financing activities	40	(644)	(344)	(948)

(1) See Note 32.

33.2.4. Segment Information: Result of the Parent Company by geographical area for the years ended 31 December 2019 and 2018.

Millions of Euros

Country	2019	2018
Spain	112	1,397
Portugal	33	20
France	23	(9)
Germany	1	6
Morocco	2	2
Netherlands	-	1
TOTAL	**171**	**1,417**

34. Related party balances and transactions.

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

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

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

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

In 2019, the amount of transactions carried out with other related parties of certain members of the Board of Directors, does not exceed Euros 19 million combined (Euros 22 million in 2018). These transactions correspond to the Company's normal business activities and were in all cases carried out under normal market conditions.

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

34.1. Expenses and income and other transactions.

Significant balances and transactions carried out with related parties in 2019 and 2018 were as follows:

34.1.1. Expenses and income.

Millions of Euros

	2019				
	Significant shareholders	Directors and Senior management personnel	ENDESA employees, companies or Entities	Other related parties	Total
Financial expense	94	-	-	-	94
Leases	-	-	-	-	-
Services received	43	-	-	17	60
Purchases of inventories	174	-	-	-	174
Other expenses	831	-	-	-	831
Negative changes in the fair value of the derivative financial instruments for electricity and other energy products.	689	-	-	-	689
Energy purchased	81	-	-	-	81
Management or cooperation contracts	61	-	-	-	61
TOTAL EXPENSES	**1.142**	**-**	**-**	**17**	**1.159**
Financial Income	2	-	-	-	2
Dividends received	-	-	-	-	-
Provision of services	14	-	-	2	16
Sales of inventories	141	-	-	-	141
Other income (1)	502	-	-	-	502
Positive changes in the fair value of the derivative financial instruments for electricity and other energy products.	494	-	-	-	494
Power sales	5	-	-	-	5
Management or cooperation contracts	2	-	-	-	2
Leases	1	-	-	-	1
TOTAL INCOME	**659**	**-**	**-**	**2**	**661**

(1) Includes Euros 65 million recognised in Other Comprehensive Income.

Millions of Euros

	2018				
	Significant shareholders	Directors and Senior management personnel	ENDESA employees, companies or Entities	Other related parties	Total
Financial expense	94	-	-	-	94
Leases	-	-	-	-	-
Services received	40	-	-	20	60
Purchases of inventories	156	-	-	-	156
Other expenses (1)	353	-	-	-	353
Negative changes in the fair value of the derivative financial instruments for electricity and other energy products.	258	-	-	-	258
Energy purchased	57	-	-	-	57
Management or cooperation contracts	38	-	-	-	38
TOTAL EXPENSES	**643**	**-**	**-**	**20**	**663**
Financial Income	3	-	-	-	3
Dividends received	-	-	-	-	-
Provision of services	21	-	-	2	23
Sales of inventories	(17)	-	-	-	(17)
Other income	120	-	-	-	120
Positive changes in the fair value of the derivative financial instruments for electricity and other energy products.	114	-	-	-	114
Power sales	4	-	-	-	4
Management or cooperation contracts	1	-	-	-	1
Leases	1	-	-	-	1
TOTAL INCOME	**127**	**-**	**-**	**2**	**129**

(1) Includes Euros 42 million recognised in Other Comprehensive Income.

34.1.2. Other transactions.

Millions of Euros

	Notes	2019				
		Significant shareholders	Directors and Senior management personnel	ENDESA employees, companies or Entities	Other related parties	Total
Financing agreements: Loans and capital contributions (lender)		-	1	-	-	1
Financing agreements: Loans and capital contributions (borrower) (1)		3,000	-	-	-	3,000
Guarantees provided		-	7	-	-	7
Guarantees received (2)	11.2	122	-	-	-	122
Commitments acquired (3)	11.2	19	-	-	-	19
Dividends and other distributed benefits	14.1.9 and 14/01/2011	1,059	-	-	-	1,059
Other Operations (4)		148	-	-	-	148

(1) Corresponds to the outstanding balance of the intercompany loan signed with ENEL Finance International N.V. Committed and irrevocable credit line arranged with ENEL Finance International N.V. for the amount of Euros 1,000 million, which at 31 December 2019 had not been drawn down (see Notes 17.2.1 and 19.4).
(2) Includes the guarantee received from ENEL, S.p.A. for compliance with the agreement to purchase liquefied natural gas (LNG) from Corpus Christi Liquefaction, LLC.
(3) Correspondent to commitments to purchase inventories of CO_2 emission rights.
(4) Includes purchases of property, plant and equipment, intangible assets and other asset.

Millions of Euros

	Notes	2018				
		Significant shareholders	Directors and Senior management personnel	ENDESA employees, companies or Entities	Other related parties	Total
Financing agreements: Loans and capital contributions (lender)		-	1	-	-	1
Financing agreements: Loans and capital contributions (borrower) (1)		3,000	-	-	-	3,000
Guarantees provided		-	7	-	-	7
Guarantees received (2)	11.2	120	-	-	-	120
Commitments acquired (3)	6.3	108	-	-	-	108
Dividends and other distributed benefits	14.1.9 & 14/01/2011	1,026	-	-	-	1,026
Other Operations (4)		195	-	-	-	195

(1) Corresponds to the outstanding balance of the intercompany loan signed with ENEL Finance International N.V. Committed and irrevocable credit line arranged with ENEL Finance International N.V. for the amount of Euros 1,000 million, which at 31 December 2018 had not been drawn down (see Notes 17.2.1 and 19.4).
(2) Includes the guarantee received from ENEL, S.p.A. for compliance with the agreement to purchase liquefied natural gas (LNG) from Corpus Christi Liquefaction, LLC.
(3) Correspondent to commitments to purchase inventories of CO_2 emission rights for Euros 101 million and remote meters for Euros 7 million.
(4) Includes purchases of property, plant and equipment, intangible assets and other asset.

In 2019 and 2018, Directors or persons acting on their behalf did not carry out transactions with the Company (or its other subsidiaries) that did not correspond to the normal course of business or were not carried out in keeping with prevailing market conditions.

34.1.3. Balances at the end of the period.

At 31 December 2019 and 2018, balances with related parties were as follows:

Millions of Euros

	Notes	31 December 2019				
		Significant shareholders	Directors and Senior management personnel	ENDESA employees, companies or Entities	Other related parties	Total
Customers and trade receivables	12	582	-	-	-	582
Loans and credits granted		-	1	-	-	1
Other collection rights		365	-	-	-	365
TOTAL RECEIVABLES		**947**	**1**	**-**	**-**	**948**
Suppliers and trade payables		1,377	-	-	2	1,379
Loans and credits received		3,004	-	-	-	3,004
Other payment obligations		310	-	-	-	310
TOTAL PAYABLES		**4,691**	**-**	**-**	**2**	**4,693**

Millions of Euros

	Notes	31 December 2018				
		Significant shareholders	Directors and Senior management personnel	ENDESA employees, companies or Entities	Other related parties	Total
Customers and trade receivables	12	239	-	-	1	240
Loans and credits granted		-	1	-	-	1
Other collection rights		222	-	-	-	222
TOTAL RECEIVABLES		**461**	**1**	**-**	**1**	**463**
Suppliers and trade payables		1,155	-	-	1	1,156
Loans and credits received		3,011	-	-	-	3,011
Other payment obligations		229	-	-	-	229
TOTAL PAYABLES		**4,395**	**-**	**-**	**1**	**4,396**

34.2. Associates, Joint Ventures and Joint Operation Entities.

The following are the details at 31 December 2019 and 2018 of trade receivables for sales and services, loans and guarantees to Associates, Joint Ventures and Joint Operation Entities:

Millions of Euros

	Notes	Associates		Joint Ventures		Joint Operations	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Trade receivables for sales and services	12	-	1	-	-	-	-
Credits	18.1.1	66	63	-	-	3	4
Guarantees Issued		-	-	-	-	-	-

In 2019 and 2018 transactions made with Associates, Joint Ventures and Joint Operation Entities not eliminated on consolidation were as follows:

Millions of Euros

	Associates		Joint Ventures		Joint Operations	
	2019	2018	2019	2018	2019	2018
Income	1	3	2	1	-	-
Expenses	(19)	(14)	(24)	(24)	(43)	(42)

34.3. Directors and Senior management personnel.

34.3.1. Remuneration of the Board of Directors.

Article 41 of the Articles of Association states that *“the remuneration of Directors will comprise the following items: a fixed monthly salary and per diems for attendance at each meeting of the company’s management bodies and their committees.*

Maximum global and annual compensation, for the Board as a whole and including all aforementioned items, shall be established by the General Shareholders' Meeting and will remain in effect until it resolves upon an amendment thereof.

The Board itself shall be in charge of determining the exact amount to be paid in each fiscal year, subject to the limits set forth by the General Shareholders' Meeting, as well as distributing such amount between the aforementioned items and between the directors in the manner, time and proportion as freely determined, taking into account the functions and responsibilities entrusted to each Director, whether they belong to any of the Board's Committees and all other relevant objective circumstances.

Without prejudice to the foregoing, article 30 of the Board of Directors' Regulations states that directors, regardless of their type of directorship, can waive the right to receive remuneration based on a fixed monthly allocation and/or per diems to attend meetings of the Board of Directors, Executive Committee and/or Committees.

The amount of said per diem shall be, at the most, the amount which, in accordance with the above paragraphs, is determined to be the fixed monthly allocation. The Board of Directors may, within such limit, determine the amount of the allowances.

The remuneration contemplated in the preceding sections, deriving from membership on the Board of Directors, shall be compatible with other remuneration, indemnity payments, contributions to insurance schemes or any other professional or labour earnings pertaining to the Directors for any other executive or advisory duties which, as the case may be, they perform for the company other than those of collegiate supervision and decision-making characteristic of their status as Directors, which shall be subject to the appropriate applicable legal scheme.

Without prejudice to the above-mentioned remunerations, the Executive Directors remuneration may also consist of the transfer of Company shares, options over them or remuneration based on the value of the shares. The application of this remuneration model requires the agreement of the General Shareholders' Meeting, expressing, where appropriate, the maximum number of shares to be assigned during each financial year as part of this remuneration system, the strike price and the system used to calculate the strike price of share options, the value of the shares taken as a reference, when appropriate, the term of the remuneration plan and any other conditions deemed appropriate.

Thus members of the Board of Directors of ENDESA, S.A. received remuneration in their capacity as Directors of the Company:

- In 2019 and 2018, the monthly fixed salary for each Director was Euros 15.6 thousand, gross.
- The per diems for attendance at meetings of the Board of Directors, Executive Committee, Appointments and Remuneration Committee ("CNR") and Audit and Compliance Committee ("CAC") amounted to Euros 1.5 thousand gross each in 2019 and 2018.
- In addition to the remuneration indicated for the members of the Board of Directors, the following remuneration criteria are established for the positions indicated:
    - Non-executive Chairman of the Board of Directors: shall receive monthly fixed remuneration of Euros 50,000 (gross) (rather than the monthly fixed remuneration of Euros 15,642.56 (gross) provided for other members).
    - Chairmen of Committees: shall receive a monthly fixed remuneration of Euros 1,000 (gross) (in addition to the monthly fixed remuneration as member).
    - Lead Director: shall receive a monthly fixed remuneration of Euros 2,083 (gross) (in addition to the monthly fixed remuneration as member).
- The members of the Board of Directors and executive directors receive remuneration for performing duties other than in their capacity as directors in accordance with the salary structure of senior management of ENDESA. The main components of this remuneration are:
    - Fixed annual remuneration: cash compensation paid monthly in accordance with the complexity and responsibility of the functions entrusted.
    - Short-term variable remuneration: cash remuneration that is not guaranteed and subject to compliance with annual targets established through the Company's assessment systems.
    - Long-term variable remuneration: cash remuneration that is not guaranteed and subject to compliance with multi-year targets.
    - Social and other benefits: remuneration (normally non-cash) received in accordance with certain, special and specific requirements determined voluntarily, legally, contractually or through collective bargaining.

Fixed remuneration.

Details of the annual fixed remuneration received by the members of the Board of Directors, based on the post held, in 2019 and 2018, are as follows:

Thousands of Euros

	2019		2018	
	Salary	Fixed remuneration	Salary	Fixed remuneration
Borja Prado Eulate (1)	320	53	1,132	188
Juan Sánchez-Calero Guilarte (2)	-	432	-	-
Francesco Starace	-	-	-	-
José Bogas Gálvez	740	-	740	-
Alejandro Echevarría Busquet	-	188	-	188
Alberto de Paoli	-	-	-	-
Helena Revoredo Delvecchio (3)	-	188	-	188
Miquel Roca Junyent	-	225	-	225
Enrico Viale (4)	-	-	-	-
Ignacio Garralda Ruiz de Velasco	-	200	-	200
Francisco de Lacerda	-	188	-	188
Maria Patrizia Grieco	-	188	-	188
Antonio Cammisecra (5)	-	-	-	-
TOTAL	**1,060**	**1,662**	**1,872**	**1,365**

(1) Left on 12 April 2019 at the General Meeting of Shareholders.
(2) Appointed on 12 April 2019 at the General Meeting of Shareholders.
(3) Left on 15 January 2020.
(4) Left on 9 September 2019.
(5) Joined on 27 September 2019.

Variable remuneration.

The variable remuneration accrued in 2019 and 2018 by the Chairman and CEO, for performing his executive tasks, are itemised below:

Thousands of Euros

	2019		2018	
	Short-term	Long-term	Short-term	Long-term
Borja Prado Eulate (1)	-	1,023	835	904
José Bogas Gálvez	540	857	530	748
TOTAL	**540**	**1,880**	**1,365**	**1,652**

(1) Left on 12 April 2019 at the General Meeting of Shareholders.

Attendance fees.

Per diems for attendance at each meeting of the Board of Directors and of its Committees in 2019 and 2018 are as follows:

Thousands of Euros

	2019		2018	
	ENDESA, S.A.	Other companies	ENDESA, S.A.	Other companies
Borja Prado Eulate (1)	4	-	19	-
Juan Sánchez-Calero Guilarte (2)	15	-	-	-
Francesco Starace	-	-	-	-
José Bogas Gálvez	-	-	-	-
Alejandro Echevarría Busquet	44	-	48	-
Alberto de Paoli	-	-	-	-
Helena Revoredo Delvecchio (3)	36	-	34	-
Miquel Roca Junyent	53	-	48	-
Enrico Viale (4)	-	-	-	-
Ignacio Garralda Ruiz de Velasco	54	-	50	-
Francisco de Lacerda	54	-	50	-
Maria Patrizia Grieco	19	-	19	-
Antonio Cammisecra (5)	-	-	-	-
TOTAL	**279**		**268**	**-**

(1) Left on 12 April 2019 at the General Meeting of Shareholders.
(2) Appointed on 12 April 2019 at the General Meeting of Shareholders.
(3) Left on 15 January 2020.
(4) Left on 9 September 2019.
(5) Joined on 27 September 2019.

Long-term savings systems.

During 2019, the contribution to funds and pension plans of Executive Directors totalled Euros 645 thousand (Euros 626 thousand in 2018).

Other components.

The Executive Directors, as well as the remaining senior managers, receive remuneration in kind, including a group healthcare policy subsidising 100% of the cost of the payment of the holder and dependent family members, the assignment of a company vehicle under a renting system, together with other social benefits.

During 2019, the total amount of other items amounted to Euros 12,969 thousand (Euros 84 thousand in 2018), of which Euros 12,820 thousand correspond to the termination of Mr. Prado Eulate's contract (Euros 9,615 thousand in compensation and Euros 3,205 thousand as a non-concurrence agreement) and the remaining Euros 149 thousand correspond to remuneration in kind of the Executive Directors.

Life and accident insurance premiums.

Through the Company, Executive Directors have life and accident insurance policy that guarantees certain capital and/or income according to the contingency in question (cover for disability and death).

In 2019, the premium totalled Euros 237 thousand (Euros 267 thousand in 2018).

Advances and loans.

At 31 December 2019 and 2018, loans for the amount of Euros 396 thousand had been extended to Executive Directors, of which Euros 230 thousand corresponded to loans at an average interest rate of 0.402% and Euros 166 thousand to interest-free loans (interest subsidies are treated as remuneration in cash).

Repayment of the principal will be made over the working life of the employee, with full cancellation when they leave the company.

Pension funds and plans: obligations assumed.

At 31 December 2019, Executive Directors held accumulated fund and pension plan rights for the amount of Euros 15,325 thousand (Euros 14,042 thousand in 2018).

Guarantees provided by the Company to Executive Directors.

At 31 December 2019, as regards remuneration, the Company had issued guarantees on behalf of the Chief Executive Officer amounting to Euros 6,555 thousand to cover early retirement entitlements (Euros 6,722 thousand at 31 December 2018) (See Note 34.1.2).

34.3.2. Remuneration of Senior management.

Identification of members of Senior management who are not Executive Directors.

Name	Senior executives in 2019
	Position (1)
Alberto Fernández Torres (2)	General Manager – Communication
Juan Mª Moreno Mellado	General Manager - Energy Management
Andrea Lo Faso	General Manager - People and Organisation
Rafael González Sánchez	General Manager – Generation
Gianluca Caccialupi	General Manager, Infrastructure and Networks.
Francisco de Borja Acha Besga	General Secretary to the Board of Directors and General Manager - Legal and Corporate Affairs
Javier Uriarte Monereo	General Manager – Supply
José Casas Marín	General Manager - Institutional Relations and Regulation
José Luis Puche Castillejo	General Manager – Media
Josep Trabado Farré	General Manager - ENDESA X
Gonzalo Carbó de Haya	General Manager - Nuclear Power
Luca Minzolini (3)	General Manager – Audit
Patricia Fernández Salís (4)	General Manager – Audit
Manuel Fernando Marín Guzmán	General Manager - ICT Digital Solutions
Paolo Bondi	Managing Director
María Malaxechevarría Grande	General Manager – Sustainability
Pablo Azcoitia Lorente	General Manager – Purchasing
Luca Passa	General Manager - Administration, Finance and Control

(1) List of persons included in this table as per the definition of senior management in Spanish National Securities Market Commission (“CNMV”) Circular 5/2013, of 12 June 2013.
(2) Left on 31 December 2019.
(3) Left on 28 February 2019.
(4) Joined on 1 March 2019.

Name	Senior executives in 2018 Position (1)
Alberto Fernández Torres	General Manager – Communication
Álvaro Luis Quiralte Abelló (2)	General Manager - Energy Management
Juan Mª Moreno Mellado (3)	General Manager - Energy Management
Andrea Lo Faso	General Manager - People and Organisation
Enrique de las Morenas Moneo (4)	General Manager - Renewable Energies
Rafael González Sánchez (5)	General Manager - Renewable Energies
Francesco Amadei (6)	General Manager, Infrastructure and Networks.
Gianluca Caccialupi (7)	General Manager, Infrastructure and Networks.
Francisco de Borja Acha Besga	General Secretary to the Board of Directors and General Manager - Legal and Corporate Affairs
Javier Uriarte Monereo	General Manager – Supply
José Casas Marín	General Manager - Institutional Relations and Regulation
José Luis Puche Castillejo	General Manager - Media
Josep Trabado Farré	General Manager - ENDESA X
Juan Mª Moreno Mellado (8)	General Manager - Nuclear Power
Gonzalo Carbó de Haya (9)	General Manager - Nuclear Power
Luca Minzolini	General Manager - Audit
Manuel Fernando Marín Guzmán	General Manager - ICT Digital Solutions
Manuel Morán Casero (10)	General Manager - Thermal Generation
Paolo Bondi (11)	General Manager - Thermal Generation
María Malaxechevarría Grande	General Manager - Sustainability
Pablo Azcoitia Lorente	General Manager - Purchasing
Paolo Bondi (12)	General Manager - Administration, Finance and Control
Luca Passa (13)	General Manager - Administration, Finance and Control

(1) List of persons included in this table as per the definition of senior management in Spanish National Securities Market Commission ("CNMV") Circular 5/2013, of 12 June 2013.
(2) Left on 31 October 2018.
(3) Joined on 1 November 2018.
(4) Left on 31 August 2018.
(5) Joined on 1 September 2018.
(6) Left on 31 March 2018.
(7) Joined on 1 May 2018.
(8) Left on 31 October 2018.
(9) Joined on 1 November 2018.
(10) Left on 30 April 2018.
(11) Joined on 1 May 2018.
(12) Left on 30 April 2018.
(13) Joined on 1 May 2018.

Remuneration of Senior management.

During 2019 and 2018, remuneration of Senior management members who are not Executive Directors was as follows:

Thousands of Euros

	Remuneration			
	In the Company		For membership of boards of directors of companies of the ENDESA Group	
	2019	2018	2019	2018
Fixed remuneration	5,728	5,655	-	-
Variable remuneration	5,516	6,165	-	-
Per Diems for attendance	-	-	-	-
Statutory Emoluments	-	-	-	-
Options on shares and other financial instruments	-	-	-	-
Other	1,798	4,603	-	-
TOTAL	**13,042**	**16,423**	**-**	**-**

Thousands of Euros

	Other Benefits			
	In the Company		For membership of boards of directors of companies of the ENDESA Group	
	2019	2018	2019	2018
Advances	282	323	-	-
Loans granted	154	154	-	-
Pension funds and schemes: Contributions	893	908	-	-
Pension funds and schemes: Obligations assumed	18,681	16,974	-	-
Life and accident insurance premiums	199	207	-	-

Guarantees provided by the Company to Senior management personnel.

At 31 December 2019 and 2018, in terms of remuneration, the Company had not issued any guarantees to senior managers who were not also executive directors.

34.3.3. Guarantee clauses: Board of Directors and Senior management personnel.

Guarantee clauses for dismissal or changes of control.

These clauses are the same in all the contracts of the Executive Directors and senior managers of the Company and of its Group and were approved by the Board of Directors following the report of the Appointments and Remuneration Committee (ARC) and provide for termination benefits in the event of termination of the employment relationship and a post-contractual non-competition clause.

With regard to management personnel, although this type of termination clause is not the norm, the contents of cases in which it arises are similar to the scenarios of general employment relationships.

The regime for these clauses is as follows.

- Termination of the employment relationship:

    - By mutual agreement: termination benefit equal to an amount from 1 to 3 times the annual remuneration, on a case-by-case basis. ENDESA's 2016-2018 Directors' Remuneration Policy established that when new directors are included, a maximum number of two years of total annual remuneration will be set as payment for contract termination, applicable in any case in the same terms to the Executive Director contracts.

    - At the unilateral decision of the executive: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on the serious and culpable breach by the Company of its obligations, the position is eliminated, or in the event of a change of control or any of the other causes for compensation for termination foreseen in Royal Decree 1382/1985 of 1 August 1985.

    - As a result of termination by the Company: termination benefit equal to that described in the first point.

    - At the decision of the Company based on the serious wilful misconduct or negligence of the executive in discharging his duties: no entitlement to termination benefit.

  These conditions are alternatives to those arising from changes to the pre-existing employment relationship or its termination due to early retirement for senior executives.

- Post-contractual non-competition clause: In the vast majority of contracts, senior management personnel are required not to engage in a business activity in competition with ENDESA for a period of 2 years; as consideration, the executive is entitled to an amount of up to 1x the annual fixed remuneration.

At 31 December 2019 and 2018, ENDESA the number of executive directors and senior managers with guarantee clauses was 11 and 13, respectively.

34.3.4. Other disclosures concerning the Board of Directors.

To increase the transparency of listed companies, the members of the Board of Directors have disclosed, to the best of their knowledge, the direct or indirect stakes they and their related parties hold in companies with the same, analogous or similar corporate purpose as that of ENDESA, S.A., and the positions or duties they perform therein.

At 31 December 2019				
Director	Personal or company tax ID	Company	% Stake	Position
Juan Sánchez-Calero Guilarte	A48010615	Iberdrola, SA	0.00006191	-
Francesco Starace	00811720580	ENEL, S.p.A.	0.00504904	Chief Executive Officer and General Manager
Francesco Starace	B85721025	ENEL Iberia, S.L.U.	-	Chairman
José Bogas Gálvez	B85721025	ENEL Iberia, S.L.U.	-	Director
Alberto de Paoli	00811720580	ENEL, S.p.A.	-	Head of Administration, Finance and Control
Antonio Cammisecra	00811720580	ENEL, S.p.A.	-	Head of Global Power Generation
Antonio Cammisecra	00811720580	ENEL, S.p.A.	-	Head of Global Power Generation
Ignacio Garralda	00811720580	ENEL, S.p.A.	0.00027540	Sole Administrator ENEL Green Power, S.p.A.
Maria Patrizia Grieco	00811720580	ENEL, S.p.A.	-	Chairman

		At 31 December 2018		
Director	**Personal or company tax ID**	**Company**	**% Stake**	**Position**
Borja Prado Eulate	B85721025	ENEL Iberia, S.L.U.	-	Director
Francesco Starace	00811720580	ENEL, S.p.A.	0.00406543	Chief Executive Officer and General Manager
Francesco Starace	B85721025	ENEL Iberia, S.L.U.	-	Chairman
José Bogas Gálvez	B85721025	ENEL Iberia, S.L.U.	-	Director
José Bogas Gálvez	A80316672	Elcogas, S.A.	-	Chairman
Alberto de Paoli	00811720580	ENEL, S.p.A.	-	Head of Administration, Finance and Control
Alberto de Paoli	N9022122G	ENEL Green Power, S.p.A.	-	Chairman
Enrico Viale	94271000-3	ENEL Américas, S.A.	-	Director
Enrico Viale	00811720580	ENEL, S.p.A.	0.00007769	Head of Global Thermal Generation, ENEL
Ignacio Garralda	00811720580	ENEL, S.p.A.	0.00027540	-
Maria Patrizia Grieco	00811720580	ENEL, S.p.A.	-	Chairman

In accordance with Article 229 of the Corporate Enterprises Act, the direct or indirect situations of conflict of interest involving members of the Board of Directors with the interest of the Company, along with how they were handled in 2019, were as follows:

- The Executive Directors, in their capacity as Directors of ENEL Iberia S.L.U., appointed by Enel, S.p.A., had conflicts of interest when authorising transactions with Enel, S.p.A. or Enel Group companies. In all the situations arising in 2019, the Executive Directors did not participate in the related items on the agenda of the corresponding Board of Directors meeting.

- The Proprietary Directors, appointed by ENEL, S.p.A., had a conflict of interest when authorising transactions with ENEL, S.p.A. or ENEL Group companies. In all the situations arising in 2019, the Proprietary directors did not participate in the related items on the agenda of the corresponding Board of Directors meeting.

- Helena Revoredo Delvecchio is Chairwoman of Prosegur Compañía de Seguridad, S.A. and performed during the financial year 2019 her functions as an independent director of ENDESA S.A. without prejudice to the possible commercial relationship between the Prosegur and ENDESA Groups. In 2019, the Prosegur Group arranged non-material security and surveillance service provision agreements with the ENDESA Group for the latter's facilities. The services were awarded by ENDESA S.A.'s Board of Directors, based on the results of the corresponding bidding processes, without the involvement of the Director, pursuant to the legislation applicable to conflicts of interests.

Distribution by gender: At 31 December 2019, the Board of Directors of ENDESA, S.A. was composed of 11 directors, 2 of which are women. At 31 December 2018, there were 11 Directors, 2 of which were women.

In 2019 and 2018 there were no damages caused by acts or omissions of the Directors that would have required use to be made of the third-party liability insurance premium held through the Company. This insures both the Company's directors and employees with management responsibilities.

In 2019, this premium totalled Euros 352 thousand (Euros 327 thousand in 2018).

34.3.5. Share-based payment plans tied to the ENDESA, S.A. share price.

ENDESA's variable long-term remuneration is takes the form of the so-called Strategic Incentive, the main purpose of which is to strengthen the commitment of the employees who occupy positions of greatest responsibility in achieving the Group’s strategic objectives. The Plan is structured through successive three-year programmes, which start every year from 1 January 2010. Since 2014, the plans have foreseen a deferral of the payment and the need for the Executive to be active on the date of liquidation thereof; and payments are made on 2 dates: 30% of the incentive will be paid, and the remaining 70%, if applicable, 2 years after the end of the Plan.

Within the framework of the ENDESA Loyalty Plan, the Company's General Shareholders' Meeting, held on 26 April 2017, approved the long-term remuneration schemes for 2017-2019. The Company also submitted the long-term 2018-2020 remuneration scheme for approval to the General Shareholders' Meeting, held on 23 April 2018, and the long-term 2019-2021 remuneration scheme to the General Shareholders' Meeting held on 12 April 2019.

These schemes are linked, among other indicators, to share price performance and are directed at the Chairman, the CEO and ENDESA directors with strategic responsibility.

Specifically, the programmes referred to above have the following objectives:

a) An objective called "Total Shareholders' Return (TSR) of ENDESA", defined as the average value of the TSR of ENDESA relative to the average value of the TSR of the Euro-Stoxx Utilities Index, selected as the Comparable Group, for the accrual period.

   This indicator measures the total return of a share as the sum of its parts:

   i. Capital gains: the relation between the change in the share price (the difference between the price recorded at the end and at the beginning of the reference period) and the value established at the start of the period.

   ii. Reinvested dividends: impact of all dividends paid in the period and reinvested in shares at the date of discount of each dividend.

b) An objective called Return on average capital employed (ROACE)[1], defined as ENDESA's accumulated ROACE in the accrual period, represented by the ratio of Ordinary EBIT[2] to average Net Capital Invested (Average NCI)[3] accumulated during the period.

c) Starting with the 2018 Plan, an objective of reducing carbon dioxide (CO_2) emissions is included. This indicator measures ENDESA´s CO_2 emissions in Spain and Portugal, understood as the ratio of absolute CO_2 emissions due to ENDESA's electricity generation to ENDESA's net total production for that year.

There is an ex-post control of long-term variable remuneration in the form of a malus clause that allows the Company not to pay variable remuneration accrued and not received, in addition to a clawback clause which obliges participants in these plans to repay the variable remuneration received in the event that data used for its calculation or payment are proved to be clearly erroneous after the settlement date.

The Appointments and Remuneration Committee (ARC) may submit a motion to the Board of Directors not to pay or to demand reimbursement of variable components of remuneration if it is shown that payment was based on data, which later proved to be incorrect.

The amount accrued in relation to these Loyalty Plan programmes in 2019 totalled Euros 6 million (Euros 7 million in 2018).

35. Guarantees to third parties, other contingent assets and liabilities and other commitments.

35.1. Direct and indirect guarantees.

At 31 December 2019 and 2018, guarantees had been provided to third parties for the following items and amounts:

Millions of Euros

	Notes	2019	2018
Property, plant and equipment as a guarantee for financing received	6.4, 14.1.12 & 17.2.3	91	103
Short and long term gas contracts		168	87
Lease of Methane Vessel (1)		153	170
TOTAL		**412**	**360**

(1) Does not include bank guarantees against third parties.

[1] Return on Average Capital Employed (ROACE) (%) = Ordinary EBIT / Average Net Capital Invested (Average NCI).
[2] Ordinary EBIT (Euros Millions) = EBIT adjusted for unbudgeted extraordinary effects.
[3] Average Net Capital Invested (Average NCI) (Euros Millions) = ((Equity + Net Financial Debt – Cash and cash equivalents)n + (Equity + Net Financial Debt – Cash and other cash equivalents)n-1) / 2

At 31 December 2019 and 2018, the breakdown of guarantees granted to ENDESA's Associates, Joint Ventures and Joint Operation entities is shown in Note 34.2.

ENDESA considers that any additional liabilities arising from guarantees given at 31 December 2019 would not be material.

35.2. Other commitments

There are no further commitments to those described in Notes 6, 8, 11, 12 and 18.1.3 to these Consolidated Financial Statements.

36. Audit fees

Details of fees for the services provided in 2019 and 2018 by the auditors of the annual financial statements of the various ENDESA companies are as follows:

Thousands of Euros

	2019		2018	
	Ernst & Young	Other auditors of subsidiaries	Ernst & Young	Other auditors of subsidiaries
Audit of the Financial Statements	2,211	46	2,156	46
Audits other than of the financial statements and other audit-related services	1,384	63	1,748	-
Other non-audit services	10	-	-	20
TOTAL	**3,605**	**109**	**3,904**	**66**

The figures reported in the table above include all of the fees accrued for the services rendered during 2019 and 2018, irrespective of when they were actually billed.

37. Workforce

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

Number of Employees

	Year-end headcount					
	31 December 2019			31 December 2018		
	Men	Women	Total	Men	Women	Total
Executives	221	53	274	234	50	284
Middle management	2,319	1,123	3,442	2,165	1,043	3,208
Administration and Management Staff and manual workers	5,033	1,203	6,236	5,085	1,186	6,271
TOTAL EMPLOYEES	**7,573**	**2,379**	**9,952**	**7,484**	**2,279**	**9,763**

Number of Employees

	Year-end headcount					
	31 December 2019			31 December 2018		
	Men	Women	Total	Men	Women	Total
Generation and Supply	4,153	1,143	5,296	4,082	1,073	5,155
Distribution	2,527	442	2,969	2,535	443	2,978
Structure and Others (1)	893	794	1,687	867	763	1,630
TOTAL EMPLOYEES	**7,573**	**2,379**	**9,952**	**7,484**	**2,279**	**9,763**

(1) Structure and services

Number of Employees

	Average Headcount (1)					
	2019			2018		
	Men	Women	Total	Men	Women	Total
Executives	227	52	279	235	48	283
Middle management	2,231	1,064	3,295	2,128	1,019	3,147
Administration and Management Staff and manual workers	5,015	1,172	6,187	5,082	1,184	6,266
TOTAL EMPLOYEES	**7,473**	**2,288**	**9,761**	**7,445**	**2,251**	**9,696**

(1) Includes the average workforce of Empresa de Alumbrado Eléctrico de Ceuta, S.A. (63 employees in 2019 and 27 in 2018) (see Note 5.4).

Number of Employees

	Average Headcount (2)					
	2019			2018		
	Men	Women	Total	Men	Women	Total
Generation and Supply	4,094	1,085	5,179	4,079	1,056	5,135
Distribution	2,505	434	2,939	2,502	433	2,935
Structure and Others (1)	874	769	1,643	864	762	1,626
TOTAL	**7,473**	**2,288**	**9,761**	**7,445**	**2,251**	**9,696**

(1) Structure and services
(2) Includes the average workforce of Empresa de Alumbrado Eléctrico de Ceuta, S.A. (63 employees in 2019 and 27 in 2018) (see Note 5.4).

The average number of employees in joint operation entities in 2019 and 2018 was 830 and 840, respectively.

The average number of persons employed in 2019 and 2018 with a disability of 33% or more, by category and segment, was as follows:

Number of Employees

	Average headcount with disabilities (1)					
	2019			2018		
	Men	Women	Total	Men	Women	Total
Executives	-	-	-	-	-	-
Middle management	15	4	19	14	4	18
Administration and Management Staff and manual	43	16	59	43	16	59
TOTAL EMPLOYEES	**58**	**20**	**78**	**57**	**20**	**77**

(1) 33% or more.

Number of Employees

	Average headcount with disabilities (2)					
	2019			2018		
	Men	Women	Total	Men	Women	Total
Generation and Supply	23	12	35	21	12	33
Distribution	25	1	26	25	1	26
Structure and Others (1)	10	7	17	11	7	18
TOTAL	**58**	**20**	**78**	**57**	**20**	**77**

(1) Structure and services
(2) 33% or more.

38. Events after the reporting period.

After more than two years of fruitless negotiations, on 4 December 2019, the majority trade union in ENDESA, General Workers Union (UGT), and ENDESA agreed to submit to a “binding equity arbitration” some of the most significant aspects discussed in the negotiation of the “V Framework Collective Agreement of ENDESA”. As part of the submission to binding arbitration, in December 2019, the majority trade union in ENDESA, the General Workers Union (UGT), agreed to withdraw the Appeal lodged with the Supreme Court against the Judgment of the National Court of 26 March 2019 in favour of ENDESA, endorsing the Company’s interpretation that recognizes the legality of the termination of certain social benefits to passive employees as a consequence of the termination of the "IV Framework Collective Agreement of ENDESA". The other organisations with union representation in ENDESA, that is, Comisiones Obreras (CCOO) and the Independent Energy Trade Union (SIE), declined to submit to the aforementioned arbitration, continuing with the said Appeal in Cassation to the Supreme Court (see Note 16.3).

ENDESA and the majority union, the General Workers Union (UGT), agreed before the Interconfederal Mediation and Arbitration Service (“SIMA”) the procedure and matters subject to “binding equity arbitration”, and that the terms of the decision of the arbitrator would be incorporated into the Collective Agreement that was agreed upon. Following the appointment by common accord of Mr Manuel Pimentel Siles as sole arbitrator, the procedure was carried out during the months of December 2019 and January 2020 in the terms agreed by the parties, ending with the issue of a mandatory Arbitration Award on 21 January 2020.

In accordance with the agreement between the parties, the content of the Arbitration Award and other aspects resulting from the agreement at the negotiating table not submitted to arbitration, were incorporated into the “V Framework Collective Agreement of ENDESA” which was approved and signed by the Company and the Trade Union Section of the General Union of Workers' Union (UGT), and has effect since the UGT is the majority union in the Company, on 23 January 2020. On the same date, the new “Guarantee Framework Agreement” and “Agreement on Voluntary Suspension or Termination of Employment Contracts” were signed, in this case by all unions represented in ENDESA. Under the terms of Article 90 of the Workers'

Statute, at the date of preparation of these Consolidated Financial Statements, the registration of the Agreement signed by the parties is being processed by the competent labour authority.

Once the "V Framework Collective Agreement of ENDESA" had been signed, a process was initiated within the Monitoring and Interpretation Committee to analyse and interpret the terms and measures of various matters and economic conditions covered by the arbitration decision and transferred in that Agreement, such as economic increases, salary updates, electricity supply, study grants, medical insurance and others. At the date of preparation of these Consolidated Financial Statements, it is not possible to quantify the financial impact that such actions would have in the year 2020, since significant economic conditions and items such as those mentioned above are pending analysis and interpretation. The parties involved are working together in the transition process necessary to proceed to its definitive economic quantification and formalization.

With regard to the Monitoring Committee of the "Framework Agreement on Guarantees" indicated in the previous paragraphs, on 28 January 2020, the Company informed the trade union representatives that it will not exercise the power to terminate the individual agreement to suspend the employment relationship for certain individual contracts signed with employees. The cost to be borne by the Company during the period for which, in accordance with this commitment, it cannot avoid the contract being suspended amounts to Euros 159 million.

Except for the matters referred to in the foregoing paragraphs, no other significant events have taken place between 31 December 2019 and the date of authorisation for issue of these Consolidated Financial Statements that have not been reflected therein.

39. Explanation added for translation to English

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

Appendix I: ENDESA companies

Company (in alphabetical order)	% ownership at 31/12/2019			% ownership at 31/12/2018			Registered office	Activity	Auditor
	Economic	Control	Consolidation method	Economic	Control	Consolidation method			
AGUILÓN 20, S.A.	51.00	51.00	FC	51.00	51.00	FC	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
ALMUSSAFES SERVICIOS ENERGÉTICOS, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	BARCELONA (SPAIN)	ENERGY GENERATION	UNAUDITED
ARAGONESA DE ACTIVIDADES ENERGÉTICAS, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	TERUEL (SPAIN)	DISTRIBUTION AND SALE OF ELECTRICITY	UNAUDITED
ARANORT DESARROLLOS, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	WIND FARMS	ERNST & YOUNG
ASOCIACIÓN NUCLEAR ASCÓ-VANDELLÓS II, A.I.E.	85.41	85.41	PC	85.41	85.41	PC	TARRAGONA (SPAIN)	MANAGEMENT, OPERATION AND ADMINISTRATION OF NUCLEAR PLANTS	ERNST & YOUNG
BAIKAL ENTERPRISE, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	PALMA DE MALLORCA (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
BALEARES ENERGY, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	PALMA DE MALLORCA (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
BAYLIO SOLAR, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	PHOTOVOLTAIC PLANT	ERNST & YOUNG
BOGARIS PV1, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	SEVILLE (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
BOSA DEL EBRO, S.L.	51.00	51.00	FC	51.00	51.00	FC	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
CASTIBLANCO SOLAR, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	PHOTOVOLTAIC PLANT	ERNST & YOUNG
DEHESA DE LOS GUADALUPES SOLAR, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	PHOTOVOLTAIC PLANT	ERNST & YOUNG
DEHESA PV FARM 03, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	VALENCIA (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
DEHESA PV FARM 04, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	VALENCIA (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
DISTRIBUIDORA DE ENERGÍA ELÉCTRICA DEL BAGES, S.A.	100.00	100.00	FC	100.00	100.00	FC	BARCELONA (SPAIN)	ENERGY DISTRIBUTION AND SUPPLY	UNAUDITED
DISTRIBUIDORA ELÉCTRICA DEL PUERTO DE LA CRUZ, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	SANTA CRUZ DE TENERIFE (SPAIN)	PURCHASE, TRANSMISSION, DISTRIBUTION AND SUPPLY OF ELECTRICITY	ERNST & YOUNG
EDISTRIBUCIÓN REDES DIGITALES, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	ELECTRICITY DISTRIBUTION	ERNST & YOUNG
ELÉCTRICA DE JAFRE, S.A.	100.00	100.00	FC	100.00	100.00	FC	GERONA (SPAIN)	ENERGY DISTRIBUTION AND SUPPLY	ERNST & YOUNG
ELÉCTRICA DEL EBRO, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	TARRAGONA (SPAIN)	ENERGY DISTRIBUTION AND SUPPLY	ERNST & YOUNG
EMINTEGRAL CYCLE, S.L.(SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	SEVILLE (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
EMPRESA CARBONÍFERA DEL SUR, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	EXPLOITATION OF COAL FIELDS	ERNST & YOUNG
EMPRESA DE ALUMBRADO ELÉCTRICO DE CEUTA, S.A.	96.29	96.29	FC	96.29	96.29	FC	CEUTA (SPAIN)	ELECTRICITY DISTRIBUTION AND SUPPLY	DELOITTE
EMPRESA DE ALUMBRADO ELÉCTRICO DE CEUTA DISTRIBUCIÓN, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	96.26	FC	100.00	96.26	FC	CEUTA (SPAIN)	ELECTRICITY DISTRIBUTION	DELOITTE
ENDESA CAPITAL, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	ISSUANCE OF DEBT INSTRUMENTS	ERNST & YOUNG
ENDESA COMERCIALIZAÇÃO DE ENERGIA, S.A.	100.00	100.00	FC	100.00	100.00	FC	PORTO (PORTUGAL)	SUPPLY OF ENERGY PRODUCTS	ERNST & YOUNG
ENDESA ENERGÍA RENOVABLE, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	MADRID (SPAIN)	SUPPLY OF ENERGY PRODUCTS	UNAUDITED
ENDESA ENERGÍA, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	SUPPLY OF ENERGY PRODUCTS	ERNST & YOUNG
ENDESA FINANCIACIÓN FILIALES, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	FINANCING OF THE SUBSIDIARIES OF ENDESA, S.A.	ERNST & YOUNG
ENDESA GENERACIÓN II, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	SEVILLE (SPAIN)	ELECTRICITY GENERATION	UNAUDITED
ENDESA GENERACIÓN NUCLEAR, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	SEVILLE (SPAIN)	MANAGEMENT OF NUCLEAR ASSETS AND MANAGEMENT, PRODUCTION AND SALE OF ELECTRICITY	UNAUDITED
ENDESA GENERACIÓN PORTUGAL, S.A.	100.00	100.00	FC	100.00	100.00	FC	LISBON (PORTUGAL)	ELECTRICITY PRODUCTION AND RELATED ACTIVITIES	ERNST & YOUNG
ENDESA GENERACIÓN, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION AND SUPPLY	ERNST & YOUNG
ENDESA INGENIERÍA, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	SEVILLE (SPAIN)	CONSULTANCY AND CIVIL ENGINEERING SERVICES	ERNST & YOUNG
ENDESA MEDIOS Y SISTEMAS, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	PROVISION OF SERVICES	ERNST & YOUNG
ENDESA OPERACIONES Y SERVICIOS COMERCIALES, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	PROVISION OF SERVICES TO ENDESA DISTRIBUCIÓN ELÉCTRICA AND TO ENDESA ENERGÍA	ERNST & YOUNG
ENDESA POWER TRADING LTD.	100.00	100.00	FC	100.00	100.00	FC	LONDON (UK)	TRADING OPERATIONS	ERNST & YOUNG
ENDESA RED, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	DISTRIBUTION ACTIVITIES	ERNST & YOUNG
ENDESA SOLUCIONES, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	MADRID (SPAIN)	SUPPLY OF ENERGY PRODUCTS AND SERVICES	UNAUDITED
ENDESA X, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	SERVICES ASSOCIATED WITH THE SUPPLY OF ENERGY PRODUCTS	UNAUDITED
ENEL GREEN POWER ESPAÑA, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	RENEWABLE ENERGIES	ERNST & YOUNG
ENEL GREEN POWER GRANADILLA, S.L.	-	-	-	65.00	65.00	FC	SANTA CRUZ DE TENERIFE (SPAIN)	WIND FARMS	-
ENERGÍA CEUTA XXI COMERCIALIZADORA DE REFERENCIA, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	96.29	FC	100.00	96.29	FC	CEUTA (SPAIN)	ELECTRICITY SUPPLY	DELOITTE
ENERGÍA ELÉCTRICA DEL EBRO, S.A. (SOLE-SHAREHOLDER COMPANY) (IN LIQUIDATION)	-	-	-	100.00	100.00	FC	TARRAGONA (SPAIN)	ENERGY DISTRIBUTION AND SUPPLY	-
ENERGÍA EÓLICA ALTO DEL LLANO, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	WIND FARMS	ERNST & YOUNG
ENERGÍA NETA SA CASETA LLUCMAJOR, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	PALMA DE MALLORCA (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
ENERGÍA XXI COMERCIALIZADORA DE REFERENCIA, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	SERVICES ASSOCIATED WITH THE SUPPLY OF ENERGY PRODUCTS	ERNST & YOUNG
ENERGÍAS ALTERNATIVAS DEL SUR, S.L.	54.95	54.95	FC	54.95	54.95	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS	ERNST & YOUNG
ENERGÍAS DE ARAGÓN I, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	ZARAGOZA (SPAIN)	TRANSMISSION, DISTRIBUTION AND SALE OF ELECTRICITY	ERNST & YOUNG
ENERGÍAS DE ARAGÓN II, SL (SOLE SHAREHOLDER COMPANY)	-	-	-	100.00	100.00	FC	ZARAGOZA (SPAIN)	HYDROELECTRIC POWER PLANT	-
ENERGÍAS DE GRAUS, S.L.	66.67	66.67	FC	66.67	66.67	FC	ZARAGOZA (SPAIN)	HYDROELECTRIC POWER PLANT	ERNST & YOUNG
ENERGÍAS ESPECIALES DE CAREÓN, S.A.	77.00	77.00	FC	77.00	77.00	FC	LA CORUÑA (SPAIN)	WIND FARMS	ERNST & YOUNG

Company (in alphabetical order)	% ownership at 31/12/2019			% ownership at 31/12/2018			Registered office	Activity	Auditor
	Economic	Control	Consolidation method	Economic	Control	Consolidation method			
ENERGÍAS ESPECIALES DE PEÑA ARMADA, S.A.	80.00	80.00	FC	80.00	80.00	FC	MADRID (SPAIN)	WIND FARMS	ERNST & YOUNG
ENERGÍAS ESPECIALES DEL ALTO ULLA, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	WIND FARMS	ERNST & YOUNG
ENVATIOS PROMOCIÓN I, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	SEVILLE (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
ENVATIOS PROMOCIÓN II, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	SEVILLE (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
ENVATIOS PROMOCIÓN III, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	SEVILLE (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
ENVATIOS PROMOCIÓN XX, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	SEVILLE (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
EÓLICA DEL CIERZO, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	ZARAGOZA (SPAIN)	WIND FARMS	UNAUDITED
EÓLICA DEL NOROESTE, S.L.	-	-	-	51.00	51.00	FC	LA CORUÑA (SPAIN)	WIND FARMS	-
EÓLICA DEL PRINCIPADO, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	ASTURIAS (SPAIN)	WIND FARMS	UNAUDITED
EÓLICA VALLE DEL EBRO, S.A.	50.50	50.50	FC	50.50	50.50	FC	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
EÓLICAS DE AGAETE, S.L.	80.00	80.00	FC	80.00	80.00	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS	ERNST & YOUNG
EÓLICAS DE FUENCALIENTE, S.A.	55.00	55.00	FC	55.00	55.00	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS	ERNST & YOUNG
EÓLICOS DE TIRAJANA, S.L.	60.00	60.00	FC	60.00	60.00	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS	ERNST & YOUNG
EXPLOTACIONES EÓLICAS DE ESCUCHA, S.A.	70.00	70.00	FC	70.00	70.00	FC	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
EXPLOTACIONES EÓLICAS EL PUERTO, S.A.	73.60	73.60	FC	73.60	73.60	FC	TERUEL (SPAIN)	WIND FARMS	ERNST & YOUNG
EXPLOTACIONES EÓLICAS SANTO DOMINGO DE LUNA, S.A.	51.00	51.00	FC	51.00	51.00	FC	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
EXPLOTACIONES EÓLICAS SASO PLANO, S.A.	65.00	65.00	FC	65.00	65.00	FC	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
EXPLOTACIONES EÓLICAS SIERRA COSTERA, S.A.	90.00	90.00	FC	90.00	90.00	FC	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
EXPLOTACIONES EÓLICAS SIERRA LA VIRGEN, S.A.	90.00	90.00	FC	90.00	90.00	FC	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
FOTOVOLTAICA YUNCLILLOS, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	GRANADA (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
FURATENA SOLAR 1, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	PHOTOVOLTAIC PLANT	ERNST & YOUNG
GAS Y ELECTRICIDAD GENERACIÓN, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	PALMA DE MALLORCA (SPAIN)	ELECTRICITY PRODUCTION	ERNST & YOUNG
GUADARRANQUE SOLAR 4, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	SEVILLE (SPAIN)	ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES	UNAUDITED
HIDROELÉCTRICA DE CATALUNYA, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	BARCELONA (SPAIN)	ELECTRICITY TRANSMISSION AND DISTRIBUTION	ERNST & YOUNG
HIDROFLAMICELL, S.L.	75.00	75.00	FC	75.00	75.00	FC	BARCELONA (SPAIN)	ELECTRICITY DISTRIBUTION AND SALE	ERNST & YOUNG
HIDROMONDEGO - HIDROELÉCTRICA DO MONDEGO, LDA	100.00	100.00	FC	100.00	100.00	FC	LISBON (PORTUGAL)	ELECTRICITY PRODUCTION AND SUPPLY	UNAUDITED
HISPANO GENERACIÓN DE ENERGÍA SOLAR, S.L.	51.00	51.00	FC	51.00	51.00	FC	BADAJOZ (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
INTERNATIONAL ENDESA B.V.	100.00	100.00	FC	100.00	100.00	FC	AMSTERDAM (NETHERLANDS)	INTERNATIONAL FINANCIAL TRANSACTIONS	ERNST & YOUNG
LA PEREDA CO_2, A.I.E.	-	-	-	33.33	33.33	PC	ASTURIAS (SPAIN)	ELECTRICITY GENERATION	-
NAVALVILLAR SOLAR, S.L.U. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	PHOTOVOLTAIC PLANT	ERNST & YOUNG
OLIVUM PV FARM 01, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	VALENCIA (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
PAMPINUS PV FARM 01, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	VALENCIA (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
PARAVENTO, S.L.	90.00	90.00	FC	90.00	90.00	FC	LUGO (SPAIN)	WIND FARMS	ERNST & YOUNG
PARQUE EÓLICO A CAPELADA, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	LA CORUÑA (SPAIN)	WIND FARMS	ERNST & YOUNG
PARQUE EÓLICO BELMONTE, S.A.	50.16	50.16	FC	50.16	50.16	FC	MADRID (SPAIN)	WIND FARMS	ERNST & YOUNG
PARQUE EÓLICO CARRETERA DE ARINAGA, S.A.	80.00	80.00	FC	80.00	80.00	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS	ERNST & YOUNG
PARQUE EÓLICO DE BARBANZA, S.A.	75.00	75.00	FC	75.00	75.00	FC	LA CORUÑA (SPAIN)	WIND FARMS	ERNST & YOUNG
PARQUE EÓLICO DE SAN ANDRÉS, S.A.	82.00	82.00	FC	82.00	82.00	FC	LA CORUÑA (SPAIN)	WIND FARMS	ERNST & YOUNG
PARQUE EÓLICO DE SANTA LUCÍA, S.A.	66.33	66.33	FC	66.33	66.33	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS	ERNST & YOUNG
PARQUE EÓLICO FARLÁN, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	WIND FARMS	ERNST & YOUNG
PARQUE EÓLICO FINCA DE MOGÁN, S.A.	90.00	90.00	FC	90.00	90.00	FC	SANTA CRUZ DE TENERIFE (SPAIN)	WIND FARMS	ERNST & YOUNG
PARQUE EÓLICO MONTES DE LAS NAVAS, S.A.	75.50	75.50	FC	75.50	75.50	FC	MADRID (SPAIN)	WIND FARMS	ERNST & YOUNG
PARQUE EÓLICO MUNIESA, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	WIND FARMS	ERNST & YOUNG
PARQUE EÓLICO PUNTA DE TENO, S.A.	52.00	52.00	FC	52.00	52.00	FC	SANTA CRUZ DE TENERIFE (SPAIN)	WIND FARMS	ERNST & YOUNG
PARQUE EÓLICO SIERRA DEL MADERO, S.A.	58.00	58.00	FC	58.00	58.00	FC	MADRID (SPAIN)	WIND FARMS	ERNST & YOUNG
PARQUES EÓLICOS GESTINVER, S.L. (SOLE SHAREHOLDER COMPANY)	-	-	-	100.00	100.00	FC	MADRID (SPAIN)	WIND FARMS	-
PARQUES EÓLICOS GESTINVER GESTIÓN, S.L. (SOLE SHAREHOLDER COMPANY)	-	-	-	100.00	100.00	FC	MADRID (SPAIN)	WIND FARMS	-
PEREDA POWER, S.L.	-	-	-	70.00	70.00	FC	ASTURIAS (SPAIN)	ELECTRICITY GENERATION	-
PLANTA EÓLICA EUROPEA, S.A.	56.12	56.12	FC	56.12	56.12	FC	SEVILLE (SPAIN)	WIND FARMS	ERNST & YOUNG
PRODUCTOR REGIONAL DE ENERGÍA RENOVABLE, S.A. (SOLE SHAREHOLDER COMPANY)	-	-	-	100.00	100.00	FC	MADRID (SPAIN)	WIND FARMS	-
PRODUCTOR REGIONAL DE ENERGÍAS RENOVABLES III, S.A. (SOLE SHAREHOLDER COMPANY)	-	-	-	100.00	100.00	FC	MADRID (SPAIN)	WIND FARMS	-
PROMOCIONES ENERGÉTICAS DEL BIERZO, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	WIND FARMS	ERNST & YOUNG
RENOVABLES LA PEDRERA, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	ZARAGOZA (SPAIN)	WIND FARMS	UNAUDITED
RENOVABLES MEDIAVILLA, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	ZARAGOZA (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED
SAN FRANCISCO DE BORJA, S.A.	66.67	66.67	FC	66.67	66.67	FC	ZARAGOZA (SPAIN)	WIND FARMS	UNAUDITED
SEGUIDORES SOLARES PLANTA 2, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	PHOTOVOLTAIC PLANT	ERNST & YOUNG
SISTEMAS ENERGÉTICOS ALCOHUJATE, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	ZARAGOZA (SPAIN)	WIND FARMS	UNAUDITED
SISTEMAS ENERGÉTICOS CAMPOLIVA, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	ZARAGOZA (SPAIN)	WIND FARMS	UNAUDITED
SISTEMAS ENERGÉTICOS MAÑÓN ORTIGUEIRA, S.A.	96.00	96.00	FC	96.00	96.00	FC	LA CORUÑA (SPAIN)	WIND FARMS	ERNST & YOUNG
SISTEMAS ENERGÉTICOS SIERRA DEL CARAZO, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	ZARAGOZA (SPAIN)	WIND FARMS	UNAUDITED

Company (in alphabetical order)	% ownership at 31/12/2019 Economic	Control	Consolidation method	% ownership at 31/12/2018 Economic	Control	Consolidation method	Registered office	Activity	Auditor
SOCIEDAD EÓLICA DE ANDALUCÍA, S.A.	64.73	64.73	FC	64.73	64.73	FC	SEVILLE (SPAIN)	WIND FARMS	ERNST & YOUNG
SOCIEDAD EÓLICA LOS LANCES, S.A.	60.00	60.00	FC	60.00	60.00	FC	SEVILLE (SPAIN)	WIND FARMS	ERNST & YOUNG
SUMINISTRO DE LUZ Y FUERZA, S.L.	60.00	60.00	FC	60.00	60.00	FC	BARCELONA (SPAIN)	ENERGY DISTRIBUTION AND SUPPLY	ERNST & YOUNG
TAUSTE ENERGÍA DISTRIBUIDA, S.L.	51.00	51.00	FC	51.00	51.00	FC	ZARAGOZA (SPAIN)	WIND FARMS	ERNST & YOUNG
TORREPALMA ENERGY, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	-	-	-	SEVILLE (SPAIN)	WIND FARMS	UNAUDITED
TRANSPORTES Y DISTRIBUCIONES ELÉCTRICAS, S.A.	73.33	73.33	FC	73.33	73.33	FC	GERONA (SPAIN)	ELECTRICITY TRANSMISSION	UNAUDITED
UNIÓN ELÉCTRICA DE CANARIAS GENERACIÓN, S.A. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	LAS PALMAS DE GRAN CANARIA (SPAIN)	ELECTRICITY PRODUCTION	ERNST & YOUNG
VALDECABALLERO SOLAR, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	MADRID (SPAIN)	PHOTOVOLTAIC PLANT	ERNST & YOUNG
VIRULEIROS, S.L.	67.00	67.00	FC	67.00	67.00	FC	LA CORUÑA (SPAIN)	WIND FARMS	UNAUDITED
XALOC SOLAR, S.L. (SOLE SHAREHOLDER COMPANY)	100.00	100.00	FC	100.00	100.00	FC	VALENCIA (SPAIN)	PHOTOVOLTAIC PLANT	UNAUDITED

FC: Full consolidation; PC: Proportional consolidation.

Appendix II: Joint Ventures and Associates

Company (in alphabetical order)	% ownership at 31/12/2019			% ownership at 31/12/2018			Registered office	Activity	Auditor
	Economic	Control	Consolidation method	Economic	Control	Consolidation method			
BOIRO ENERGÍA, S.A.	40.00	40.00	EM	40.00	40.00	EM	LA CORUÑA (SPAIN)	RENEWABLE ENERGY	DELOITTE
CARBOPEGO - ABASTECIMIENTOS DE COMBUSTIVEIS, S.A.	50.00	50.00	EM	50.00	50.00	EM	LISBON (PORTUGAL)	FUEL SUPPLY	KPMG AUDITORES
CENTRAL HIDRÁULICA GÜEJAR-SIERRA, S.L.	33.33	33.33	EM	33.33	33.33	EM	SEVILLE (SPAIN)	HYDROELECTRIC POWER PLANT	GATT AUDITORES
CENTRAL TÉRMICA DE ANLLARES, A.I.E.	33.33	33.33	EM	33.33	33.33	EM	MADRID (SPAIN)	MANAGEMENT OF THE ANLLARES THERMAL POWER PLANT	UNAUDITED
CENTRALES NUCLEARES ALMARAZ-TRILLO, A.I.E.	24.26	23.92	EM	24.26	23.92	EM	MADRID (SPAIN)	MANAGEMENT OF THE ALMARAZ AND TRILLO NUCLEAR PLANTS	KPMG AUDITORES
COGENERACIÓN EL SALTO, S.L. (EN LIQUIDACIÓN)	20.00	20.00	EM	20.00	20.00	EM	ZARAGOZA (SPAIN)	ENERGY GENERATION	UNAUDITED
COMERCIALIZADORA ELÉCTRICA DE CÁDIZ, S.A.	33.50	33.50	EM	33.50	33.50	EM	CADIZ (SPAIN)	ELECTRICITY SUPPLY	DELOITTE
COMPAÑÍA EÓLICA TIERRAS ALTAS, S.A.	37.51	37.51	EM	37.51	37.51	EM	SORIA (SPAIN)	WIND FARMS	ERNST & YOUNG
CORPORACIÓN EÓLICA DE ZARAGOZA, S.L.	25.00	25.00	EM	25.00	25.00	EM	ZARAGOZA (SPAIN)	WIND FARMS	PWC
DEPURACIÓN DESTILACIÓN RECICLAJE, S.L.	40.00	40.00	EM	40.00	40.00	EM	LA CORUÑA (SPAIN)	RECYCLING PLANT	DELOITTE
ELCOGAS, S.A. (IN LIQUIDATION)	40.99	40.99	EM	40.99	40.99	EM	CIUDAD REAL (SPAIN)	ELECTRICITY PRODUCTION	DELOITTE
ELECGAS, S.A.	50.00	50.00	EM	50.00	50.00	EM	SANTARÉM (PORTUGAL)	COMBINED-CYCLE ELECTRICITY PRODUCTION	KPMG AUDITORES
ELÉCTRICA DE LIJAR, S.L.	50.00	50.00	EM	50.00	50.00	EM	CADIZ (SPAIN)	ELECTRICITY TRANSMISSION AND DISTRIBUTION	AVANTER AUDITORES
ELECTRICIDAD DE PUERTO REAL, S.A.	50.00	50.00	EM	50.00	50.00	EM	CADIZ (SPAIN)	ELECTRICITY SUPPLY AND DISTRIBUTION	DELOITTE
ENERGÍAS ESPECIALES DEL BIERZO, S.A.	50.00	50.00	EM	50.00	50.00	EM	LEÓN (SPAIN)	WIND FARMS	ERNST & YOUNG
ENERGIE ELECTRIQUE DE TAHADDART, S.A.	32.00	32.00	EM	32.00	32.00	EM	TANGIERS (MOROCCO)	COMBINED CYCLE PLANT	DELOITTE
EÓLICAS DE FUERTEVENTURA, A.I.E.	40.00	40.00	EM	40.00	40.00	EM	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS	ERNST & YOUNG
EÓLICAS DE LA PATAGONIA, S.A.	50.00	50.00	EM	50.00	50.00	EM	CAPITAL FEDERAL (ARGENTINA)	WIND FARMS	UNAUDITED
EÓLICAS DE LANZAROTE, S.L.	40.00	40.00	EM	40.00	40.00	EM	LAS PALMAS DE GRAN CANARIA (SPAIN)	WIND FARMS	LUJAN AUDITORES
EÓLICAS DE TENERIFE, A.I.E.	50.00	50.00	EM	50.00	50.00	EM	SANTA CRUZ DE TENERIFE (SPAIN)	WIND FARMS	ANCERO AUDITORES
EPRESA ENERGÍA, S.A.	50.00	50.00	EM	50.00	50.00	EM	CADIZ (SPAIN)	ELECTRICITY SUPPLY	DELOITTE
ERECOSALZ, S.L.	-	-	-	33.00	33.00	EM	ZARAGOZA (SPAIN)	ENERGY GENERATION	-
FRONT MARÍTIM DEL BESÒS, S.L. (1)	61.37	61.37	EM	61.37	61.37	EM	BARCELONA (SPAIN)	REAL ESTATE ASSET MANAGEMENT AND DEVELOPMENT	UNAUDITED
GORONA DEL VIENTO EL HIERRO, S.A.	23.21	23.21	EM	23.21	23.21	EM	SANTA CRUZ DE TENERIFE (SPAIN)	DEVELOPMENT AND MAINTENANCE OF THE EL HIERRO POWER PLANT	ERNST & YOUNG
HIDROELÉCTRICA DE OUROL, S.L.	30.00	30.00	EM	30.00	30.00	EM	LA CORUÑA (SPAIN)	HYDROELECTRIC POWER PLANT	DELOITTE
KROMSCHROEDER, S.A.	29.26	29.26	EM	29.26	29.26	EM	BARCELONA (SPAIN)	METER-READING EQUIPMENT	BDO AUDITORES SLP
MINICENTRALES DEL CANAL IMPERIAL-GALLUR, S.L.	36.50	36.50	EM	36.50	36.50	EM	ZARAGOZA (SPAIN)	HYDROELECTRIC POWER PLANT	UNAUDITED
NUCLENOR, S.A.	50.00	50.00	EM	50.00	50.00	EM	BURGOS (SPAIN)	ELECTRICITY GENERATION USING NUCLEAR POWER	ERNST & YOUNG
OXAGESA, A.I.E. (IN LIQUIDATION)	33.33	33.33	EM	33.33	33.33	EM	TERUEL (SPAIN)	ENERGY GENERATION	UNAUDITED
PARC EOLIC LA TOSSA-LA MOLA D'EN PASCUAL, S.L.	30.00	30.00	EM	30.00	30.00	EM	MADRID (SPAIN)	WIND FARMS	UNAUDITED
PARC EOLIC LOS ALIGARS, S.L.	30.00	30.00	EM	30.00	30.00	EM	MADRID (SPAIN)	WIND FARMS	UNAUDITED
PEGOP - ENERGÍA ELÉCTRICA, S.A.	50.00	50.00	EM	50.00	50.00	EM	SANTARÉM (PORTUGAL)	OPERATION OF THE PEGO POWER PLANT	KPMG AUDITORES
PRODUCTORA DE ENERGÍAS, S.A.	30.00	30.00	EM	30.00	30.00	EM	BARCELONA (SPAIN)	HYDROELECTRIC POWER PLANT	UNAUDITED
PROYECTO ALMERÍA MEDITERRÁNEO, S.A. (IN LIQUIDATION)	45.00	45.00	EM	45.00	45.00	EM	MADRID (SPAIN)	INSTALLATION OF SEAWATER DESALINATION PLANT	UNAUDITED
PROYECTOS UNIVERSITARIOS DE ENERGÍAS RENOVABLES, S.L.	33.33	33.33	EM	33.33	33.33	EM	ALICANTE (SPAIN)	RENEWABLE ENERGY	UNAUDITED
SALTO DE SAN RAFAEL, S.L.	50.00	50.00	EM	50.00	50.00	EM	SEVILLE (SPAIN)	HYDROELECTRIC POWER PLANT	UNAUDITED
SANTO ROSTRO COGENERACIÓN, S.A. (IN LIQUIDATION)	45.00	45.00	EM	45.00	45.00	EM	SEVILLE (SPAIN)	ENERGY GENERATION	UNAUDITED
SISTEMA ELÉCTRICO DE CONEXIÓN VALCAIRE, S.L.	28.12	28.12	EM	28.12	28.12	EM	MADRID (SPAIN)	HYDROELECTRIC POWER PLANT	KPMG AUDITORES
SOCIEDAD EÓLICA EL PUNTAL, S.L.	50.00	50.00	EM	50.00	50.00	EM	SEVILLE (SPAIN)	WIND FARMS	ERNST & YOUNG
SOTAVENTO GALICIA, S.A.	36.00	36.00	EM	36.00	36.00	EM	LA CORUÑA (SPAIN)	WIND FARMS	AUDIESA
SUMINISTRADORA ELÉCTRICA DE CÁDIZ, S.A.	33.50	33.50	EM	33.50	33.50	EM	CADIZ (SPAIN)	ELECTRICITY SUPPLY AND DISTRIBUTION	DELOITTE
TECNATOM, S.A.	45.00	45.00	EM	45.00	45.00	EM	MADRID (SPAIN)	SERVICES TO ELECTRICITY PRODUCTION FACILITIES	ERNST & YOUNG
TEJO ENERGIA - PRODUÇÃO E DISTRIBUIÇÃO DE ENERGIA ELÉCTRICA, S.A.	43.75	43.75	EM	43.75	43.75	EM	LISBON (PORTUGAL)	ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION	KPMG AUDITORES
TERMOTEC ENERGÍA, A.I.E. (IN LIQUIDATION)	45.00	45.00	EM	45.00	45.00	EM	VALENCIA (SPAIN)	ENERGY GENERATION	UNAUDITED
TOLEDO PV, A.I.E.	33.33	33.33	EM	33.33	33.33	EM	MADRID (SPAIN)	PHOTOVOLTAIC PLANT	PWC
UFEFYS, S.L. (IN LIQUIDATION)	-	-	-	40.00	40.00	EM	MADRID (SPAIN)	RENEWABLE ENERGY	-
YEDESA COGENERACIÓN, S.A. (IN LIQUIDATION)	40.00	40.00	EM	40.00	40.00	EM	ALMERIA (SPAIN)	ENERGY GENERATION	UNAUDITED

EM Equity method.
(1) See Note 2.5.2.

The Annual Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Net Equity, Cash-Flow Statement, and Annual Report) of ENDESA, Sociedad Anónima and its SUBSIDIARY COMPANIES for fiscal year ending December 31, 2019, as provided herein, were drafted by the Board of Directors of the company ENDESA, Sociedad Anónima at its meeting on February 24, 2020 and are hereinbelow signed by all of its Directors in compliance with Article 253 of the Spanish Capital Corporations Law (*Ley de Sociedades de Capital*).

D. Juan Sánchez-Calero Guilarte **Chairman**	**D. Francesco Starace** **Vice Chairman**
D. José Damián Bogas Gálvez **Chief Executive Officer**	**D. Antonio Cammisecra** **Director**
D. Alejandro Echevarría Busquet **Director**	**D. Ignacio Garralda Ruiz de Velasco** **Director**
Dña. Maria Patrizia Grieco **Director**	**D. Francisco de Lacerda** **Director**
D. Alberto de Paoli **Director**	**D. Miguel Roca Junyent** **Director**

Madrid, February 24, 2020

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, 24 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

Contents.

(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

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 Bogas 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 (see Section 15. Annual Corporate Governance Report required by Article 538 of Royal Decree Law 1/2010 of 2 July 2010, approving the Consolidated Text of the Spanish Corporate Enterprises Act, in 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.

  - Conventional mainland electricity generation is a deregulated activity, although specific remuneration is available for generation from renewable sources.

  - 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 km^2 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.

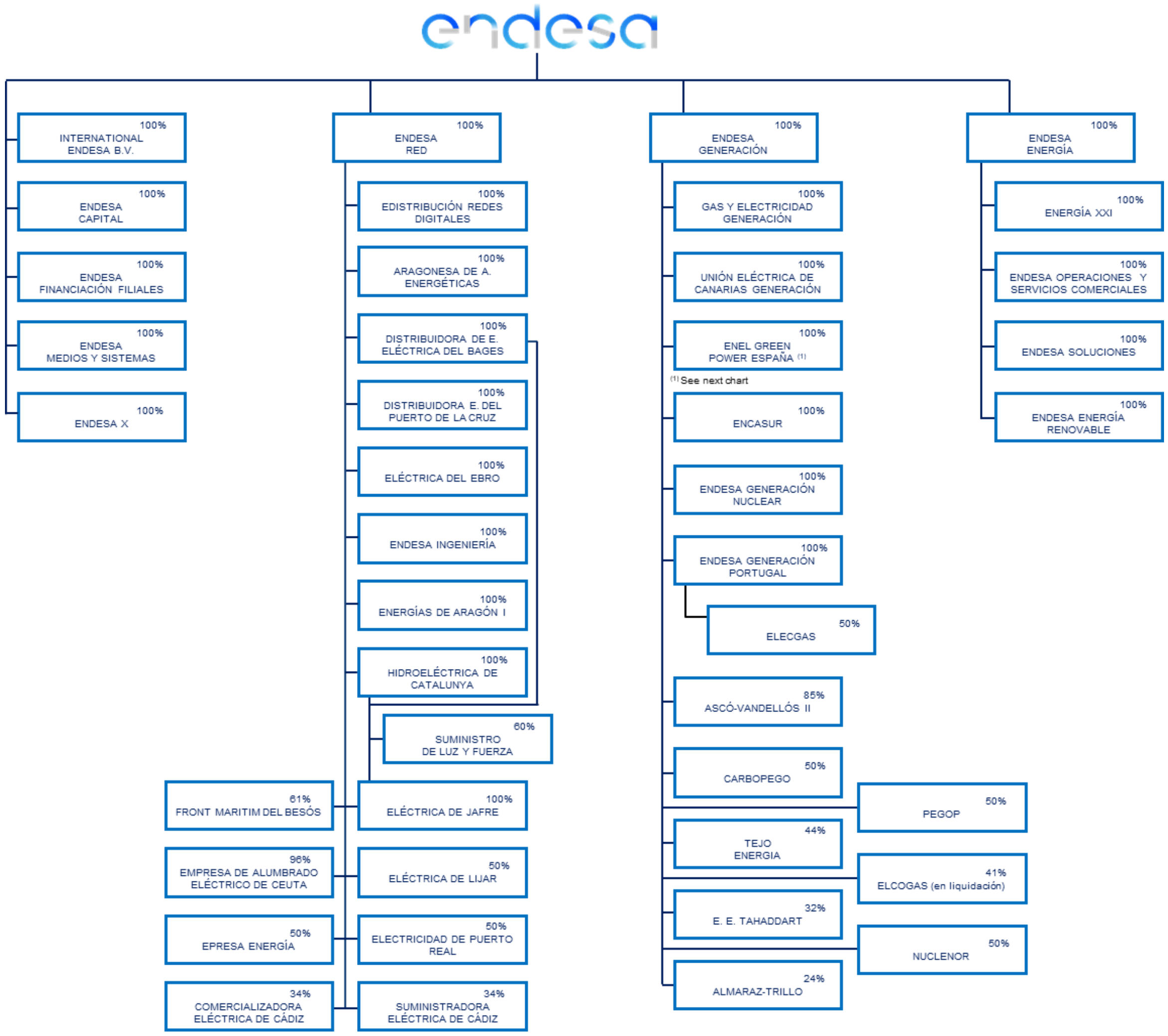
ENDESA X, S.A.U. was created on 26 June 2018 to develop and market new services adapted to trends in the energy market and focuses its activity on 4 lines of action: e-Home, e-Industries, e-City and e-Mobility, which seek opportunities in electric mobility, demand management, distributed generation,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

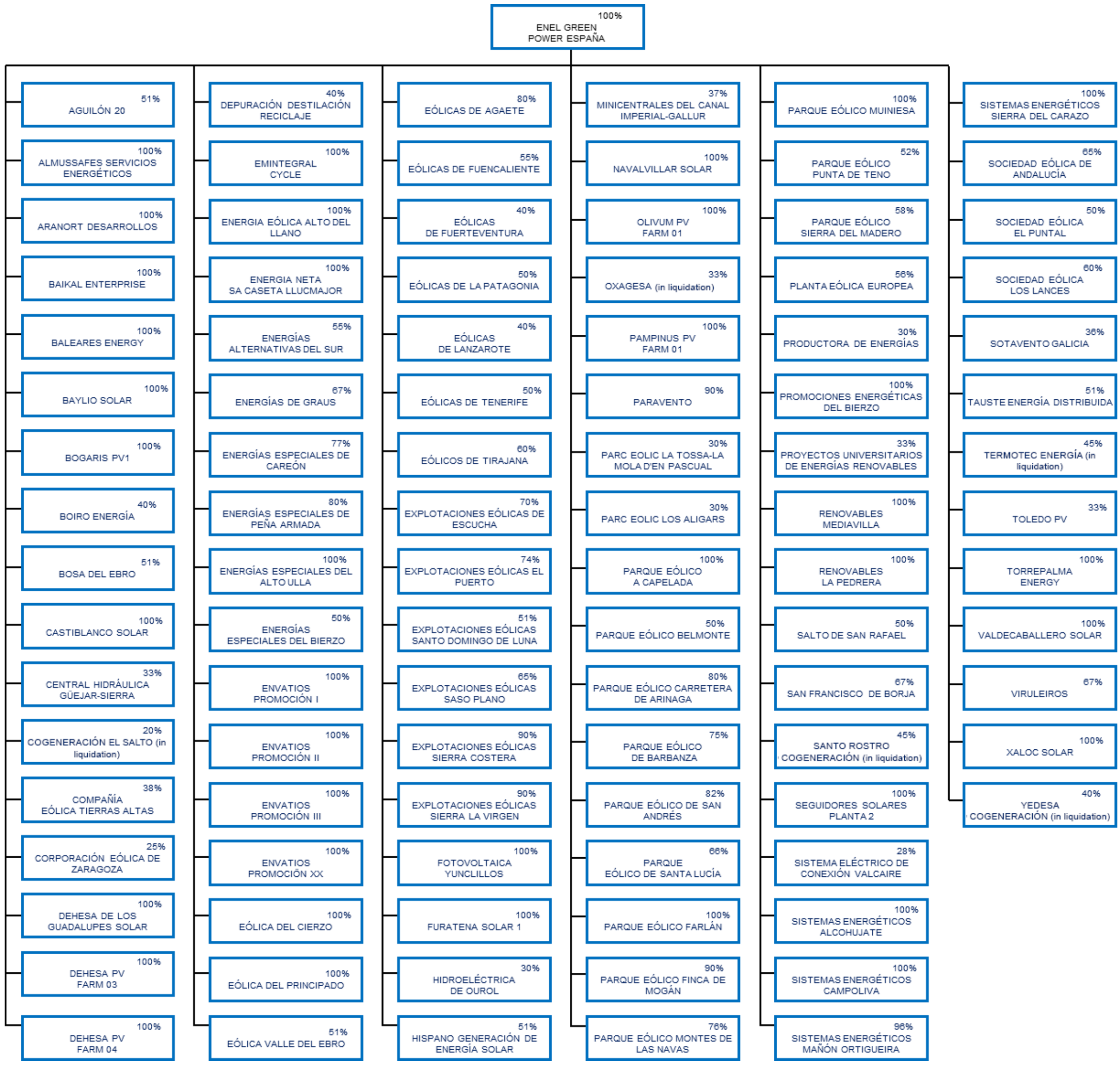
In 2019, net electricity sales amounted to 89,441 GWh and at 31 December 2019, the customer portfolio in the electricity market consisted of 10.6 million supply points. The total volume of gas sold in 2019 amounted to 79,784 GWh and at 31 December 2019 the customer portfolio in the conventional natural 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:

Millions of Euros

Consolidated Income Statement	Sections	2019			
		Generation and Supply	Distribution	Structure and Others (1)	Total
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:

Millions of Euros

	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:

		Millions of Euros			
		Income			
	Reference (1)	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 CO_2 emission rights.

During 2019 the price of CO_2 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 CO_2 emissions in 2030 and 2050, the expected support for maintaining current prices of CO_2 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 CO_2 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

		Fixed Operating Costs			
	Reference (1)	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)	Sections	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) Euros14 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 CO_2 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 2019was 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:

Millions of Euros

	Reference (1)	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 Almeria 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 Ufefys, 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)	Companies acquired in 2019					
		Acquisition date	Technology	Stake at 31 December 2019 (%)		Stake at 31 December 2018 (%)	
				Control	Economic	Control	Economic
Energía Neta Sa Caseta Llucmajor, S.L.U.	2.3.1 and	5 March 2019	Photovoltaic	100.00	100.00	-	-
Baleares Energy, S.L.U.	2.3.1 and	28 May 2019	Photovoltaic	100.00	100.00	-	-
Baikal Enterprise, S.L.U.	2.3.1 and	28 May 2019	Photovoltaic	100.00	100.00	-	-
Renovables La Pedrera, S.L.U.	2.3.1 and	30 September 2019	Wind	100.00	100.00	-	-
Renovables Mediavilla, S.L.U.	2.3.1 and	30 September 2019	Photovoltaic	100.00	100.00	-	-
Dehesa PV Farm 03, S.L.U.	2.3.1 and	23 December 2019	Photovoltaic	100.00	100.00	-	-
Dehesa PV Farm 04, S.L.U.	2.3.1 and	23 December 2019	Photovoltaic	100.00	100.00	-	-
Emintegral Cycle, S.L.U.	2.3.1 and	23 December 2019	Photovoltaic	100.00	100.00	-	-
Envatios Promoción I, S.L.U.	2.3.1 and	23 December 2019	Photovoltaic	100.00	100.00	-	-
Envatios Promoción II, S.L.U.	2.3.1 and	23 December 2019	Photovoltaic	100.00	100.00	-	-
Envatios Promoción III, S.L.U.	2.3.1 and	23 December 2019	Photovoltaic	100.00	100.00	-	-
Envatios Promoción XX, S.L.U.	2.3.1 and	23 December 2019	Photovoltaic	100.00	100.00	-	-
Fotovoltaica Yunclillos, S.L.U.	2.3.1 and	23 December 2019	Photovoltaic	100.00	100.00	-	-
Olivum PV Farm 01, S.L.U.	2.3.1 and	23 December 2019	Photovoltaic	100.00	100.00	-	-
Pampinus PV Farm 01, S.L.U.	2.3.1 and	23 December 2019	Photovoltaic	100.00	100.00	-	-
Torrepalma Energy, S.L.U.	2.3.1 and	23 December 2019	Photovoltaic	100.00	100.00	-	-
Xaloc Solar, S.L.U.	2.3.1 and	23 December 2019	Photovoltaic	100.00	100.00	-	-
Bogaris PV1, S.L.U.	2.3.1 and	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 (see Section 6.2. Strategic Pillars in this Consolidated Management Report).

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 2011until 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 20019 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 stablishes 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 2019was 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 warning, 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 2ºC compared to pre-industrial levels, in addition to other efforts to ensure the global rise in temperature does not exceed 1.5ºC.

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 CO_2-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 13.2. 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					
	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	31 December 2018	Difference	% Var.
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				
		31 December 2019			31 December 2018	% Var.
		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 investments plan and shareholder remuneration is provided, respectively, in Sections 6.3. Main Financial Indicators and 13.2. 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 our 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

	Reference (1)	Cash and Cash Equivalents			
		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	Working Capital 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 13.2. 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		-	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. Events after the reporting period

Information concerning events after the end of the reporting period is provided in Note 38 to the Consolidated Financial Statements for the year ended 31 December 2019.

6. Outlook

6.1. Energy policy Context

During 2019 ENDESA made further progress and passed new milestones on its committed path towards a more sustainable, dynamic and efficient business model, aligned with its strategic vision of being a leading player in the energy transformation that Spain is faced with and capitalising on any new opportunities that may arise as a result of this great.

The European Union has made a clear commitment in the fight against global warming, aiming for a climate-neutral Europe in 2050. The European Union thus subscribes to the Paris Agreement, the objective of which is to prevent the average global temperature from rising to more than 2° C above pre-industrial levels, as well as to promote additional efforts that make it possible for global warming not to exceed 1.5° C.

The transposition of these objectives into Spanish legislation is in process, and in this regard on 22 February 2019 the Ministry for the Ecological Transition and the Demographic Challenge launched a public consultation on the Strategic Energy and Climate Framework, which basically contains the following documents (see Section 3. Regulatory Framework in this Consolidated Management Report).

1. Draft Law on Climate Change and Energy Transition:

2. Draft of the National Integrated Energy and Climate Plan (PNIEC) for 2021-2030:

3. Fair Transition Strategy.

During COP 25 in Madrid in December 2019, the European Commission presented the European Green Deal, an ambitious package of measures with which Europe seeks to lead the fight against climate change and head the transition of the world economy towards a clean and fair model. To do this, the document includes more than 35 initiatives in all areas of European Union (EU) activity, which will have to be implemented in the coming years.

6.2. Strategic pillars

The fulfilment of these ambitious decarbonisation objectives in Spain will mean facing great challenges between now and 2030. With the publication of the 2020-2022 Strategic Plan ENDESA reiterates its firm commitment to contributing to the development of a new energy model, based on a high degree of electrification from renewable sources, as a more efficient and sustainable energy vector that ensures a fair and inclusive transition.

The main lines of the new Strategic Plan are closely aligned with the new energy paradigm, both in order to capture the new growth opportunities associated with the energy transition and to continue consolidating the current leadership position. This Plan is based on the following priorities:

1. Acceleration in the decarbonisation commitments of generation facilities, by strongly promoting renewable energies and the gradual closure of technologies with higher emissions.

2. Electrification of demand, consolidating the current leadership position by leveraging management based on customer value and the development of customised solutions and new tools.

3. Progress in the development and operation of more efficient networks that facilitate the integration of renewable energies and the electrification of transport. Always with the ambition of being the pre-eminent digital grid operator in the industry.

4. Promotion of new platforms and ecosystems that serve to lay the foundations for future business opportunities.

In addition, all the objectives of ENDESA's Strategic Plan confirm the commitments of the Company's business model to the Sustainable Development Goals adopted in 2015 by United Nations, especially with SDGs 7 (Affordable and Clean Energy), 9 (Industry, Innovation and Infrastructure), 11 (Sustainable Cities and Communities) and even more mainly, 13 (Climate Action), to which more than 90% of the Plan's investments are dedicated (see Section 8.3. ENDESA's contribution to the United Nations Sustainable Development Goals (SDGs) in this Consolidated Management Report).

1) Acceleration in decarbonisation commitments of generation facilities

ENDESA's commitment to gradually reducing emissions to achieve the final zero emissions targets in 2050 is reflected in the following strategic lines:

- Acceleration of the programmed investments in Renewables in the period 2019-2022, amounting to Euros 3,800 million, almost doubling the amount of investments envisaged in the previous plan. During the 2020-2022 period ENDESA will add capacity of 2.8 GW, so that by the end of the Plan it will have increased its renewable installed capacity by almost 38% since the end of 2019, which already includes the 879 MW awarded in capacity auctions held in 2017 (see Section 3. Regulatory Framework in this Consolidated Management Report).

- This commitment to decarbonisation was once again endorsed in 2019 when the ENDESA, S.A.'s Board of Directors reported, as a "Significant Event", the acceleration of the progressive cessation of activity of mainland coal plants over the period of the Strategic Plan. In this regard, the discontinuation of all coal plant activity has been proposed before 2030 (see Section 2.3.2. Operating expenses in this Consolidated Management Report).

  This profound transformation of the generation mix will allow ENDESA to obtain an emission-free mainland production estimated for 2022 at 85% of the total, with a 60% share of renewable sources. Additionally, this change in the mix will favour a 70% reduction in the total specific emissions of CO_2 in 2030 compared with 2017, putting ENDESA in a good position to achieve the goal of total decarbonisation by 2050.

2) Electrification of demand

ENDESA expects an increase in future electricity demand, since this is the cleanest and most sustainable source of energy. That is why it must be prepared to meet the new and more complex needs of customers resulting from this paradigm shift, as well as to stay ahead of market trends, anticipating the creation of new, more efficient and sophisticated products and services. This will involve the implementation of the following actions:

– Consolidate ENDESA's current leadership position in the gas and electricity supply businesses in Spain, through active management based on customer value, developing comprehensive and customized solutions that allow the capture of the most sophisticated profiles.

– Focus on the customer experience, obtaining a greater knowledge of ENDESA's customer base and their needs by developing analytical capabilities that increase the perceived added value, thus increasing its business margin.

– Strengthen efficiency and operational excellence in dealings with the customer base with the launch of new digital and self-service channels.

– Launch of new commercial channels that will complement the traditional ones.

– Implementation of new commercial strategies that favour customer retention in both electricity and gas, through preventive campaigns based on advanced analysis and prediction models.

3) Development of networks as a facilitating and integrating element

Development of the electricity grid has long been a fundamental pillar of ENDESA's strategy. Projected investment, driven by the electrification of demand and the inclusion of renewable energies, aims to improve grid quality and efficiency, reducing operating costs, and increasing the value of assets through investments in smart grids and the pursuit of excellence.

To this end, ENDESA continues with its investment effort aimed at becoming the reference digital operator, and for this it will allocate Euros 1,100 million in the 2019-2022 period to the development, automation and modernisation of the network. This amount represents approximately 55% of the Euros 2,000 million total investment envisaged for this business in the plan.

These digitalisation initiatives will help to improve grid reliability and service quality. In particular, ENDESA intends to cut interruptions by 19%, grid losses by 0.3 percentage points, and operating costs per customer by 9% in three years.

4) Promotion of new platforms and ecosystems that serve to lay the foundations for future business opportunities.

The changes in the electricity sector that will derive from the application of supranational energy transition policies, and which in the case of Spain have been reflected in the Draft National Integrated Energy and Climate Plan (PNIEC), will lead to an increase in electricity consumption as a proportion of total final energy consumption reflected in the generalised use of:

– Electric vehicles, for which the Draft National Integrated Energy and Climate Plan (PNIEC) estimates that 5 million units in service will be reached in 2030, tripling the electricity consumption of transport to 24 TWh. With regard to mobility, ENDESA has presented a plan to encourage electric mobility, with the aim of rolling out 36,000 public and private recharging points throughout Spain by 2022.

– Residential electrification, an area in which an increase is expected in the share of total electricity consumption from the current 38% to 45% in 2030.

These changes in consumption patterns and the development of new platforms open the door to new business opportunities that ENDESA expects to exploit and expand under the ENDESA X business line (see Section 1.5. Corporate Map in this Consolidated Management Report).

Quantitatively, mature businesses, which include the e-Home and e-Industries lines, will absorb about two thirds of the almost Euros 200 million of investment allocated to ENDESA X in order to maintain the growth path achieved in the last few years. These mature businesses will lay the foundations for the development of new ones that involve future business opportunities, such as e-Mobility, energy storage by means of batteries and services associated with electric vehicles and demand management.

These strategic lines of action are combined with the strong commitment that ENDESA maintains to the search for continuous efficiency through the digitalisation of its businesses. To this end, ENDESA intends to deploy digitalisation investment programmes across all businesses, amounting to Euros 1,300 million between 2019 and 2022, which will involve an estimated improvement in EBITDA of Euros 150 million by 2022. The largest such investments will come in Distribution, with Euros 1,100 million invested in digitalising said business, accounting for approximately 85% of the investments envisaged for the period.

6.3. Main financial indicators

The Industrial Plan approved by the Board of ENDESA, S.A. on 26 November 2019 contains an investment target, net of subsidies and assets assigned by customers, of Euros 7,700 million between 2019 and 2022, 20% more than in the previous Strategic Plan.

The breakdown of this Plan by nature of investments is as follows:

– Investments in asset development (62%).

– Investments in asset maintenance (30%).

– Investments in customers (8%).

The breakdown of the investment plan by Business Lines is as follows:

– Generation (Euros 5,200 million) Investments in renewable generation amount to Euros 3,800 million and will focus on the development of new capacity of approximately 2.8 GW in addition to the 879 MW allocated in the 2017 auctions which came on stream at year-end 2019. The rest of the mainland investments mainly consist of recurring maintenance investments. In terms of amounts, it is especially worth mentioning those destined for the nuclear power plants with the objective of ensuring their optimal operation, safety and long-term profitability, as well as the investments for efficiency improvement planned in the combined cycle gas plants which will become the reference support of the System as the cessation of activity of the coal plants is completed.

– Supply and ENDESA X (Euros 500 million), with investment in developing new IT tools to foster customer digitalisation and the development of new service channels and other products and services.

– Distribution (Euros 2,000 million), with investments in maintenance and growth investments aimed at modernising and developing new infrastructures that respond to decarbonisation and electrification trends in the economy. The digitalisation initiatives will continue to increase the level of automation and digitalisation of the network, with significant projects such as a new phase of the Quality Plan and the Remote Control of the Network.

On the basis of the strategic pillars described above, and taking account of market and regulatory estimates for the next few years, ENDESA has drawn up a business plan including, among other parameters, forecasts of economic indicators for the Group's consolidated results. In accordance with this, ENDESA expects a positive trend as follows:

– EBITDA: Euros 4,300 million in 2022.

- Net ordinary income: Euros 1,900 million in 2022.

- Net cash flows from operating activities, which are expected to total Euros 9,500 million in 2020-2022, will enable ENDESA to carry out its investment plan and maintain an attractive shareholder remuneration policy.

Notwithstanding the foregoing, prospective information cannot be considered a guarantee of the Company's future performance as plans and forecasts are subject to risks and uncertainties, which could result in ENDESA's future performance not matching the initial forecasts (see Section 7. Main Risks and Uncertainties in connection with ENDESA's Business in this Consolidated Management Report).

7. Main risks and uncertainties in connection with ENDESA's business

7.1. General Risk Control and Management Policy

The General Risk Control and Management Policy establishes the basic principles and the general framework for the control and management of risks of all kinds that might affect the attainment of the objectives, ensuring that they are identified, analysed, assessed, managed and controlled systematically and within the levels of risk established.

The General Risk Control and Management Policy seeks to guide and steer the set of strategic, organisational and operational actions that allow the Board of Directors of ENDESA, S.A. to precisely delineate the acceptable level of risk, so that the managers, staff and service functions of the various Business Lines can maximise the Company's profitability, preservation or increase of its equity and treasury and certainty of level of success, preventing uncertain and future events from having a negative influence on its ability to achievement the company's profitability objectives, its operations, sustainability, resilience or reputation in a sustained manner over time, providing an adequate level of guarantees to shareholders and safeguarding their interests, as well as those of customers and other stakeholders.

The General Risk Control and Management Policy is implemented and supplemented by other risk policies specific to the Business Line, staff and service functions, as well as by limits established for optimal risk management in each of them.

The General Risk Control and Management Policy is implemented through an Internal Control and Risk Management System (Spanish acronym: SCIGR), which comprises an organisation, principles, a regulatory system and a risk control and management process.

The Internal Control and Risk Management System conforms to a model based on the one hand on an ongoing study of the risk profile, applying current best practices in the energy or benchmark sectors as regards risk management, homogeneous measurement criteria within the same type of risk, segregation of risk managers and controllers, and, on the other hand, on ensuring a link between the risk assumed and the resources needed to operate the businesses, always maintaining an appropriate balance between the risk assumed and the objectives set by the Board of Directors of ENDESA, S.A.

The Company's risk control and management model is aligned with international standards following a methodology based on the three lines of defence model.

The organisation of the Internal Control and Risk Management System is implemented through independent risk management and control functions that ensure adequate segregation of duties. The main governing bodies in the risk control process are:

- **Crime Risk Prevention Model Supervisory Committee** This is a collegiate body with autonomous powers of initiative and control with regard to criminal risks, which is directly supervised by the Audit and Compliance Committee (CAC). It supervises compliance and updating of the model for preventing risks of crime for which ENDESA may be held liable.

- **Transparency Committee**: The Transparency Committee is the ENDESA management body that evaluates the conclusions on compliance and effectiveness of the controls of the Internal Control System for Financial Reporting (SCIIF in the Spanish abbreviation) and internal controls and procedures for external dissemination of information, formulating corrective and/or preventive actions in this regard. The conclusions of the Transparency Committee are then forwarded to the Audit and Compliance Committee (CAC).

- **Risk Committee.** The Risk Committee supervises the management and monitoring of all risks other than those of a criminal nature and those related to the Internal Control System for Financial Reporting (SCIIF), referring the results of its deliberations and conclusions to the Audit and Compliance Committee (CAC).

The General Risk Control and Management Policy defines the Internal Control and Risk Management System (SCIGR) as an interwoven system of rules, processes, controls and reporting systems in which overall risk is defined as the risk resulting from the overall view of all risks to which the Company is exposed, taking into account the mitigating effects for the various exposures and risk classes, allowing for consolidation and appraisal of risk exposure of the Company's various business units and the development of the corresponding management information for taking decisions on risk and the appropriate use of capital.

The risk control and management process consists in the identification, evaluation, monitoring and management over time of the various risks, and takes account of the main risks to which the Company is exposed, whether of internal or external origin:

- **Identification** The purpose of the risk identification process is to generate the risk inventory based on events that could prevent, degrade or delay the achievement of the objectives. The identification must include risks whether their origin is under the control of the organisation or whether it is due to unmanageable external causes.

- **Evaluation** The objective is to obtain the parameters that allow the measurement of the economic and reputational impact of all risks for their subsequent prioritisation. Evaluation includes different methodologies according to the characteristics of the risk, such as the assessment of scenarios and the estimation of potential loss based on an assessment of impact distributions and probability.

- **Monitoring** The objective is to monitor the risks and establish management mechanisms allowing the risks to be kept within the established limits and the appropriate management actions to be taken.

- **Management** The objective is the performance of the actions aimed at keeping risk levels at optimum levels and in any case within the established limits.

The General Risk Control and Management Policy set and approved by the Board of Directors of ENDESA, S.A., constitutes the central element of the system from which other specific documents and policies are derived, for example, the “Policy on Management and Control of Tax Risks” and the “Criminal Compliance and Anti-Bribery Policy”, which are approved by the Board of Directors of ENDESA, S.A. and in which catalogues of risks and controls are defined.

In addition, in view of the growing interest in the control and management of the risks to which companies are exposed and given how complicated it is becoming to identify them from a comprehensive point of view, it is important for employees to take part at all levels in this process. In this regard a risk mailbox has been created for employees to help identify market risks and come up with suggestions for measures to mitigate them, thereby complementing the existing top-down risk control and management systems and mailboxes and specific procedures for reporting breaches of ethical behaviour, criminal risks and employment risks.

Information regarding ENDESA’s risk management and the use of derivative financial instruments is provided in Notes 18.3 and 19 to the Consolidated Financial Statements for the year ended 31 December 2019.

The Annual Corporate Governance Report, which describes ENDESA's risk management and control systems, forms an integral part in this Consolidated Management Report (see Section 15. Annual Corporate Governance Report required by Article 538 of Royal Decree Law 1/2010, of 2 July 2010, approving the Consolidated Text of the Spanish Corporate Enterprises Act in this Consolidated Management Report).

7.2. ENDESA's Criminal and anti-bribery risk prevention model

ENDESA is aware that the sustainable fulfilment of its corporate responsibilities must be accompanied by a constant quest for excellence in the areas of business ethics in all its decision-making processes, something that must be understood in a corporate environment where strict respect for the most advanced national and international rules, practices and principles in this area is one of the cornerstones of its business activities.

As regards the prevention of criminal behaviour, Organic Law 5/2010 of 22 June 2010, amending Organic Law 10/1995 of 23 November 1995 on the Criminal Code not only included offences applicable to legal persons, but also referred to the need to establish surveillance and control measures to prevent and detect them. This legal regime was reformed by Organic Law 1/2015 of 30 March 2015 detailing the requirements for control and management systems that allow legal persons to prove their diligence in the field of criminal prevention and detection. The Organic Law 1/2019, of February 20, again amended the Organic Law 10/1995, of November 23, of the Criminal Code, to transpose European Union Directives in the financial and terrorism fields, and to address issues of a nature international.

In line with these legal requirements, ENDESA has developed internal regulatory instruments that have satisfied the need for adequate control and management systems applied in the area of criminal detection and prevention, particularly in conduct aimed at preventing bribery.

This system comprises the following standards applicable to ENDESA:

- Criminal Risk Prevention and Anti-Bribery Model: A document that provides ENDESA with a control system for preventing criminal offences within the company, complying with the provisions of the applicable regulations on the criminal liability of legal persons.

- Protocol in case of an Authority’s Action under Article 31 bis of the Criminal Code: Procedure for an appropriate response in case of risk of criminal responsibility of any ENDESA company.

- Code of Ethics of the Company: A document setting out the ethical commitments and responsibilities in the management of the businesses and business activities, assumed by ENDESA's employees, whether directors or employees of any kind, in these companies.

- Zero Tolerance Plan with Corruption: A document that represents ENDESA's firm commitment to the fight against corruption, which is the result of its adherence to the United Nations Global Compact.

- Corporate Integrity Protocols:

    - Action protocols in matters of conflicts of interest, exclusive dedication and commercial competition

    - Protocol for accepting presents, gifts and favours

    - Action protocol for dealing with civil servants and the authorities

The Criminal and Anti-Bribery Compliance Policy was added to these internal rules. Together with those mentioned above, they all make up ENDESA's Criminal Regulatory and Anti-Bribery Compliance Management System, an integrated body of provisions that not only respects Spanish legal requirements in this area, but is also sufficient to meet the expectations reasonably placed on organisations that operate with the highest levels of commitment in advanced markets, such as ENDESA.

Since October 2017, ENDESA's Criminal Regulatory and Anti-bribery Compliance Management System has been certified by the Spanish standards body AENOR in accordance with “UNE 19601” (Compliance Management) and “UNE-ISO 37001” (Anti-bribery Management) Standards.

Verification of the correct application of the “Criminal Regulatory and Anti-Bribery Compliance Management System” corresponds to the Audit and Compliance Committee, for which purposes it uses the Supervision Committee, which is a collegiate body endowed with autonomous powers of initiative and control and independence in the exercise of its functions and whose powers and principles of action are established in its Regulations. The Supervision Committee reports solely and exclusively to the Audit and Compliance Committee (CAC), which has specific functions including the prevention of criminal risks according to Operating Regulations.

During the 2019 financial year, the Company has fully complied with all the processes established for the correct application of the Code of Ethics.

In 2019, ENDESA received a total of 11 complaints of various types, seven of which related to corruption and/or fraud, either through the Ethical Channel or other means. The investigation into all these allegations is closed at the time of writing this Consolidated Management Report.

Of the complaints received and closed related to corruption and/or fraud, 2 breaches of the Code of Ethics have been verified, which have been referred to a specialist for management following the established protocol.

7.3. The Internal Control System for Financial Reporting (SCIIF)

The quality and reliability of the financial reporting that listed companies disseminate to the market is a fundamental element for the Company’s credibility, which significantly affects the value that the market assigns to it, such that the dissemination of incorrect or low quality financial information could cause a significant decrease in the value of the Company, with the consequent damage to its shareholders.

The Internal Control System for Financial Reporting (SCIIF) is a component of the company's internal control system and consists of a complete set of processes that ensure reasonable certainty regarding the reliability of both internal and external financial information. The ENDESA Internal Control Unit is the area responsible for identifying the most relevant processes, activities, risks and controls of the Internal Control System for Financial Reporting (SCIIF) that it considers material to provide reasonable assurance that the information disclosed externally by ENDESA is reliable and appropriate.

The documentation of the processes forming part of the Internal Control System for Financial Reporting (SCIIF) of ENDESA contains detailed descriptions of the activities relating to the preparation of financial information from its beginning to its registration in accounting and its subsequent external publication, through its authorisation and process and has been prepared with the following basic objectives:

- Identify the critical processes linked directly and indirectly to the generation of financial information.

- Identify the risks inherent in the processes that could generate material errors in the financial information (typically related to the attributes of integrity, validity, recognition, accounting period, valuation and presentation).

- Identify and characterise the controls established to mitigate these risks.

Every six months, ENDESA carries out an evaluation process of the Internal Control System for Financial Reporting (SCIIF) in which each person responsible for the controls of the SCIIF evaluates both its design and its effectiveness. Within the model, an ongoing verification process of the SCIIF is also carried out by an independent expert. The results of both processes are reported to:

a) The Board of Directors, to which in accordance with the Corporate Enterprises Act (CEA) the power of supervision of internal information and control systems is reserved; and

b) The Audit and Compliance Committee (CAC), which, in accordance with the Corporate Enterprises Act (CEA) has among its functions the supervision of the effectiveness of the internal control of the Company.

7.4. Risk control and management.

ENDESA has established a process of control and management of risks that allows it to obtain a complete vision of all the risks to which it is exposed, considering the mitigation effects between the different exposures and categories thereof, as well as the preparation of the corresponding management information for decision making in terms of risk and appropriate use of capital.

The Risk Committee supervises the management and monitoring of all risks excluding those of a criminal nature and those related to the Internal Control System for Financial Reporting (SCIIF). The mission of the Risk Committee is:

- Actively participate in drawing up the risk strategy and in important decisions regarding its management.
- Ensure the proper functioning of the risk control and management systems, identifying, managing and adequately quantifying the significant risks affecting the Company;
- Ensure that the Internal Control and Risk Management System (SCIGR) mitigates risks appropriately;
- Ensure that senior management participates in strategic risk management and control decisions.
- Regularly provide the ENDESA, S.A. Board of Directors with an integrated view of current and foreseeable risk exposure.
- Ensure coordination between the risk management units and the units in charge of their control;
- Promote a culture in which risk is considered as a factor to be taken into account in all decisions and at all levels of the Company.

The Risk Control Area is the area delegated by the Risk Committee to define the procedures and norms of the Internal Control and Risk Management System (SCIGR), to ensure that all the risks in its area of responsibility that affect the entity are homogeneously and periodically identified, characterised, quantified and properly managed, including off-balance sheet risks, and to monitor risk exposure and the control activities implemented.

Following the provisions of the internal operating instructions, Risk Control unit is responsible for developing, for the risks in its scope of application:

- **ENDESA's Risk Appetite Framework**, which determines the main risk indicators, the risk levels considered acceptable, and management and mitigation mechanisms and is approved by the Board of Directors of ENDESA S.A.
- **ENDESA's Risk Map**, which provides a prioritised view of the significant risks and is approved by the Board of Directors of ENDESA, S.A.
- **Follow-up reports**, which guarantee compliance with the limits set and the effectiveness of mitigation measures to respond to risks, and the conclusions of which are periodically reported to the Audit and Compliance Committee (CAC).

To carry out its functions, Risk Control unit relies on other areas and committees that have specific and complementary risk control and management models and policies. Thus, for example, in tax matters, the Board of Directors of ENDESA, S.A. has also approved a Policy for the Management and Control of Tax Risks that seeks to guide and direct all the strategic, organisational and operational actions that allow the managers of the Tax Affairs Unit and of the different areas of the organisation whose functions affect the company's taxation to achieve the objectives set by the company's Tax Strategy regarding the control and management of tax risks.

7.5. Main risks and uncertainties

ENDESA's activities are carried out in a context in which external factors may affect the performance of its operations and its earnings.

The main risks that may affect ENDESA's operations are as follows:

Risk	Section	Description	Metric	Significance (3)
Strategic and Regulatory Risks	a.1, a.2 and a.3	Risk deriving from the possible loss of value or results due to strategic uncertainties, changes in the environment and the market, and changes in the regulatory framework, including those relating to climate change, which could affect compliance with the Strategic Plan reported and ENDESA's sustainability and attractiveness to Stakeholders.	Scenarios (1)	High
Market Risks	b.1 and b.2	ENDESA's business is largely dependent on the constant supply of large amounts of fuel to generate electricity; on the supply of electricity and natural gas used for its own consumption and supply; and on the supply of other commodities, the prices of which are subject to market forces which may affect the price and the amount of energy sold by ENDESA.	Stochastic (2)	High
	b.3	ENDESA's business could be affected by adverse economic or political conditions in Spain, Portugal, the euro zone and in international markets.	Scenarios (1)	Medium
	b.4	ENDESA's activities could be affected by natural resources, climate and weather conditions.	Stochastic (2)	Medium
	b.5	ENDESA is exposed to competition in its commercial activities.	Scenarios (1)	Medium
	b.6 and b.7	Interest rate risks and self-financing capacity (liquidity).	Stochastic (2)	Low
Counterparty Risks	c.1	ENDESA is exposed to credit risk.	Stochastic (2)	High
	c.2	ENDESA's business could be negatively affected by inability to maintain its relations with suppliers or because the supply of suppliers available was insufficient in terms of quantity and/or quality, or due to suppliers' failing to maintain the conditions of service provided, limiting the possibilities of operability and business continuity.	Stochastic (2)	Low
Operational Risks	d.1	ENDESA is exposed to risks associated with the construction of new electricity generation and supply facilities	Scenarios (1)	Medium
	d.2 and d.3	ENDESA's activity may be affected by failures, breakdowns, problems in carrying out the planned work, or other problems that may result in unscheduled unavailability and other operational risks.	Scenarios (1)	Medium
Other Risks	e.1 and e.2	Risk related to Occupational Health and Safety (OHS) of people working for ENDESA, talent management, as well as the difficulty of maintaining a fluid social dialogue.	-	(4)
	e.3	ENDESA manages its activities through information technologies, key to its business, that could be affected by external attacks.	-	(4)
	e.4, e.5, e.6, e.7, e.8 and e.9	Risk arising from uncertainty relating to legal actions or actions of Public Administrations in relation to compliance and interpretation of agreements, laws or regulations. This risk is associated both with compliance with current regulations, and with changes in the interpretation of the same (commercial, corporate governance, Internal Control System for Financial Reporting (SCIIF), criminal, fiscal, environmental, nuclear, etc.).	-	(4)
	e.10	The risk of the perception, assessment or opinion of the Company on the part of the main sectors of the public with which it interacts being seriously damaged by the Company's actions, by events wrongly or unfairly attributed to it, or by events of a similar nature that affect the entire sector and are projected onto the Company in a more pointed or damaging fashion.	-	(4)

(1) Scenario: calculated as the loss resulting from different hypothetical situations.
(2) Stochastic: calculated as the loss that could be suffered with a certain level of probability or confidence.
(3) The significance of the risks is measured based on the potential expected loss: High (over Euros 75 million), Medium (between Euros 10 million and Euros 75 million) and Low (less than Euros 10 million).
(4) They correspond to risks whose impact could be difficult to quantify economically (in general, high impact and probability, after the mitigation mechanisms implemented, very low or very difficult to determine).

a) Strategic and regulatory risks.

a.1. ENDESA's activities are subject to extensive regulation, and regulatory changes could have an adverse impact on its business activities, results, financial position and cash flows.

ENDESA's activities are subject to extensive regulation regarding tariffs and other factors of its activities in Spain and Portugal, which in many regards determines how ENDESA carries on its activity and the income it receives from its products and services.

ENDESA is subject to a complex group of regulations applied by both public and private agencies, including Spanish National Commission on Markets and Competition ("CNMC"). The introduction of new standards, or the amendment of those already in effect could have a negative impact on ENDESA's business, results, financial position and cash flows.

Information regarding sectoral regulation may be found in Section 3. Regulatory Framework in this Consolidated Management Report, and in Note 4 to the Consolidated Financial Statements for the year ended 31 December 2019.

In addition, the European Union has established an operating framework for the various Member States, which includes, among others, objectives related to emissions, efficiency and renewable energies.

The introduction of new requirements, or amendments to existing ones, could adversely affect ENDESA's business activities, results, financial positions and cash flows if it were to be unable to adapt and manage correctly the environment arising from them.

Information on likely trends in the new economic and industrial model and ENDESA's Industrial Plan may be found in Sections 6.1. Energy Policy Context and 6.2. Strategic Pillars in this Consolidated Management Report, respectively.

a.2. ENDESA is affected by changes in the climate deriving from human action and which have an impact on both physical aspects and those relating to the transition.

ENDESA maintains a firm commitment in the fight against climate change and therefore decisions are made at the highest level of Management. Climate change is one of the main pillars of the Company's strategy, and it is the Board of Directors that is responsible for its development and implementation.

As proof of this commitment, ENDESA has assumed the objective of achieving a mix of emission-free generation in 2050 and a reduction of specific carbon dioxide (CO_2) emissions of 70% in 2030 relative to 2017. These objectives, which involve the evolution of the existing generation facilities towards an emission-free model, imply the alignment of the company with the objectives of the Paris Agreement and with the latest findings of Science.

In developing the business strategy, ENDESA uses scenarios on climate change. For the physical risks, the climatic scenarios published in the fifth report of the Intergovernmental Panel on Climate Change (IPCC) are used, while for the transition risks, the Drafts National Integrated Energy and Climate Plans (PNIEC) of Spain and Portugal are used.

The effects of climate change are already noticeable in the global socio-economic reality and, in the most likely scenario, will have significant consequences for the viability and development of sectors such as energy. Climate change planning must necessarily incorporate a new vision in which the transition to a decarbonised economy and adaptation to its effects are integrated into the decision-making process.

Climate change has consequences for the operation of assets due to the increase in temperature, the availability of renewable resources (water, wind and solar) and the frequency and intensity of extreme events.

The risks associated with climate change affect the price of commodities (coal, gas, oil, etc.) and can cause regulatory changes that modify or preclude the operation of the most carbon-intensive assets, which imply a high price within the framework of the Emissions Trading Regime, hindering the operation of the most carbon-intensive technologies and making it difficult for electricity to compete against with other energy alternatives which do not have to pass on the cost of CO_2 emission rights.

Additionally, climate change promotes and encourages the development and extensive use of technologies such as renewable energy, energy storage through batteries, energy efficiency and smart grids, which requires monitoring and leading innovation, as well as new investments to maintain the competitive position of the Company and protect the image of ENDESA in a context in which society's and customers' perceptions of its contributing to or turning its back on organising the transition to an economy with low CO_2 emissions are subject to change.

a.3. ENDESA makes decisions that affect the future of the company and its sustainability. These decisions are subject to significant risks, uncertainties, changing circumstances and other factors that may be beyond ENDESA's control or difficult to predict.

ENDESA presents each year its Strategic Plan, which includes the strategic guidelines and objectives for the company's economic, financial and equity growth, as well as its contribution to society.

The main assumptions on which the forecasts and objectives of the Strategic Plan are based are related to:

- The regulatory environment, exchange rates, commodities, investments and divestments, increases in production and installed capacity in markets where ENDESA operates and increases in demand in such markets;

- The allocation of production among the different technologies, with increases in costs associated with greater activity that do not exceed certain limits, with a price of electricity not less than certain levels, with the cost of combined cycle plants and with the availability and cost of raw materials and CO_2 emission rights necessary to operate the business at the desired levels; and the general evolution of the social, environmental and ethical trends of the context in which it operates, among which we would mention factors relating to loss of biodiversity, terrorism, water stress, cybersecurity, inequality and social instability, large-scale involuntary migration, extreme weather events, environmental disasters and climate change.

ENDESA cannot guarantee that its prospects will be fulfilled in the terms communicated, since these are based, among other issues:

- On assumptions relating to future events that Management expects to occur and on actions that the Management itself plans to perform at the time of writing; and

- On general assumptions regarding future events and actions of the Management itself that do not necessarily have to come about and that depend substantially on variables beyond the control of Management.

The ENDESA Strategic Plan foresees a significant investment effort in electricity production and distribution systems and facilities. The execution of these investments is dependent on market and regulatory conditions. If the necessary conditions for the viability of the plants do not exist, ENDESA may have to cease production at the facilities and, if necessary, begin the task of dismantling them. These closures would involve a reduction in installed capacity and output that support customer energy sales and, therefore, could adversely affect ENDESA's business activities, results, financial position and cash flows.

Consequently, and in accordance with accounting standards, ENDESA assesses throughout the year and in any case at the end of each year whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount to determine the extent of any impairment loss. Information on impairment losses on non-financial assets recognised in 2019 is provided in Notes 3e.4 and 6.4 to the Consolidated Financial Statements for the year ended 31 December 2019.

Information on ENDESA's Strategic Plan is provided in Section 6. Outlook of this Consolidated Management Report and the information relating to ENDESA’s commitment to sustainable development is contained in Section 8. Sustainability Policy of this Consolidated Management Report.

b) Market risks

b.1. ENDESA's business is largely dependent on the constant supply of large amounts of fuel to generate electricity; on the supply of electricity and natural gas used for its own consumption and supply; and on the supply of other commodities, the prices of which are subject to market forces which may affect the price and the amount of energy sold by ENDESA.

The contribution margin on ENDESA's deregulated businesses in 2019 was Euros 2,722 million, most of which corresponds to deregulated activities subject to the effects of competition and market volatility. These activities require purchases of gas, electricity and raw materials, as follows:

– During 2019, 4,070 metric tons of coal and 1,362 million m^3 of natural gas were consumed for electricity generation.

– At 31 December 2019, electricity and energy stock purchase commitments amounted to Euros 19,578 million, a portion of which corresponds to agreements with "take or pay" clauses (see Section 4.6. Contractual Obligations and Off-Balance Sheet Transactions of this Consolidated Management Report).

ENDESA is exposed to market price risks in relation to the purchase of fuel (including gas and coal) and the price of carbon emission rights required to generate electricity, for procuring gas and for supply activities. In this connection, fuel price fluctuations in international markets may affect the contribution margin.

ENDESA has entered into electricity and natural gas supply contracts based on certain assumptions regarding future market prices for electricity and natural gas. Any deviation from the assumptions made when these supply contracts were signed could give rise to an obligation to purchase electricity or natural gas at prices that are higher than those envisaged in the contracts. In the event of a market price adjustment relative to the estimates made, a deviation in ENDESA's assumptions relative to its fuel needs, or a regulatory change affecting prices as a whole and how they have been established, and if its risk management strategies were inadequate in the face of such changes, ENDESA's business activities, results, financial position and cash flows could be affected adversely.

ENDESA has signed certain natural gas supply contracts which include binding "take or pay" clauses which compel it to either acquire the fuel it has agreed to contractually or to pay even if it does not acquire such fuel. The terms of these contracts have been established based on certain assumptions regarding future electricity and gas demand. Any deviation from the assumptions used could give rise to an obligation to purchase more fuel than necessary or to sell excess fuel on the market at current prices.

Information on energy stock purchase commitments is provided in Section 4.6. Contractual Obligations and Off-Balance Sheet Transactions in this Consolidated Management Report and Note 11 to the Consolidated Financial Statements for the year ended 31 December 2019.

b.2. ENDESA is exposed to foreign currency risk.

ENDESA is exposed to foreign currency risk, mainly in relation to the payments it must make in international markets to acquire energy-related commodities, especially natural gas and international coal, where the prices of these commodities are usually denominated in US dollars (USD).

Therefore, this means that fluctuations in the foreign exchange rate could adversely affect ENDESA's business activities, results, financial position and cash flows.

Information relating to currency risk and an exchange rate sensitivity analysis are provided in Note 19.2 to the Consolidated Financial Statements for the year ended 31 December 2019.

b.3. ENDESA's business could be affected by adverse economic or political conditions in Spain, Portugal, the euro zone and in international markets.

Adverse economic conditions could have a negative impact on energy demand and the ability of ENDESA's consumers to fulfil their payment obligations. In times of economic recession, as experienced by Spain and Portugal in recent years, electricity demand usually falls off, adversely affecting the Company's results.

If the economic situation in Spain, Portugal or other euro zone economies deteriorates, it could adversely affect energy consumption and, consequently, ENDESA's business activities, financial position, operating results and cash flows would be negatively affected.

Apart from this, the financial conditions in the international markets pose a challenge for ENDESA's economic situation due to the potential impact on its business of the level of public debt, low growth rates, the rating of sovereign bonds at the international level and in particular in euro zone countries, and the monetary expansion measures in the credit market. Changes in any of these factors could affect ENDESA's access to capital markets and the terms on which it obtains financing, consequently affecting its business activities, results, financial position and cash flows.

In addition to any economic problems that could arise at the international level, ENDESA faces a situation of uncertainty at the political level, in Spain and internationally, which could adversely affect the Company's economic and financial position. Specifically, it is considered that the impact of Brexit and other international events is not material for ENDESA.

ENDESA cannot guarantee that the international or euro zone economic situation will not deteriorate, or that an event of a political nature will not have a significant impact on the markets, thus affecting, its business, its economic situation, results and cash flows.

b.4. ENDESA’s activities could be affected by natural resources, climate and weather conditions.

ENDESA's electricity production depends on the levels of natural resources, availability of plants and market conditions. The production of renewable power plants depends on levels of rainfall, sunshine and wind existing in the geographical areas where the hydroelectric, wind and photovoltaic generation facilities are located. Therefore, if there are droughts or low levels of wind or sunshine or other circumstances adversely affecting generation from renewable sources, ENDESA's business, results, financial position and cash flows could be adversely affected.

Demand not covered by renewable sources is produced by thermal power plants, whose production, as well as their margin, depends on the competitiveness between different technologies. A year with low rainfall, few hours of sunshine or little wind leads to a decline in hydroelectric, solar or wind output, in turn increasing the output of thermal power plants, at greater cost, and therefore an increase in the price of electricity and costs of buying energy. In a wet year, with more sunshine and wind, the opposite effects occur. In the event of adverse conditions due to low levels of resources, electricity generation will come more from thermal plants and ENDESA's operating expenses will increase. ENDESA's inability to manage changes in natural resource conditions could adversely affect its business, results, financial position and cash flows.

In an average year, it has been estimated that hydroelectric production can vary by ± 28%, wind by ± 5% and photovoltaic by ± 1%. Thus, in 2019 the generation of electricity in hydroelectric plants in ENDESA was 5,861 GWh, whereas for an equivalent power, the production in 2018 was 8,459 GWh.

Information concerning ENDESA's electricity production (Gwh) by technology can be found in Section 2.6. Statistical Appendix to this Consolidated Management Report.

Weather conditions and in particular seasonality have a significant impact on demand for electricity, with electricity consumption peaking in summer and winter. Seasonal changes in demand are attributed to various weather-related factors such as the climate, the amount of natural light, and the use of light, heating and air conditioning. Changes in demand due to weather conditions can have a major effect on the profitability of the business. Additionally, ENDESA must make certain projections and estimates regarding weather conditions when negotiating its contracts and a significant divergence in rainfall and other weather conditions envisaged could adversely affect ENDESA's business, results, financial position and cash flows.

Likewise, adverse weather conditions could impact the regular supply of energy due to damage to the network, with the resulting interruption in services which could compel ENDESA to compensate its customers for delays or disruptions in the supply of energy.

The occurrence of any of the foregoing circumstances could adversely affect its business, results, financial position and cash flows.

b.5. ENDESA is exposed to competition in its commercial activities.

ENDESA maintains relationships with a large number of customers, 10.6 million electricity customers and 1.6 million gas customers at 31 December 2019 (see Section 2.6 Statistical Appendix to this Consolidated Management Report).

ENDESA's business activities are carried out in an environment of fierce competition. Although ENDESA's losing individual customers would not have a significant impact on its business as a whole, inability to maintain stable relationships with customers could adversely affect ENDESA's business, results, financial position and cash flows.

b.6. ENDESA is exposed to interest rate risk.

Interest rate fluctuations change the fair value of assets and liabilities bearing interest at fixed rates and the future flows from assets and liabilities indexed to variable interest rates. Changes in interest rates could adversely affect ENDESA's business, results, financial position and cash flows.

At 31 December 2019, gross financial debt amounted to Euros 6,607 million. 70% of gross financial debt before cash flows and fair value hedges accrued interest at a fixed rate, while the remaining 30% was referenced to variable interest. Borrowings at floating interest rates are mainly linked to EURIBOR.

Taking account of cash flow hedges considered effective, 69% of gross financial debt was protected from interest rate risk at 31 December 2019. Taking account of fair value hedges too, this percentage was 69% at 31 December 2019.

Information relating to interest rate risk and an interest rate sensitivity analysis are provided in Note 19.1 to the Consolidated Financial Statements for the year ended 31 December 2019.

b.7. ENDESA's business depends on its ability to obtain the funds necessary to refinance its debt and finance its capital expenditure.

ENDESA is confident that it will be able to generate funds internally (self-financing), access bank financing through long-term credit lines, access short-term capital markets as a source of liquidity and access the long-term debt market in order to finance its organic growth programme and other capital requirements, including its commitments arising from the ongoing maintenance of its current lines. Furthermore, ENDESA occasionally needs to refinance its existing debt. This debt includes long-term credit lines, obtained from banks as well as companies of the ENEL Group, and financial investments.

If ENDESA were to be unable to access capital on reasonable terms, refinance its debt, settle its capital expenses and implement its strategy, the Company could be adversely affected. Turmoil on the capital markets, a possible reduction in ENDESA's creditworthiness or possible restrictions on financing conditions imposed on the credit lines in the event that financial ratios were to deteriorate, could increase the Company's financing costs or adversely affect its ability to access the capital markets.

A lack of financing could force ENDESA to dispose of or sell its assets to offset the liquidity shortfall in order to pay the amounts owed and this sale could occur in circumstances that prevent ENDESA from obtaining the best price for said assets. Therefore, if ENDESA were unable to access financing on acceptable terms, its business, results, financial position and cash flows could be adversely affected.

At 31 December 2019, ENDESA had negative working capital of Euros 2,365 million. The undrawn amount under the Company's long-term credit lines provides assurance that ENDESA can obtain sufficient financial resources to continue its operations, realise its assets and settle its liabilities for the amounts shown in the statement of financial position.

The information relating to liquidity risk is included in Note 19.4 to the Consolidated Financial Statements for the year ended 31 December 2019 and the information regarding the main transactions carried out by ENDESA is set forth in Section 4.1. Financial Management in this Consolidated Management Report.

Apart from this, the conditions in which ENDESA accesses the capital markets or other means of financing, whether inter-company or on the credit market, are highly dependent on its credit rating, which in turn is dependent on that of its parent company, ENEL. ENDESA's capacity to access the markets and financing could therefore be affected, in part, by the credit and financial position of ENEL, to the extent that ENEL can influence the availability of inter-company financing for ENDESA or the conditions under which the Company accesses the capital market.

In this connection, the deterioration of ENEL's credit rating and, consequently, that of ENDESA, could limit ENDESA's ability to access the capital markets or any other means of financing (or refinancing) from third parties or increase the cost of these transactions which could adversely affect ENDESA's business, results, financial position and cash flows.

Information on ENDESA's ratings is provided in Section 4.3. Management of Credit Rating in this Consolidated Management Report.

c) Counterparty risk

c.1. ENDESA is exposed to credit risk.

In its commercial and financial activities, ENDESA is exposed to the risk that its counterparty may be unable to meet all or some of its obligations, both payment obligations arising from goods already delivered and services already rendered and payment obligations related to expected cash flows, in accordance with the financial derivative contracts entered into, cash deposits or financial assets. In particular, ENDESA assumes the risk that the consumer may not be able to fulfil its payment obligations for the supply of energy, including all transmission and distribution costs.

At 31 December 2019, total customer receivables for sales and services amounted to Euros 2,479 million, of which Euros 624 million were past due, and the value correction for expected loss amounted to Euros 351 million. Additionally, ENDESA assumes the risk of default for all financial assets, which at 31 December 2019 amounted to Euros 2,123 million and for which ENDESA estimates an impairment correction of Euros 47 million.

At 31 December 2019, receivables from the ten largest customers, grouped by business group, accounted for less than 13% of the total, with none of them individually accounting for more than 2.7% of the total at that date (12% and 2.9% respectively at 31 December 2018) (see Note 19.6 to the Consolidated Financial Statements for the year ended 31 December 2019).

ENDESA cannot guarantee that it will not incur losses as a result of the non-payment of commercial or financial receivables and, therefore, the failure of one or more significant counterparties to fulfil their obligations could adversely affect ENDESA's business, results, financial position and cash flows.

Information relating to credit risk is provided in Note 19.5 to the Consolidated Financial Statements for the year ended 31 December 2019.

c.2. ENDESA's business could be negatively affected by inability to maintain its relations with suppliers or because the supply of suppliers available was insufficient in terms of quantity and/or quality, or due to suppliers' failing to maintain the conditions of service provided, limiting the possibilities of operability and business continuity.

The relationships ENDESA currently maintains with the main industry suppliers and service providers are essential for the development and growth of its business, and will continue to be so in the future. Furthermore, certain of these relationships are and will continue to be managed by ENEL, S.p.A.

ENDESA's dependence on these relationships could affect its ability to negotiate contracts with these parties under favourable conditions. Although ENDESA's supplier portfolio is sufficiently diverse, if any of these relationships is severed or terminated, ENDESA cannot guarantee the replacement of any significant supplier or service provider within an appropriate time frame or on similar terms.

ENDESA makes significant purchases of fuels, materials and services. In this regard, it is worth mentioning that:

- Some thermal power plants have had their consumption highly concentrated in few suppliers and countries, which represents a risk in case of supply interruption;

- Fuel supply contracts, basically for gas, are in areas with significant geopolitical risk that could materialise in the interruption of supply; and

- In the case of the power stations in the Non-mainland Territories (TNP) (Balearic Islands, Canary Islands, Ceuta and Melilla), a situation of geographical isolation is combined with heavy dependence on liquid fuels.

If ENDESA is unable to negotiate contracts with its suppliers on favourable terms, if such suppliers are unable to comply with their obligations or if their relationship with ENDESA is severed, and ENDESA is unable to find an appropriate replacement, its business, results, financial position and cash flows could be affected adversely.

Note 19.6 to the Consolidated Financial Statements for the year ended 31 December 2019 provides information on the concentration of customers and suppliers.

d) Operational risks.

d.1. ENDESA is exposed to risks associated with the construction of new electricity generation and supply facilities

The construction of power generation and supply facilities can be time-consuming and highly complex. This means that investment needs to be planned well in advance of the estimated start-up date of the facility and, therefore, decisions may need to be adapted to changes in market conditions. This may entail significant additional costs not originally planned that may affect the return on these types of projects.

In connection with the development of such facilities, ENDESA generally has to obtain the related administrative authorisations and permits, acquire land purchase or lease agreements, sign equipment procurement and construction contracts, operation and maintenance agreements, fuel supply and transport agreements, off-take arrangements and obtain sufficient financing to meet its capital and debt requirements.

The Industrial Plan approved by the Board of ENDESA, S.A. on 26 November 2019 contemplates an investment target, net of subsidies and assets assigned by customers, of Euros 7,700 million between 2019 and 2022.

Factors that may affect ENDESA's ability to construct new facilities include:

- Delays in obtaining regulatory approvals, including environmental permits;
- Shortages or changes in the price of equipment, materials or labour;
- Opposition from local groups, political groups or other stakeholders;
- Adverse changes in the political environment and environmental regulations;
- Adverse weather conditions, natural disasters, accidents and other unforeseen events that could delay the completion of power plants or substations;
- Non-compliance by suppliers with agreed contractual conditions; and
- Inability to obtain financing on terms that are satisfactory to ENDESA.

Any of these factors may cause delays in completion or commencement of construction projects and may increase the cost of planned projects. In addition, if ENDESA is unable to complete these projects, any costs incurred in connection with such projects might not be recoverable.

If ENDESA faces problems relating to the development and construction of new facilities, its business, results, financial position and cash flows may be adversely affected.

The information relating to investments made in 2019 is included in Notes 6.2 and 8.1 to the Consolidated Financial Statements for the year ended 31 December 2019 and in Section 4.5 Investments of this Consolidated Management Report. Information on ENDESA's investment plan is provided in Section 6.3. Main Financial Indicators in this Consolidated Management Report.

d.2. ENDESA's activity may be affected by failures, breakdowns, problems in carrying out the planned work, or other problems that may result in unscheduled unavailability and other operational risks.

For the development of its activities, ENDESA has a large volume of assets relating to its activities which include, among others:

- Electricity generation: At 31 December 2019, the total net installed capacity of ENDESA 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 Islands, Canary Islands, Ceuta and Melilla. At that date, net installed capacity in renewables was 7,408 MW (see Section 1.5. Corporate Map and 2.6 Statistical Appendix in this Consolidated Management Report).
- Energy distribution: At 31 December 2019, ENDESA distributed electricity in 27 Spanish provinces of 10 Autonomous Regions and in the Autonomous City of Ceuta, with a total area of 195,500 km^2 and a population close to 21 million inhabitants. The total energy distributed by ENDESA networks, measured in plant bars, reached 116,611 GWh in 2019 (see Sections 1.5. Corporate Map and 2.6. Statistical Appendix to this Consolidated Management Report).
- Energy supply: At 31 December 2019, ENDESA had more than 12 million electricity and gas customers (see Section 1.5. Corporate Map and 2.6 Statistical Appendix in this Consolidated Management Report).

ENDESA is exposed to risks of breakdowns or accidents that temporarily interrupt the operation of the plants or interrupt the service to customers. To mitigate these risks there are prevention and protection strategies, including predictive and preventive maintenance techniques in line with international best practices.

ENDESA cannot guarantee that during the development of the activities, direct or indirect losses cannot arise from inappropriate internal processes, technological failures, human error or certain external events, such as accidents at facilities, labour disputes and natural disasters. These risks and dangers could cause explosions, floods or other circumstances which could cause the total loss of the energy generation and distribution facilities; damage to or the deterioration or destruction of ENDESA's facilities or those of third parties, environmental damage; delays in electricity generation and partial or total disruption of the activity. The occurrence of any of these circumstances could adversely affect ENDESA's business, results, financial position and cash flows.

d.3. ENDESA's insurance cover and guarantees may not be adequate or may not cover all of the damage.

ENDESA tries to obtain appropriate insurance cover in relation to the main risks associated with its business, including damages to the Company itself, general civil liability, environmental and nuclear power plant liability, and it is possible that insurance cover may not be available on the market on commercially reasonable terms. Likewise, the amounts for which ENDESA is insured may not be sufficient to cover the incurred losses in their entirety.

In the event of a partial or total loss of ENDESA's facilities or other assets, or a disruption to its activities, the funds ENDESA receives from its insurance may not be sufficient to cover the complete repair or replacement of the assets or losses incurred. Furthermore, in the event of a total or partial loss of ENDESA's facilities or other assets, part of the equipment may not be easily replaced, given its high value or its specific nature, or may not be easily or immediately available.

Similarly, the cover for this equipment or the limits to ENDESA's ability to replace it could disrupt or hinder its operations or significantly delay the course of its ordinary operations. Consequently, all of the above could adversely affect ENDESA's business, results, financial position and cash flows.

Likewise, ENDESA's insurance contracts are subject to constant review by its insurers. It is therefore possible that ENDESA may be unable to maintain its insurance contracts on terms similar to those currently in place in order to meet possible increases to premiums or coverage that becomes inaccessible. If ENDESA is unable to pass on a possible premium increase to its customers, these additional costs may adversely affect its business, results, financial position and cash flows.

e) Other risks.

e.1. The success of ENDESA's business depends on the continuity of the services provided by the Company's Management and key workers.

For the development of its activities, ENDESA had a workforce of 9,952 employees at 31 December 2019 (see Section 11.1 Workforce of this Consolidated Management Report). In order for ENDESA to continue maintaining its position in the sector, it needs to guarantee talent management, especially with regard to digital skills.

The qualified labour market is highly competitive and ENDESA may not be able to successfully hire additional qualified staff or to replace outgoing staff with sufficiently qualified or effective employees. ENDESA's inability to retain or recruit essential staff could adversely affect its business, results, financial position and cash flows.

Information on attracting and retaining talent, training, leadership and development of employees may be found in Section 11. Human Resources in this Consolidated Management Report.

e.2. ENDESA considers Occupational Health and Safety (OHS) and maintaining a fluid social dialogue as priority objectives. Inability to achieve these objectives could adversely affect ENDESA's business, results, financial position and cash flows.

ENDESA considers Occupational Health and Safety (OHS) a priority and a fundamental value to preserve at all times for all who work for the Company, without distinction between its own personnel and that of its partner companies. The inclusion of this target in ENDESA's strategy finds specific expression in:

- Implementation of OHS policies at all the Group companies.

- The implementation of specific work plans.

- The application of a unique and global system of observation of labour behaviours.

ENDESA also carries out various annual initiatives in its long-term strategy of continuous improvement of Occupational Health and Safety (OHS).

The information related to Occupational Health and Safety (OHS) of ENDESA is presented in Section 11.2. Occupational Health and Safety (OHS) of this Consolidated Management Report and is detailed in the 2019 Sustainability Report.

The freedom of association of workers is guaranteed in ENDESA and in all contractor companies and suppliers with which it maintains a relationship.

The information related to ENDESA's Social Dialogue is presented in Section 11.8. Social Dialogue in this Consolidated Management Report and is detailed in the 2019 Sustainability Report.

Within the scope of ENDESA in Spain, it should be noted that on 23 January 2020, the 5th ENDESA Framework Collective Agreement was signed, which implies that, since that date, a collective labour framework has been available, which adapts the labour regulation to the new requirements of the environment (see Note 38 to the Consolidated Financial Statements for the year ended 31 December 2019).

Inability to achieve these objectives could adversely affect ENDESA's business, results, financial position and cash flows.

e.3. ENDESA manages its activities with information technology that uses the highest security and contingency standards according to the state of the art, such that it guarantees operating efficiencies, the protection of personal data as well as the continuity of the businesses, systems and processes which contribute to attaining its corporate objectives.

The use of information technologies in ENDESA is essential for the management of its activity. ENDESA's systems constitute a strategic element of differentiation with respect to the companies in the sector, given the magnitudes of business they handle in terms of technical complexity, volume, granularity, functionality and diversity of logic. Specifically, the main information systems available to ENDESA and the business processes they support are the following:

- Sales systems: marketing processes, demand forecasts, profitability, sales, customer service, claim management, hiring and the basic revenue cycle (validation of meter reading, invoicing, collection management and debt processing).

- Technical distribution systems: processes for managing the grid, meter-reading management, handling of new supplies, network planning, field work management, management of meter-reading equipment with advanced remote management and energy management capabilities.

- Generation systems, energy management and renewables: fuel management processes, meter-reading management, trading risk management, etc.

- Economic and financial systems: economic management, accounting, financial consolidation and balance sheet processes of the Company.

Management of ENDESA's business activity through these systems is key in order to perform its activity efficiently and achieve its corporate objectives. In constructing and operating these systems, ENDESA incorporates the highest security and contingency standards such that it guarantees operating efficiencies, as well as the continuity of the businesses and processes which contribute to attaining its corporate objectives.

These standards acquire an especially significant role in the process of digital transformation through which ENDESA is going, which leads to a growing exposure to potential cyberattacks, increasingly numerous and complex, and which can compromise the security of its systems, data, including those of a personal nature, affecting the continuity of operations, and consequently the quality in the relationship with its customers and the results, financial situation and cash flows of the organisation.

Security, therefore, has become a global and strategic issue. In this regard, ENDESA has policies, processes, methodologies, tools and protocols based on international standards and government initiatives properly audited. In particular, ENDESA has a cybersecurity performance and management model, promoted by Senior Management and that involves all business areas and the area responsible for the management of computer systems. This model is based on the identification, prioritisation and quantification of existing security risks, taking into account the impact of each system on ENDESA's business, and with the objective of adopting security actions for minimisation and mitigation.

e.4. ENDESA's activities are subject to wide-reaching environmental regulations and its inability to comply with current environmental regulations or requirements or any changes to the environmental regulations or requirements applicable could adversely affect its business activities, results, financial position and cash flows.

ENDESA is subject to environmental regulations, which affect both the normal course of its operations and the development of its projects, leading to increased risks and costs. This regulatory framework requires licences, permits and other administrative authorisations be obtained in advance, as well as fulfilment of all the requirements provided for in such licences, permits and authorisations. As in any regulated company, ENDESA cannot guarantee that:

- The regulation will not be amended or interpreted in such a way as to increase the expenses necessary to comply with such laws or as to affect ENDESA's operations, facilities or plants;
- Public opposition will not lead to delays or changes in the projects that are proposed; and
- The authorities will grant the environmental permits, licences and authorisations required to develop new projects.

In addition, ENDESA is exposed to environmental risks inherent to its business, including those risks relating to the management of the waste, spills and emissions of the electricity production facilities, particularly nuclear power plants. ENDESA may be held responsible for environmental damage, for harm to employees or third parties, or for other types of damage associated with its energy generation, supply and distribution facilities, as well as port terminal activities.

Although the plants are prepared to comply with the prevailing environmental requirements, ENDESA cannot guarantee that it will be able to comply with the requirements imposed or that it will be able to avoid fines, administrative or other sanctions, or any other penalties and expenses related to compliance matters, including those related to the management of waste, spills and emissions from the electricity production units. Failure to comply with these regulations may give rise to liabilities, as well as fines, damages, sanctions and expenses and even possibly to facility closures. Government authorities may also impose charges or taxes on the parties responsible in order to guarantee obligations are repaid. In the event ENDESA were accused of failing to comply with environmental regulations, its business activities, results, financial position and cash flows could be affected adversely.

In this connection, ENDESA has taken out the following insurance policies:

- An environmental liability insurance policy which covers, up to a maximum of Euros 150 million, claims arising from contamination.

- A third-party liability insurance policy which covers claims relating to damage to third parties or their property up to a maximum of Euros 200 million and an additional Euros 800 million for hydroelectric plants.

- In relation to risks arising from operating nuclear power plants, the storage and handling of low-level radioactive materials and the potential decommissioning of its nuclear power plants, an insurance policy up to Euros 700 million to cover any liabilities related to nuclear power plants up to the liability limit established by Spanish legislation.

Also, the nuclear power plants are also insured against damage to their installations (including feedstock) and machinery breakdowns, with maximum coverage of USD 1,500 million (approximately Euros 1,336 million) for each power plant.

On 28 May 2011, the Spanish government published Law 12/2011, of 27 May 2011, on civil liability for nuclear damages or damages produced by radioactive materials, which raises operator liability to Euros 1,200 million and allows coverage of this liability to be ensured in several ways. The entry into force of this regulation is in turn subject to the prior entry into force of the Protocol of 12 February 2004, amending the Convention on Civil Liability for Nuclear Damage (Paris Convention), and the Protocol of 12 February 2004, amending the Convention which complements the latter (Brussels Convention) which, at the date on which this Management Report was drawn up, was pending ratification by some European Union member states.

However, it is possible ENDESA may face third-party damage claims. If ENDESA were to be held liable for damages generated by its facilities for amounts greater than its insurance policy cover or for damages which exceed the scope of the insurance policy's cover, its business, financial position or operating results could be adversely affected.

ENDESA is subject to compliance with the legislation and regulations on emissions of pollutants and on the storage and treatments of waste from fuel from nuclear power plants. It is possible that the Company will be subject to even stricter environmental regulations in the future. In the past, the approval of new regulations has required, and could require in the future, significant capital investment expenditures in order to comply with legal requirements. ENDESA cannot predict the increase in capital investments or the increase in operating costs or other expenses it may have to incur in order to comply with all environmental requirements and regulations. Nor can it predict whether it will be possible to pass on these costs. Thus, the costs associated with compliance with the regulations applicable could adversely affect ENDESA's business, results, financial position and cash flows.

Information concerning ENDESA's environmental management systems may be found in Section 10. Environmental Protection in this Consolidated Management Report.

e.5. Past or future infringements of competition and antitrust laws could adversely affect ENDESA's business, results, financial position and cash flows.

ENDESA is subject to antitrust laws in the markets in which it operates. Infractions of these laws and other applicable regulations, especially in Spain where ENDESA's main market is located, could lead to the initiation of legal proceedings against ENDESA.

Pursuant to Organic Law 5/2010 of 22 June 2010, which amended Organic Law 10/1995 of 23 November 1995 on the Criminal Code incorporating offences applicable to legal persons, subsequently amended by Organic Law 1/2015 of 30 March 2015, ENDESA is subject to criminal liability for certain offences. The Organic Law 1/2019, of 20 February 20, again amended the Organic Law 10/1995, of 23 November 1995, of the Criminal Code, to transpose European Union Directives in the financial and terrorism fields, and to address issues of a nature international. Any violations of these laws could give rise to legal proceedings against ENDESA.

ENDESA has been, is and could be the object of legal investigations and proceedings regarding competition matters. Investigations regarding the infringement of competition and antitrust laws usually last several years and may be subject to rules that prevent the disclosure of information. Furthermore, infringements of these regulations may give rise to fines and other types of sanctions, which could adversely affect ENDESA's business, results, financial position and cash flows.

Information on litigation and arbitration is provided in Note 16.3 to the Consolidated Financial Statements for the year ended 31 December 2019.

ENDESA's growth strategy has traditionally included, and continues to include, acquisition transactions which are subject to various competition laws. These regulations may affect ENDESA's ability to carry out strategic transactions (see Section 2.5. Scope of Consolidation in this Consolidated Management Report).

e.6. ENDESA is involved in court and arbitration proceedings.

ENDESA is party to various ongoing legal proceedings related to its business activities, including tax, regulatory and antitrust disputes. It is also subject to ongoing or possible tax audits. In general, ENDESA is exposed to third-party claims from all jurisdictions (criminal, civil, commercial, labour and economic-administrative) and in national and international arbitration proceedings.

ENDESA makes its best estimate to provide its provisions for legal contingencies, provided that the need to meet this obligation is probable and its amount can be reasonably quantified.

No guarantee can be given that ENDESA has allocated adequate provisions for contingencies, that it will be successful in the proceedings in which it expects a positive outcome, or that an unfavourable decision will not adversely affect ENDESA's business, results, financial position and cash flows. Furthermore, the Company cannot give any assurance that it will not be the object of new legal proceedings in the future, which, if the outcome were unfavourable, would have an adverse effect on its business activities, operating results, financial position or cash flows.

Information on litigation and arbitration is provided in Note 16.3 to the Consolidated Financial Statements for the year ended 31 December 2019.

e.7. In general, ENDESA could be affected by tax risks deriving either from a possible interpretation of the rules by the Tax Authorities that differs from that adopted by the Company or from an incorrect perception by third parties of the tax position adopted by the Company.

Currently, the tax risks to be managed and controlled are those deriving from uncertainties caused either by the possibility of the Tax Authorities demanding amounts in addition to those that ENDESA considers due (either due to failure to file returns or to a different interpretation of the applicable regulations) or by incorrect perception or assessment by third parties of events of a tax nature that are erroneously or unfairly attributed to the Company.

In 2019, ENDESA's total tax contribution amounted to Euros 4,113 million, of which 41% corresponded to taxes incurred that represented a cost to ENDESA and 59% referred to taxes collected by ENDESA in carrying out its economic activity. Spain was the jurisdiction where ENDESA contributed most to the payment of taxes, representing more than 92% of the total taxes paid and collected in 2019.

The information regarding ENDESA's tax contribution is detailed in the 2019 Sustainability Report.

With reference to ENDESA's situation framework regarding tax risks, it is worth highlighting:

– The periods open for review by the relevant Tax Authorities and Inspections for the period and their effects (see Note 3n to the Consolidated Financial Statements for the year ended 31 December 2019); and

- The significant tax disputes that are likely to generate a contingency (see Note 16.3 to the Consolidated Financial Statements for the year ended 31 December 2019).

ENDESA mitigates the occurrence of these risks through:

- Compliance with its Tax Risk Management and Control Policy (see Section 7.1. General Risk Control and Management Policy of this Consolidated Management Report) which is the base document of the Tax Control Framework that the Company has implemented; and

- Its subscribing to the cooperative compliance system embodied in the Code of Good Tax Practices and in the annual presentation to the Tax Administration of the Tax Transparency Report. This subscription implies that ENDESA voluntarily commits vis-à-vis the Tax Administration to the promotion of good practices that lead to the reduction of significant tax risks and the prevention of behaviours likely to generate them.

In spite of this firm commitment, any change in the interpretation of the tax regulations by the Tax Administration or the Administrative or Judicial Courts may have an impact on the fulfilment of ENDESA's tax obligations, being capable of affecting its financial situation and its cash flows.

e.8. ENDESA could be held liable for corporate income tax and Value Added Tax (VAT) charges corresponding to the tax group of which it forms part or has formed part.

Since 2010, ENDESA has filed consolidated tax returns for income tax purposes, as part of consolidated tax group no. 572/10, the parent of which is ENEL, S.p.A., ENEL Iberia, S.L.U. being its representative in Spain. Likewise, since January 2010, ENDESA has formed part of the Spanish consolidated VAT group no. 45/10, the Parent of which is ENEL Iberia, S.L.U. Until 2009, ENDESA filed consolidated tax returns as the Parent under group no. 42/1998 for income tax and under group no. 145/08 for VAT.

Also, ENEL Green Power España, S.L.U. (EGPE), a wholly-owned ENDESA subsidiary, paid tax between 2010 and 2016 as a consolidated member of Group number 574/10 of which ENEL Green Power España, S.L.U. (EGPE) was the Parent. From 1 January 2017, ENEL Green Power España, S.L.U. (EGPE) paid taxes as part of tax group number 572/10 of which ENEL, S.p.A. is the Parent and ENEL Iberia, S.L.U. is the representative in Spain.

After ENDESA took control of Empresa de Alumbrado Eléctrico de Ceuta, S.A., in which, at 31 December 2019, it held a 96.3% share of the capital, the Consolidated Tax Group number 21/02 was incorporated, consisting of the following three companies: Empresa de Alumbrado Eléctrico de Ceuta, S.A. (as the parent company and representative of the Consolidated Fiscal Group), Energía Ceuta XXI Comercializadora de Referencia, S.A.U. and Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U.

In accordance with the regime for filing consolidated tax returns for purposes of income tax and VAT for company groups, all of the Group companies that file consolidated tax returns are jointly responsible for paying the Group's tax charge. This includes certain sanctions arising from failure to comply with specific obligations imposed under the VAT regime for company groups.

As a result of this, ENDESA is jointly responsible for paying the tax charge of the other members of the consolidated tax Groups to which it belongs or has belonged for all tax periods still open for review. ENEL Green Power España, S.L.U. (EGPE) is so responsible for the other members of the Tax Consolidation Group to which it has belonged and Empresa de Alumbrado Eléctrico de Ceuta, S.A. with respect to its.

Even though ENDESA, ENEL Green Power España, S.L.U. (EGPE) or Empresa de Alumbrado Eléctrico de Ceuta, S.A., as the case may be, has the right of recourse against the other members of the corresponding tax consolidated group, any of them could be held jointly and severally liable if any outstanding tax charge were to arise which had not been duly settled by another member of the consolidated tax Groups of which ENDESA, ENEL Green Power España, S.L.U. (EGPE) or Empresa de Alumbrado Eléctrico de Ceuta, S.A., as the case may be, forms or has formed part. Any material tax liability could adversely affect ENDESA's business activities, results, financial position and cash flows.

e.9. The ENEL Group controls the majority of ENDESA's share capital and voting rights and the interests of the ENEL Group could conflict with those of ENDESA.

At 31 December 2019, the ENEL Group, through ENEL Iberia, S.L.U., held 70.101% of ENDESA, S.A.'s share capital and voting rights, enabling it to appoint the majority of ENDESA, S.A.'s Board members and, therefore, to control management of the business and its management policies.

The ENEL Group's interests may differ from those of ENDESA or of ENDESA's other shareholders. Furthermore, both the ENEL Group and ENDESA compete in the European electricity market. It not possible to give any assurance that the interests of the ENEL Group will coincide with the interests of ENDESA's other shareholders or that the ENEL Group will act in support of ENDESA's interests.

Information on balances and transactions with related parties is provided in Note 34 to the Consolidated Financial Statements for the year ended 31 December 2019.

e.10. ENDESA is exposed to image and reputational impairment risk.

ENDESA is exposed to the opinion and perception projected to different interest groups. This perception could deteriorate as a result of events produced by the Company or third parties over which it has little or no control. Should this occur, this could lead to economic damage to the Company due, among other factors, to increased requirements on the part of regulators, higher borrowing costs or increased efforts to attract customers.

Although ENDESA actively works to identify and monitor potential reputational events and interest groups affected, and transparency forms part of its communications policy, there is no guarantee that it will not suffer impairment of its image or reputation which, if resolved unfavourably, will have an adverse effect on its business, operating results, financial position or cash flows.

Furthermore, ENDESA cannot guarantee that it will maintain solid relationships and ongoing communication with consumers and users and with the associations that represent them and, therefore, any change in these relationships could entail negative publicity and a significant loss of customers, which could adversely affect ENDESA's business, results, financial position and cash flows.

8. Sustainability policy

8.1. ENDESA's Commitment to Sustainability

Maintaining a leadership position and strengthening it for the future involves a balanced fulfilment of ENDESA's responsibilities in economic, social and environmental matters, based on ethical criteria.

Accordingly, ENDESA's sustainability policy aims to formalise and specify the company's commitment to Sustainable Development, as evidenced by its Open Power strategic positioning and to achieve the creation of shared value, ensuring that the activity that it carries out has a positive impact on the communities in which it operates, as the best way of guaranteeing returns for its shareholders in the short, medium and long term.

To this end, the sustainability policy establishes nine future commitments:

1. **Our Customers:** Commitment to digital quality, commercial excellence and efficient energy consumption.

2. **Our Shareholders and Investors:** Commitment to creating value and profitability.

3. **Our People**: Commitment to personal and professional development, diversity and work-life balance, and the occupational health and safety of the people who work for ENDESA.

4. **Our Conduct:** Commitment to good governance, transparency and ethical behaviour.

5. **Our Environment:** Commitment to reducing the environmental footprint and protecting the environment.

6. **Innovation:** Commitment to innovation in technology and the scope of services.

7. **Society:** Commitment to the socioeconomic development of the communities in which the Company operates.

8. **Institutions:** Commitment to developing public-private partnerships to promote sustainable development.

9. **Our Collaborators:** Commitment of those who work with us to be actively involved in sustainability.

The commitments set out in the Sustainability Policy constitute the basis and guidelines for ENDESA's conduct in the promotion of a sustainable business model. Compliance with the policy is expressly driven by Senior Management; it concerns employees, contractors and suppliers, and it is evaluated by third parties:

- These commitments are fully integrated into day-to-day work and are constantly reviewed and improved through the definition of objectives, programmes and actions which are included in successive Sustainability Plans.

- ENDESA has monitoring and evaluation mechanisms available that exhaustively measure the achievement of these commitments. The Audit and Compliance Committee (CAC) annually monitors the Corporate Social Responsibility (CSR) strategy and practices.

- ENDESA's focus is on steady and fluid dialogue with stakeholders, with the aim of incorporating their expectations in a structured manner and in alignment with its strategy.

ENDESA is committed to the application of responsible communication practices as its principal vehicle for conveying the strength and solidity of its commitment to sustainable development to its various stakeholder groups.

8.2. Compliance with ENDESA's 2019-2021 Sustainability Plan

For ENDESA, sustainability plays a central role when defining the direction of the business, and in order to integrate it with the management of the business and the decision-making processes, there must be maximum alignment between the business strategy and the sustainability strategy, so that both are aimed at the attainment of the same objective and provide mutual feedback to achieve it, thereby generating economic value for the Company in the short and long-term.

ENDESA’s materiality analysis informs the strategic reflection that defines the Industrial Plan and therefore ENDESA’s Sustainability Plan for 2020-2022, through more than 100 quantitative management objectives, responds to each of the priorities and strategic pillars identified, with an overall compliance of 92%.

As part of its commitment to transparency and in the interest of building trust with its stakeholder groups, ENDESA duly renders account of its achievement of the objectives and actions included in its Sustainability

Plan for 2019-2021 in the Statement of Non-Financial Information (see Appendix II to this Consolidated Management Report) and in the 2019 Sustainability Report.

8.3. ENDESA's contribution to the United Nations Sustainable Development Goals (SDGs)

On 25 September 2015, the United Nations (UN) approved the 2030 Agenda on Sustainable Development for countries and their societies to be able jointly to solve the critical problems facing mankind. The Agenda has 17 Goals and 169 targets to be achieved by 2030. ENDESA collaborated in the drawing up of this Agenda and is firmly committed to it. In this regard it recognises the historic opportunity represented by the Sustainable Development Goals (SDGs) and the involvement of the private sector to overcome the main challenges that society faces, from the fight against climate change to the eradication of poverty and the assurance of economic and social progress. This vision is shared within the entire ENEL Group.

ENDESA, for its part, assumes these commitments and adapts them to the context in which it operates. Thus, since announcing its specific contribution to the 2030 Agenda in 2016, it has continued to make progress with respect to its commitment to six goals, four of which directly affect its own business model:

- **SDG 13 (Climate Action)**: Decarbonisation of the energy mix by 2050, setting ambitious targets for the reduction of specific CO_2 emissions relative to 2017 of around 70% by 2030 and 100% by 2050. And an emission-free production of 60% in 2020, 75% in 2030 and 100% in 2050.

- **SDG 9 (Industry, Innovation and Infrastructure)**: Investment of Euros 1,300 million over the period of the 2019-2022 Strategic Plan in order to be at the forefront of future energy developments through digitalisation. Most of this investment will go towards quality plans and digitalisation of networks in the distribution business and of commercial channels and internal processes in the marketing business.

- **SDG 11 (Sustainable Cities and Communities)**: Plan for the deployment of public electric charging infrastructures with 36,000 recharging points, public and private, by 2022.

- **SDG 7 (Affordable and Clean Energy)**: As a direct contribution, ENDESA incorporates ambitious objectives into both its Industrial Plan and its Sustainability Plan: Euros 3,800 million of investment in development and management of renewable assets for the 2019-2022 period, allowing us to reach approximately 60% of mainland capacity based on renewable sources by 2022. As an indirect contribution, educational and training programmes on energy, accessibility and promotion of energy efficiency are run, and will reach a cumulative total of 4,800,000 beneficiaries over the period 2015-2030.

In addition, ENDESA contributes to the commitments assumed by its parent company in relation to SDG 4 (Quality Education), for which ENDESA has made a public commitment to reach 700,000 beneficiaries in the period 2015-2030, and SDG 8 (Decent Work and Economic Growth) for which it has made a public commitment to reach 1,700,000 beneficiaries in the same period through the social initiatives carried out.

However, although these are the highest priority Sustainable Development Goals (SDGs) for ENDESA and therefore those for which it makes public commitments and on which it will place greatest emphasis in the coming years, the 2020-2022 Sustainability Plan incorporates objectives and lines of action that will allow the Company to contribute to the achievement of all the Sustainable Development Goals (SDGs).

Key Performance Indicators (KPIs) relating to socio-economic activities.

In 2019 and 2018, the KPIs relating to socio-economic activities developed as indicated hereunder:

	Number of Beneficiaries	
	2019	2018
Access to Energy (1)	423,468	403,390
Socio-economic Development (2)	133,052	185,448
Education (3)	73,267	52,526
Support to Local Communities (4)	440,834	507,523
TOTAL	**1,070,621**	**1,148,887**

(1) Includes projects for minimising economic barriers to access to energy, promoting technical education and training in the field of energy, promoting energy efficiency, awareness of energy use and technological and infrastructure development to facilitate access, and access to electricity for vulnerable groups.
(2) Includes projects to promote employment and generate economic activity in the community, knowledge transfer and training and support for local business activities.
(3) Includes projects to support training activities that involve students, families, schools and universities and the promotion of academic training, in general, not only related to energy, through scholarships, chairs, etc.
(4) Includes projects aimed at improving the well-being of people and communities, maintaining their cultural identity, preserving their heritage, improving the environment and local biodiversity, sports, promoting healthy habits and supporting the coverage of basic needs.

9. Research, development and innovation activities (R&D+i)

9.1. Context and objectives of the research, development and innovation (R&D+i) activities

The Energy Sector is in the midst of important changes, which will intensify in the future due to the growing environmental awareness of governments and customers. ENDESA is aware that the objectives for reducing emissions and increasing efficiency are necessary, requiring an additional effort on its part in order to achieve them.

In this context, the goal of ENDESA's research, development and innovation (R&D+i) activities is to create a new, more sustainable energy model based on efficient electrification of energy demand thanks to the development, testing and application of new technologies and new business models.

ENDESA's research, development and innovation (R&D+i) activities, are developed in coordination with the rest of the ENEL Group, with joint research activities being undertaken in the areas of shared interest and in the markets in which both operate.

9.2. Investment in research, development and innovation (R&D+i) activities

Gross direct investment in Research, Development and Innovation (R&D+i) in 2019 amounted to Euros 19 million, distributed as follows:

Millions of Euros

	Gross direct investment in R&D+i	
	2019	2018
Generation and Supply	8	6
Distribution	11	4
TOTAL	**19**	**10**
Gross direct investment in R&D+i / EBITDA (1) (%)	0.49	0.28
Gross direct investment in R&D+i / EBIT (2) (%)	4.90	0.52

(1) EBITDA = Income - Procurements and services + Self-constructed assets - Personnel expenses - Other fixed operating expenses.
(2) EBIT = EBITDA – Depreciation and Amortisation, and Impairment Losses.

9.3. Main areas of activity

ENDESA's research, development and innovation (R&D+i) activities are based on a commitment to sustainability, and therefore technology projects are developed aimed at creating value, fostering a culture of innovation and building competitive advantages in the area of sustainability.

ENDESA's develops innovation projects across all its business lines. The following details the areas of activity, their future guidelines, and certain of the most relevant projects currently under way.

Electricity generation

Guidelines: Decarbonisation, increase in the level of digitalisation of plants, reduction of environmental impact, increase in efficiency and greater flexibility of conventional plants to optimise their operation, energy storage and improvement of the safety of people and facilities.

Areas of activity:

- These are some of the most important digitalisation projects:
  - "Virtual Visit": Digital system for making virtual visits to industrial facilities with a view to reducing lead times for bidding processes with contractors.
  - Development of artificial intelligence systems based on machine learning for the detection of anomalies and incipient problems in thermal generation facilities.
  - "Memphis": Memphis is a project funded within the "R&D Challenges" programme of the Ministry of Science and Innovation for the development of a system allowing the temperature of boiler components to be measured using optic fibre as a directly applied sensor.
  - "E-Sense": Advanced systems for monitoring and diagnosing high, medium and low voltage circuit breakers.
  - "Digital Substation": Innovative digital solutions for the improvement of the monitoring of power transformers and substation elements.
  - "Robotics": Development of a new underwater robot for use in inspection and cleaning tasks in underwater infrastructure.
  - "Drones": Deployment of drone-based tools to improve the inspection of generation facilities.
  - Robotisation for checking installation of photovoltaic panels and progress of works.
  - Validation of a robot for the automation of the installation process of photovoltaic panel modules.
  - "VIVES: Virtual Reality for Training": Use of virtual reality for immersive training in the field of personal safety.
  - Introduction of excavator machinery with GPS to allow precision excavation, with a semi-automatic or guided system.
- In the area of reducing pollutant emissions and environmental protection, we would highlight:
  - "Matching": A project carried out alongside a number of other companies and Research, Development and Innovation (R+D+i) centres, co-financed by the EU's Horizon 2020 Programme. The main objective is to reduce water consumption in the energy sector through the use of new technology. It also involves the validation of these technologies though pilot schemes at actual generating facilities.
  - Use of prefabricated foundations for wind towers, achieving savings in construction time and reducing the environmental impact of the work.
  - "Cubic": Use of ultrasonic emission systems to improve cleaning of cooling circuits of generation plants and reduce consumption of chemicals.

- "Gyll": Pilot project for the recovery of desulphurisation water using a new technology based on vibrating membranes.
- Pilot plant for oil-water separation using water-repellent membranes.
- "Acticen": Project aimed at recovering ash from the carbon combustion process at thermal power plants, through the use of an alkaline pre-activation process, to obtain substitutes for Portland cement products to be used in prefabricated concrete. Project co-financed by the National "R+D Challenges" Programme of the Ministry of Science and Innovation.
- "A4HW": Research into new uses and applications of micro-algae as a high value-added food source. Project co-financed by the National "R+D Challenges" Programme of the Ministry of Science and Innovation.
- Life Algar-BBE: Project financed by the European LIFE funds, which aims to valorise carbon dioxide (CO_2) for the production of micro-algae, with the aim of generating biostimulants with biocidal activity mitigating the adverse effects on the environment and human health of chemical pesticides.
- "BiofueL": Analysis of the viability of the use of biofuels created by catalytic hydrothermal carbonisation for replacing fossil fuels.

– In the area of increased efficiency and flexibility of the plants:

- "Energy Harvesting": Validation of an energy capture system for sensor power based on thermoelectric technology.
- "Coat": Validation of new paints with microparticles for use as thin thermal and acoustic insulators
- "Demfore": Development of a system for the prediction of photovoltaic ramps to improve the management of thermal generation on the island of Tenerife.

– Energy storage:

- "SELF": Development of an energy storage system based on second-life batteries of electric vehicles to improve the quality of supply of the Autonomous City of Melilla.
- "TES": Study for the integration of a pilot thermal storage scheme in solid materials in order to recover waste heat at the Las Salinas Thermal Plant in Fuerteventura.

– Safety of people and facilities:

- "ACTS": Advanced systems for increasing people's intrinsic safety by detecting presence in the vicinity of risk areas.
- Digital access control and online monitoring system for restricted or high-risk areas.
- "Active Safety System": Device for detecting people close to areas where work is under way with machinery so as to avoid people being run over and other accidents.
- Visual detection of gas leaks through the use of adapted thermographic cameras.
- "Thermoelectrika": Validation of a system for early detection of hot spots that generate fires in electrical equipment.

- "Brains": Development of an artificial vision system for the detection of unsafe behaviours in industrial plants and areas under construction.

Distribution grid

Guidelines: Strengthen security of supply, improve service quality and respond to future customer demands through the development of smart grids, remote management and grid automation.

Areas of activity:

– Digitalisation of distribution grids:

  - "Network Digital Twin" (NDT): Digital replica and highly computerised of physical assets and their management, development and maintenance.

  - "Digitalisation Infrastructure & Network" (DIGI & N) Iberia: Global Programme for the digital transformation of all ENEL Infrastructure and Network processes, through disruptive efficiency, agile operational model and convergence of cutting-edge technology, promoting best practices among countries of the Group.

– "Smart Grids" / "SmartCities" projects: Their objective is to enable grids to offer an effective response to their users' needs.

  - ENDESA is developing its "Smart Grid" concepts on its "SmartCity" programmes, where it is a leader in the sector with various active projects. It is now nine years since the "SmartCity" project was introduced in Málaga.

  - Preventive Analysis Project for Smart Networks with Operation in Real Time and Integration of Renewable Assets (PASTORA): Complementary project of the Project for the Advanced Monitoring and Control of Medium and Low Voltage Distribution Networks (MONICA).

  - Project "Resilience to cope with Climate Change in Urban Areas" (Resccue): This project focuses on assessing the impacts of climate change on the functioning of essential services in cities such as water and energy, and on providing models and practical and innovative tools to improve the resilience of urban areas to current or future climate scenarios.

  - "Growsmarter": Predictive maintenance project that has been developed in collaboration with Disruptive Technologies, consisting in monitoring the temperature of the cable connectors of the medium voltage cabins of substations in order to detect defects.

– Flexibility Projects:

  - "Smartnet" project: to improve the efficiency and stability of the electricity grid, making use of the flexibility offered by the new role played by consumers, who are now also producers of energy using collaborative models.

  - "Flexiciency": the final phase of the demonstration has been carried out, within the area of the "Smartcity Malaga Living Lab". It pointed to the potential for flexibility offered by large-scale low-voltage micro-grids and new services for all agents in the European electricity market based on the access to almost-real-time data from meters.

  - "Coordinet": Creation of a European energy platform and open the market to consumers, taking advantage of the flexibility that small generators and demand can provide to the System and which is currently not used to improve the stability of the network.

- Projects and proofs of innovation concept in networks:

  - Standardisation-Security-Synchronisation Connected Substation “3S-CS”: Development of an integral system to control electricity substations based on IEC61850, with wireless and “IoT” capability.

  - “Aerial-Core”: Development of central technology modules and an integrated aerial cognitive robotic system that will have unprecedented capabilities in the range of operation and safety in interaction with people (air co-workers).

  - “Reset”: Development a 4-branch STATCOM converter in full bridge in low voltage to correct the imbalance of loads between phases that causes the appearance of homopolar currents, additional losses in the network or malfunction of loads.

  - “I'm in”: consists of a change of procedure for access to telecontrolled facilities; going from a procedure based on a telephone call to a system through an app, developed for this purpose, which communicates with the control centre.

  - “Open&me”: Use the same platform as the “I'm in” project, incorporating the functionality of access control on demand through the use of a smart padlock and key. With this solution, owner and worker security is increased without compromising operations.

- Chair in Network Innovation:

  The objective is the collaboration with universities in the holding of seminars, conferences, end-of-course projects and doctoral theses, research in the Electrical Sector and studies of safety and efficiency, storage systems, energy recovery, etc.

  Currently there are chairs with the following universities:

  - Polytechnic University of Catalonia, with the aim of collaborating on flexibility projects, network codes, distributed energy resources and the like.

  - University of Seville, the objective being to collaborate on analysis projects for network replacement and medium/low voltage state estimators (Opex Mapping). Likewise, the work of this chair has served as a seed for other innovation projects such as “MONICA”, “PASTORA” and “Aerial-Core”.

  - University of Las Palmas de Gran Canaria, the purposed of which is collaboration on projects related to the integration of renewables in distribution networks in islands (“Reset” Project) and immersive virtual reality projects.

  - University of the Balearic Islands, with the objective of collaborating on projects related to network electronics, such as definition of low-cost weather stations, location of lightning rods, etc.

Innovation in supply.

Guidelines: Test the latest trends in relationships with customers and stakeholder groups in the field based on technological advances. Identify areas for improvement and define operation processes.

Areas of activity:

- Improve the value proposition to the customer:

  - “Confía” (=”Trust”) project: Blockchain project for improving the management of supply cuts to vulnerable people among the Public Administrations involved, social services and energy companies. This project is being initiated with the collaboration of the social services of the City

Council of Malaga and the support of the University of Malaga, but once the viability is confirmed, the intention is to extend it to other municipalities throughout Spain.

- Sales support with Virtual Reality: ENDESA has initially virtualised self-consumption facilities and high temperature heat pump installations, carried out with the dual objective of facilitating customers' understanding and promoting the dissemination and sale of these facilities.

- Employee training in business skills: ENDESA has made available to its employees a tool to improve skills and understanding of the Sector and the operation of the Madrid control centre and the energy pool markets.

- Training employees in communication skills: ENDESA has made available to its employees a tool that works to provide training and improvement of communication techniques and skills thanks to immersive virtual reality and artificial intelligence. Thanks to this software made by the startup Chiara, employees can improve their skills, receiving personalised feedback that measures many parameters of their communication.

- Customer service for people with impaired hearing: Project for adapting the ENDESA customer service centre to people with hearing impairment using text recognition and speech synthesis technologies through voice over internet protocol (VoIP).

- Artificial Intelligence: Innovation Project in customer service channels. During this past year, up to seven cases have been incorporated using the virtual agent based on the IBM Watson artificial intelligence (AI) engine, which already handles around 100,000 calls per month, with 60% of them resolved without human intervention.

- Biometric Analysis: Project involving innovative solutions in the customer service channels based on biometric analysis in different forms; these solutions allow us to uniquely identify the clients by creating secure processes and avoiding identity theft or phishing scams:

  - "Digital Onboarding": Solution allowing authentication of the user in the process of photo contracting through video.

  - Voice Authentication: Solution that allows the biometric data of a customer's voice to be obtained when he or she calls the customer service centre and compared with a previously captured voiceprint, allowing access to the desired interactions on the customer's profile, contracts, claim, etc. without the need for additional authentication.

Efficiency in end usage of energy

Guidelines: Test the latest technologies in the field, define performance, identify areas of improvement and define operating processes.

Areas of activity:

– Energy Management System (EMS): Supports the sale of a platform providing various control, monitoring and energy advisory functions for customers, mainly multipoint.

– Homix: smart home device developed by the e-Home business line together with Amazon, currently available in Italy and Spain in Amazon stores and on the commercial websites of ENEL X (www.enelx.com/es) and ENDESA Energía, S.A.U. (www.solucionesintegralesendesa.com). The technological solution launched learns the usage habits of the home in order to offer, autonomously, responses to people's needs, simplifying the life of any family thanks to the integrated management of heating, security and lighting in their homes.

Electric vehicles

Guidelines: For ENDESA, which has a clear commitment to the energy transition and decarbonisation, electric mobility represents one of the fundamental pillars. In this regard, ENDESA X, S.A.U. promotes the development of the electric vehicle as one of the main avenues for the fight against climate change and promotes electric mobility as an instrument to facilitate a zero emission energy model.

Areas of activity:

Through ENDESA X, S.A.U., taking advantage of the advances in electric mobility already made by ENDESA and ENEL X's experience in this business, new opportunities are being promoted such as advanced energy solutions, flexibility services and demand management.

- Public Charging:
  - In 2019 actions continued to be taken to reach more than 2,000 charging points for electric vehicles by 2020, making it easier for any electric vehicle to travel anywhere in Spain.
  - In the second phase (2021-2023), a further 6,500 new public access charging points will be installed in shopping centres, car parks, hotel chains, service stations and on public roads to cater to the growth in the electric vehicle market, providing greater charging infrastructure coverage in urban areas and the main strategic transport nodes both on the Iberian Peninsula and in the islands, bringing the total to more than 8,500 public access charging points.
  - In 2019 the new "ENDESA X JuicePass", app was launched. It allows users to manage the recharging of their electric vehicle directly from their mobile phone, with access to all the detailed information of the charging point, prices and opening hours, book charging points, monitor the details of their charging sessions in real time and access their charging and invoice history.
- Private charging:
  - In addition, ENDESA continues to market end-to-end value proposals for the roll-out of private electric vehicle charging, offering electric mobility solutions for residential, business and commercial customers, as well as Public Administrations; already with the advanced technology included in the "Juice" family of equipment, such as the "JuiceBox", "JuicePole", "JuicePump", etc. recharging units.
  - ENDESA has developed charging infrastructure for domestic use designed for private owners of electric vehicles. The home is the main charging point, where the electric car can be recharged during long breaks, especially at night.
  - ENDESA offers businesses a complete solution that includes installation, equipment supply, associated infrastructure maintenance and remote management with all the information on the use of the recharging infrastructure.

Electrification of public transport.

ENDESA, through its e-city division, has a complete proposal for the Public Administration to provide the best service to citizens, consisting of advice, installation, recharging infrastructure, maintenance, etc. All this managed from a control centre with monitoring so that the service is always available.

Among the projects developed in 2019 by the e-city division, the e-bus Recharge Project stands out: ENDESA has installed 2 new ultra-fast charging units using a pantograph for the Barcelona Bus network. The objective is to ensure that the 22 TMB (Barcelona Metropolitan Transport) electric buses serving the H16 route are kept charged so as to deliver excellent service to passengers.

Occupational safety

The main actions carried out in 2019 focused on the detection of improvable aspects in Occupational Health and Safety (OHS), as well as in work teams and facilities:

– "Never Again" project: Developed in thermal generation plants, consisting of the physical placement of quick response codes (QR) that show information relating to accidents and significant incidents that occur in these plants.

– "Safety Local Peer Review": Project carried out in several plants focusing on the exchange of good practices and identification of synergies and improvement points between plants under a similar methodology taking as reference the conclusions reached in previous inspections and audits.

– "APP5RO" project: Project consisting in verification of compliance with the five golden rules for working with electricity using an app on the workers' company telephones. Specifically, it consists of the automatic review of 100% of the images registered in the application to ensure that the actions developed in the works have been correct.

– Development and dissemination of preventive messages and content, such as video production and accident simulation. In this regard, the "Your Safety is in Your Hands" campaign was developed, in which simulation videos about accidents and significant incidents occurring in thermal power plants and hydraulic power units (HPUs) were disseminated.

– Acquisition of new equipment, including drones for inspections of generation facilities in areas difficult to access and/or at high risk of landslide, underwater hazard or noxious atmosphere, and the use of "Closer", a communication device for working in confined spaces.

– Use of software applications, such as the so-called "Track and Rate" and "HSEQ4u", interconnected with each other to communicate security breaches and at the same time require action plans to solve these situations.

– A single application has been implemented in the divisions with access for all inspectors, both internal and external, the purpose of which is the prioritised planning of safety inspections, taking into account both quantitative and qualitative factors, which in turn allows reporting and control of work that has already been inspected.

– Optimisation of personal protection equipment (PPE) with preventive and ergonomic technological innovations, providing greater protection, comfort and resistance.

9.4. Innovation model

ENDESA has an open innovation model aimed at finding quality ideas to develop innovative solutions to transform the current energy model. Open innovation is a new model used by companies to relate to external players (universities, start-ups, research centres and other companies in the same or a different sector) to promote collaboration and the sharing of knowledge.

ENDESA's research, development and innovation (R+D+i) activities are carried out in close collaboration and cooperation with the rest of the ENEL Group, taking advantage both of the Group's research centres and the best research centres, universities, suppliers and emerging national and international companies.

The following is a summary of ENDESA's innovation model:

– **Identification of technological challenges**: In close collaboration with the Businesses and after an analysis of all the business and technology trends available in the market.

– **Generation of ideas**: To solve the challenges, we work at 2 levels:

  o Internal ideas:

    (i) "Open Innovability": An ENEL Group platform for launching innovation and sustainability challenges, for both employees and the global innovation community.

(ii) “Innovation Academy”: Specific training programme with the objective of training employees in methodologies and work skills, to enable them as facilitators of the culture of innovation in their fields.

(iii) “Open Power Space”: Space created as a collaborative meeting point of reference in the various ENDESA work centres. In this unique environment, the various creative processes that arise from employees, partners and external collaborators are shared, disseminated and launched.

(iv) “Make it Happen”: Global entrepreneurship programme within the ENEL Group, which offers ENDESA employees the possibility of becoming entrepreneurs within the Company.

(v) “Challenge Driven Sessions”: Workshops for the application of innovative methodologies ("Creative Problem Solving", "Design Thinking", "Lean Startup") for the search for innovative solutions to challenges faced by Society.

(vi) “Innovation Ambassadors” network: Formed by employees of the Company who, voluntarily, receive specific training to become drivers of innovation within their areas.

(vii) Participation in the "ENEL Innovation Communities"; Each of these communities is dedicated to a crucial theme of innovation: artificial intelligence, robotics, drones, blockchain, etc. In total there are 10 communities in which the employees of the different Business Areas participate, sharing their projects, experiences and points of view. In addition, they regularly organise open events to which experts are invited to present their initiatives.

- External ideas: With channels open to:

(i) Entrepreneurs:

- “ENEL Innovation Hub Europe”: Located in Madrid and in coordination with “ENEL Innovation Holding”, it is responsible for developing the relationship with the European entrepreneurship ecosystems relevant to the ENEL Group, including the ecosystems of Spain and Portugal, as well as prospecting for European startups that can contribute to the achievement of objectives and the resolution of innovation challenges identified by the Group's Business Lines and companies. “ENEL Innovation Hub Europe” is part of the network of 10 “Innovation Hubs” that the ENEL Group has deployed around the world in significant entrepreneurship centres and strategic markets for the Group: Brazil, Chile, Spain, Israel, Italy (Milan, Pisa and Catania), Russia and the United States (USA) (Boston and Silicon Valley). At 31 December 2019 the Group had activated more than 260 collaborations with startups worldwide, of which more than 30 were Spanish and Portuguese startups.

- Sponsorship and promotion of various significant events that are emerging as meeting points between corporations, entrepreneurs and investors. With this, ENDESA aims to strengthen, incentivise and support the entrepreneurship ecosystem, as well as promoting innovation and creating real business opportunities.

(ii) Associations and working groups: Collaboration with various technological platforms and work groups driven by different companies and administrations to share experiences in different areas and technologies.

(iii) Suppliers: ENDESA works actively with its suppliers with the objective of developing and incorporating new disruptive solutions arising from the different projects. In this line, it is worth highlighting the “Innovation by Vendors” Programme in which specific challenges are presented to suppliers in order to validate innovative solutions in a shared way and in full mutual cooperation.

(iv) Communities of experts: Through innovation challenges launched in the "Open Innovability" platform.

(v) Other industries: ENDESA participates in innovation forums with other industries.

- **Launch of projects**: after they have been assessed by ENDESA's experts (in accordance with a common methodology based on the initiative's value creation), if the evaluation is positive the ideas are converted into projects which embark upon a structured management and monitoring process.

- **Capturing value**: once the projects have been successfully completed, they move on to production in order to create value for ENDESA. Furthermore, ENDESA follows a prudent policy regarding the protection of intellectual property.

9.5. Patents and licences

ENDESA owns various patents registered in Spain and/or the European Union and/or in other non-European countries. If appropriate, certain patents are transferred to ENEL Group companies with a licence for their use and, occasionally, they are sub-licensed to third parties.

At 31 December 2019, ENDESA had 12 patents in Spain.

10. Environmental protection

10.1. ENDESA’s environmental policy

ENDESA, which considers environmental excellence as a fundamental value of its business culture, has recently updated its environmental policy, the first version of which dates from 1998, adapting it to the current context and the demands of its commitment to fighting global warming.

ENDESA carries on its activities respecting the environment and in accordance with the principles of sustainable development, and is firmly committed to the conservation and sustainable use of resources in line with the principles of the circular economy.

In fulfilling its environmental commitments, ENDESA identifies, evaluates and manages the environmental aspects and impacts deriving from its activities, striving to minimise the negative and maximise the positive effects by applying the following basic principles of action, which constitute the foundations of its environmental policy:

- Integration of environmental management, the focus on the circular economy and the concept of sustainable development into the Company’s corporate strategy, using environmental criteria documented in the planning and decision-making processes and in the processes for studying new business opportunities, mergers or acquisitions.

- Permanent monitoring, at all locations, of compliance with the legislation in force and with the voluntary agreements acquired, and regular reviews of its plants’ environmental performance and safety, reporting on the results obtained.

- Establishing appropriate management systems to achieve excellence, based on continuous improvement, aimed at preventing pollution and ensuring compliance with applicable environmental legislation in the centres, and with the management standards adopted.

- Sustainable use of energy and water resources and raw materials, and the measurement and reduction of the environmental impact by applying the best techniques and practices available, promoting innovation and establishing actions aimed at combating climate change.

- Protection, preservation and promotion of biodiversity, ecosystems and services in operations relating to its business, focusing on the goal of No Net Loss of Biodiversity.

– Contribution to the fight against climate change through progressive decarbonisation of the energy mix, promoting the development of renewable energies, energy efficiency and the application of new technologies and also offering solutions for a gradual electrification of society.

– Raising awareness of and sensitivity to environmental protection issues, through internal and external training programmes and collaboration with public-sector authorities, institutions and citizens' associations in all areas in which it is active.

– Establishing a constructive dialogue and adopting a collaborative attitude with Public Administrations, official bodies, shareholders, customers, local communities and other interest groups, and taking into account their expectations, relevant issues and in short the environmental challenges that the company is facing when defining its business strategies, to guide the strategies to respond to these challenges.

– Requiring its contractors and suppliers to implement environmental policies based on these same principles that cover all processes throughout their value chain.

As an indicator resulting from all these efforts, during 2019 ENDESA received only 1 sanctions in respect of environmental matters.

10.2. Environmental investment and expenses

ENDESA's gross environmental investment and expenses in 2019 and 2018 were as follows (see Note 6.2 to the Consolidated Financial Statements for the year ended 31 December 2019):

Millions of Euros

	Annual gross environmental investment		
	2019	2018	% Var.
Property, plant and equipment			
Generation and Supply	122	64	90.6
Distribution	9	6	50.0
Structure and Others (1)		-	N/A
TOTAL	**131**	**70**	**87.1**

(1) Structure, Services and Adjustments.

Millions of Euros

	Annual cumulative gross environmental investment		
	2019	2018	% Var.
Property, plant and equipment			
Generation and Supply	1,476	1,354	9.0
Distribution	360	351	2.6
Structure and Others (1)	-	-	N/A
TOTAL	**1,836**	**1,705**	**7.7**

(1) Structure, Services and Adjustments.

Millions of Euros

	Annual environmental expenses		
	2019	2018	% Var.
Annual expenses			
Generation and Supply	147	78	88.5
Distribution	30	32	(6.3)
Structure and Others (1)	-	-	N/A
TOTAL (2)	**177**	**110**	**60.1**

(1) Structure, Services and Adjustments.
(2) Of total environmental expenses, Euros 115 million in 2019 and Euros 47 million in 2018 corresponded to the depreciation and amortisation, and impairment losses of investments.

10.3. ENDESA's environmental management systems

ENDESA's environmental management systems are widely implemented throughout all its business lines.

The businesses are monitored at an environmental level by environmental management systems and indicators through which they are implemented. The indicators include the facilities' environmental impact (atmospheric emissions, water consumption, conventional pollutants in effluents, waste, etc.) and enable compliance with all existing legal obligations regarding environmental matters in relation to the business operations to be verified, as well as alignment with the path laid out by ENDESA to evaluate the degree to which the strategic objectives and goals defined.

Advanced environmental management

ENDESA made further progress in the development of its environmental management in 2019, both in terms of certification, integrated environmental permits and environmental impact studies; measures were also implemented to improve the collection process and quality of the information submitted by the different areas.

The certified environmental management system is the foundation upon which all management systems are integrated, depending on the business and the type of facilities, in an effort to complete and take advantage of the synergies these systems provide with respect to comprehensive management and additional reference to the International Standardisation Organisation (ISO) and/or the "UNE" Spanish standards. In this connection, it is worth pointing out the EMAS (Eco-Management and Audit Scheme) rules for thermal power plants and port terminals, the quality systems (ISO 9001) for thermal plants, renewable generation plants and laboratories, the energy efficiency management systems (ISO 50001) and the interior environmental quality certification (“UNE 171330-3”) for office buildings.

At 31 December 2019, 100% of the generation facilities, port terminals and all distribution business were certified to the ISO 14001 standard. With regard to office buildings, the Company has been awarded Energy Efficiency System (ISO 50001) and Environmental Management System (ISO 14001) certificates at 11 of its offices in Spain, and 7 of them also hold certificates for Indoor Air Quality (“UNE 171330-3”). It has also maintained its certification under ISO 14001 for the gas and electricity supply activity through personalised management and has obtained ISO 14001 certification for the activity of technical and economic management of products and services related to energy and to the electric vehicles infrastructure plan.

Managing environmental risks and liabilities

To comply with the obligations deriving from the Spanish Environmental Responsibility Law, ENDESA has developed the MIRAT Project, based on a methodology developed at sector level and approved by the Ministry for the Ecological Transition and the Demographic Challenge, the objective of which is to establish the mandatory financial guarantee required by this Law for conventional thermal and combined cycle power plants with a thermal capacity of more than 50 MW through an environmental risk analysis. In view of the results of the environmental risk analyses of all thermal and combined cycle power plants, the corresponding formal statements were submitted to the Administration.

Additionally, in 2019 the implementation of a new methodology of “Assessment of Environmental Aspects, Impacts and Risks” began, which is applicable to all ENDESA businesses. Starting from the result of the evaluation of the significance of environmental aspects (as defined in the Environmental Management Systems corresponding to each business), the methodology incorporates the consideration of other aspects of an organisational, strategic, economic, reputational nature, etc. associated with the activity and infrastructure of the businesses. Legal compliance is also evaluated, as well as the effectiveness of the operational controls (technical, documentary, etc.) implemented, so that a “Residual Risk” assessment is finally obtained. The different levels of resulting final risk determine the obligation to launch specific action plans to mitigate the associated environmental risks. The results of this evaluation allow the levels of environmental risk resulting among different facilities, businesses, etc. to be compared.

Finally, annually and within the framework of Environmental Management Systems, according to the requirement of ISO 14001: 2015, each business carries out an identification and evaluation of environmental aspects and an identification and evaluation of risks and opportunities. The former seeks to identify the environmental aspects associated with the activities that it carries out, evaluate the significance of the environmental aspects identified and determine which environmental aspects generate or might generate significant environmental impacts in order to give them adequate treatment and control. The latter aims to define the methodology for the identification, evaluation and management of risks and opportunities within the activity that will ensure that the expected results are achieved by mitigating the identified risks and enhancing the opportunities; in short, that continuous improvement is achieved.

Lastly, it is appropriate to point out that in its commitment to protecting the environment, ENDESA feels obliged to eliminate environmental liabilities, and, therefore, each facility identifies these liabilities and addresses them within the framework of their environmental management programmes, which may be reflected in their elimination, disposal or reuse.

Environmental footprint

ENDESA calculates its environmental footprint using a methodology based on the most relevant international references, including the guidelines developed by the European Union to calculate the environmental footprint of its organisations and products.

Atmospheric emissions

ENDESA has an exhaustive control system for all its emissions to control them in real time and ensure compliance with emission limit values at all times. For this, it carries out an exhaustive control and maintenance of the chimney measurement equipment, and submits them to annual inspections carried out by external accredited laboratories. ENDESA meets the parameters required by the regulations applicable, implements technology to minimise emissions, and applies corrective measures to the impacts generated.

Between 2008 and 2015, when the National Emissions Reduction Plan was carried out for major combustion facilities, ENDESA made great strides at its facilities to reduce atmospheric emissions of the main conventional pollutants (sulphur dioxide (SO_2), nitrogen dioxide (NOx) and particles). Up to 2015 this brought about a reduction of 87% in emissions of SO_2, 62% in NOx and 83% in particles compared with the base year 2006.

The transposition of EU Directive 2010/75/EU, of 24 November 2010, on industrial emissions into Spanish law through Law 5/2013 of 11 June 2013, and Royal Decree 815/2013 of 18 October 2013, introduced new and stricter environmental restrictions in the area of pollutant emissions. In particular, existing facilities must comply with new requirements and comply with the emission limit values on the expiration date of each of the transition mechanisms.

All mainland coal-fired plants subscribed to the National Transitory Plan (NTP), which establishes maximum annual emission thresholds for a gradual reduction of emissions between 2016 and mid-2020. For the ENDESA subscribing to the NTP this progressive reduction in emissions meant a reduction of more than 50% for sulphur dioxide (SO_2) and nitrogen oxide (NOx) and approximately 40% for particles between 2016 and 2020.

This mechanism, the National Transitory Plan (NTP), if anything entailed even more stringent requirements and a greater commitment to reduce the current emissions by ENDESA's major thermal power plants. With the National Transitory Plan (NTP), now almost at an end, ENDESA's facilities under it have always respected the ceilings imposed.

Similarly, within the scope of the new mechanisms established by the regulations on industrial emissions, the island facilities affected by Directive 2010/75/EU of 24 November 2010, subscribed to the Small Isolated Network Mechanism, through which the application of the Emission Limit Values was extended until 31 December 2019. At the date of preparation of this Consolidated Management Report, the facilities are already adapted to comply with the Emission Limit Values of the Industrial Emissions Directive (IED).

In 2017 the Best Reference (BREF) document for Large Combustion Plants was approved ("Commission Implementing Decision (EU) 2017/1442 of 31 July 2017 establishing best available techniques (BAT) conclusions, under Directive 2010/75/EU of the European Parliament and of the Council, for large combustion plants"), and involves the review and adaptation of the integrated environmental authorisations in all thermal plants in a maximum of four years in order to deploy and adopt the best environmental management and performance techniques available.

Water resources

ENDESA has identified water as a critical resource that will be affected by climate change and the integrated management of water is one of its major concerns. The main tasks in this area entail improvements to consumption efficiency, water quality by controlling dumping and waste water and reservoir management, with an assessment of ecological potential for bird life, control of invasive species and preventing dry-up in regulated rivers.

ENDESA has procedures to control and reduce water dumping and to boost quality, mainly by means of waste water treatment facilities, and conducts regular analyses to pinpoint instances of water stress at its facilities.

Note that 99% of the water collected by ENDESA for use in its facilities is returned to the environment. In 2019 water consumption of the facilities located in an area of water scarcity has been 26,726 m^3.

Waste

ENDESA has environmental management systems in place that include specific operating procedures for the management of waste produced by all its activities, which are continuously reviewed to detect and drive improvements. Waste-reduction measures focus on reusing oil, removing transformers contaminated with PCB (polychlorophenols), gradually removing components containing asbestos, recovering inert waste, and treating cleaning solvents for reuse.

In 2019, a significant portion of the waste recovered by ENDESA derived from its external facilities, representing 90% of its total non-hazardous waste and 67% of its total hazardous waste in Spain and Portugal.

ENDESA recovers ash and slag waste generated by its coal-fired plants, located mainly in Spain and Portugal, as a raw material for other industrial uses.

Conservation of biodiversity

Biodiversity Conservation Plan

At the end of 2019, the Biodiversity Conservation Plan had 26 courses of action under way, of which 21 were launched in previous years (5 of them ended in 2019, and 16 are still in progress) and 5 new courses of action were begun last year. A breakdown of locations shows that 61.5% of them were carried out in areas affected by ENDESA's facilities and 20% were research projects which, in the majority of cases included the publication of articles and scientific papers.

These actions took place throughout Spain and Portugal and included many of ENDESA's business lines. Specifically, generation accounted for 38% of the activities, distribution 35% and the remaining 27% were in the corporate area.

The Biodiversity Conservation Plan's objectives for 2019 remain on the same main action lines as in previous years:

- Adapting the physical environment of the Company’s land and facilities and encouraging biodiversity in a manner that is biogeographically compliant.
- Managing environmental factors at the company's facilities to help to improve the habitat of certain species and their biotopes.
- Recognising ENDESA's natural heritage and the ecosystems it is home to, their value and state of conservation.
- Protecting native species in and around ENDESA's plants and controlling invasive species that have a high ecological impact and an impact on ENDESA's business.

Highlights

a) Studies and research.

In 2019, various studies were carried out, including:

– Comprehensive evaluation of the ecosystem services associated with ENDESA hydroelectric infrastructure. This study is a continuation of that launched in previous years, and aims to quantify the flow of the main ecosystem services provided by a highly hydroelectric basin:

   a) Procurement services: production of food, water, energy, wood and fibres, among others;

   b) Environmental regulation and maintenance services for humans: climate regulation, flooding, water quality;

   c) Cultural services: recreational and aesthetic benefits.

– Ecological study of environmental impact and mitigation measures of the rampantly invasive exotic seaweed “rugulopteryx okamurae” in the bay of Algeciras and the Strait of Gibraltar. The project began in March 2019 and is scheduled to end in late 2022.

b) Protection of bird life

In 2019, ENDESA carried out initiatives to protect bird life in the main geographical areas in which it has power lines. The aim of these measures is to reduce or eliminate the risk of collision and electrocution among bird life by providing supports on high voltage lines and the addition of insulation or signalling on lines that could pose a threat.

Also noteworthy are the recovery projects for some endangered species, including the European rattle in the surroundings of the Aiguamolls de l'Empordà Natural Park, the black vulture in the Tajo International Natural Park (which was ENDESA's first cross-border project), and in the Pyrenees and foothills, the osprey in the province of Cádiz and Bonelli’s eagle in the Lower Ebro (Tarragona).

ENDESA has developed and applied technologies to protect bird life against collisions with low and medium voltage power lines. This project is also a continuation of the one started in previous years, and during 2019 criteria of durability and ease of installation have been integrated into the design.

c) Social-environmental projects

As part of its Biodiversity Conservation Plan ENDESA carries out projects with a strong socio-environmental component. These include:

– Enrichment of biodiversity in areas with bears in the Pyrenees of Lérida, a project that seeks to improve habitats in order to favour the state of the reintroduced brown bear population in the Pyrenees of Lérida, and compatibility with human activities in the area.

– ENDESA Forest Initiative, with the goal of repopulating burnt areas using direct sowing and planting techniques for native forest species.

– Restoration of native trees in the Boumort national park and monitoring of the trophic effect of the recovery of different species at risk (grouse, golden eagle, wildcat, etc.).

– Creation of a Mediterranean turtle-breeding nucleus in the Bovera area (Lérida).

d) Other initiatives

ENDESA promotes dissemination and knowledge of biodiversity through active participation in technical and scientific forums, as well as through the publication of studies and articles. Training and dissemination activities are also carried out to raise awareness of the projects developed by the Company.

ENDESA participates in other initiatives in the area of biodiversity and sustainability such as the Biodiversity Pact, and is an active member of the Spanish Business and Biodiversity Initiative (IEEB).

Environmental restoration

In 2019, the study of the biodiversity of restored mining areas of ENDESA continued, repeating the sampling in the restored area that in 2019 continued to be owned by ENDESA: Corta Ballesta Este, In Peñarroya (Córdoba). Also during the year the conclusions on the presence of vertebrate fauna in Puertollano were obtained, which allowed the number of species registered to be updated. The final results of Corta Ballesta will be obtained during 2020.

The objective of the study was to analyse the recovery of biodiversity in restored mining areas, and raise awareness of the ecosystems resulting from the environmental recovery of open air mines; to monitor its status, development and integration in the countryside and the terrain, collect data relating to its colonisation by species of flora and fauna, with a special focus on any that are protected, and to generally unlock their value.

Key Performance Indicators (KPIs) in environmental matters.

In 2019 and 2018, the environmental KPIs evolved as follows:

Key Performance Indicators (KPIs) (1)	Unit	Description	2019	2018
CO_2 Emission Rights	g/kWh	Specific emissions of carbon dioxide (CO_2).	282	418
Water specific collection in Generation	l/MWh	Water collection for electricity generation.	370	800
Carbon Dioxide (CO_2) Emissions Scope 1 of Greenhouse Gases (GHG)	Metric tons (t)	Emissions of greenhouse gases (GHG) of scope 1 of the carbon footprint, which includes direct emissions of greenhouse gases from sources controlled by the Company (includes emissions from electricity production at thermal generation plants, use of sulphur hexafluoride (SF6), methane leaks generated in hydroelectric plant reservoirs, office air conditioning and own fleet).	17,470,846	31,292,646
Carbon Dioxide (CO_2) Emissions Scope 2 of Greenhouse Gases (GHG)	Metric tons (t)	Emissions of greenhouse gases (GHG) of scope 2 of the carbon footprint, which includes the technical losses produced during the distribution of electric power not generated by the Company.	723,653	591,547
Carbon Dioxide (CO_2) Emissions Scope 3 of Greenhouse Gases (GHG)	Metric tons (t)	Emissions of greenhouse gases (GHG) of scope 3 of the carbon footprint, which includes those emissions that are not produced by sources controlled by the Company, but are a consequence of its activity.	27,675,782	30,004,109
Evolution of Specific Emissions of Sulphur Dioxide (SO_2)	gSO_2/kWh	Specific emissions of sulphur dioxide (SO_2).	0.43	0.64
Evolution of Specific Emissions of Nitrogen Oxide (NO_X)	gNOx/kWh	Specific nitrogen oxide emissions (NO_X).	0.94	0.95
Evolution of Specific Particle Emissions	g/kWh	Specific emissions of particles.	0.02	0.02

(1) Source: In-house.

11. Human resources

11.1. Workforce

At 31 December 2019, ENDESA had a total of 9,952 employees, 1.9% more than a year earlier. ENDESA's average workforce in 2019 was 9,761 employees (+0.7%).

ENDESA's final and average headcounts in 2019 and 2018, by Segment, category and gender, were as follows:

Number of Employees

	Period-end headcount						% Var.
	31 December 2019			31 December 2018			
	Men	Women	Total	Men	Women	Total	
Executives (1)	221	53	274	234	50	284	(3.5)
Middle management	2,319	1,123	3,442	2,165	1,043	3,208	7.3
Administration and Management Staff and manual workers	5,033	1,203	6,236	5,085	1,186	6,271	(0.6)
TOTAL EMPLOYEES	**7,573**	**2,379**	**9,952**	**7,484**	**2,279**	**9,763**	**1.9**

(1) At 31 December 2019, 19.3% were women (17.6% at 31 December 2018).

Number of Employees

	Period-end headcount						% Var.
	31 December 2019			31 December 2018			
	Men	Women	Total	Men	Women	Total	
Generation and Supply	4,153	1,143	5,296	4,082	1,073	5,155	2.7
Distribution	2,527	442	2,969	2,535	443	2,978	(0.3)
Structure and Others (1)	893	794	1,687	867	763	1,630	3.5
TOTAL EMPLOYEES	**7,573**	**2,379**	**9,952**	**7,484**	**2,279**	**9,763**	**1.9**

(1) Structure and services

Number of Employees

	Average Headcount (2)						% Var.
	2019			2018			
	Men	Women	Total	Men	Women	Total	
Executives	227	52	279	235	48	283	(1.4)
Middle management	2,231	1,064	3,295	2,128	1,019	3,147	4.7
Administration and Management Staff and manual workers	5,015	1,172	6,187	5,082	1,184	6,266	(1.3)
TOTAL EMPLOYEES	**7,473**	**2,288**	**9,761**	**7,445**	**2,251**	**9,696**	**0.7**

(1) Includes the average workforce of Empresa de Alumbrado Eléctrico de Ceuta, S.A. (63 employees in 2019 and 27 employees in 2018).

Number of Employees

	Average Headcount (2)						% Var.
	2019			2018			
	Men	Women	Total	Men	Women	Total	
Generation and Supply	4,094	1,085	5,179	4,079	1,056	5,135	0.9
Distribution	2,505	434	2,939	2,502	433	2,935	0.1
Structure and Others (1)	874	769	1,643	864	762	1,626	1.0
TOTAL	**7,473**	**2,288**	**9,761**	**7,445**	**2,251**	**9,696**	**0.7**

(1) Structure and services
(2) Includes the average workforce of Empresa de Alumbrado Eléctrico de Ceuta, S.A. (63 employees in 2019 and 27 employees in 2018).

By gender, at 31 December 2019, 76% of ENDESA’s workforce were male, and 24% were female.

Information on ENDESA's workforce is provided in Note 37 to the Consolidated Financial Statements for the year ended 31 December 2019.

11.2. Occupational health and safety (OHS)

ENDESA's commitment to Occupational Health and Safety (OHS) is detailed in Section 7. Main Risks and Uncertainties in connection with ENDESA's Business in this Consolidated Management Report).

The activities carried out in 2019 within the framework of its long-term strategy of continuous improvement of the level of Occupational Health and Safety (OHS) revolved fundamentally around the axes of:

- Leadership and communication;
- Control, observation and analysis of activity;
- Coordination and collaboration with contractors;
- Technological development; and
- Training and awareness

To ensure that all operations are performed safely, ENDESA has implemented a company-wide safety inspection programme. Inspections are performed partly by the company's own personnel and party through collaborating entities that have previously been trained in ENDESA's work procedures, actions or behaviours that are not considered acceptable from the standpoint of risk prevention.

The main activities performed by ENDESA in 2019 were based on the action plan to prevent accidents, and on contractors. Accordingly, audits were carried out at contractors.

Workplace risk prevention, training and inspections

During 2019 ENDESA provided training on Occupational Health and Safety (OHS) for its own personnel and performed safety inspections of works and projects being carried out by both its own workers and those of contractors, contributing significantly to the reduction of workplace accidents. It also carried out activities such as Safety Walks and Extra Checking On Site (ECoS) with visits by experts from various countries to a centre to share best preventive practices.

The Workplace Risk Prevention Management system requires any accident that occurs in the Company to be investigated. For serious, fatal or significant accidents (including accidents involving electricity or working at height) an investigation committee must be set up to analyse the event in detail, using “Root Cause Analysis” methodology. Further, for any significant accident, once the causes have been clarified and the preventive measures to be implemented have been specified, a “Lessons Learned” report is prepared to raise awareness across the rest of the organisation of the measures being undertaken to prevent such accidents for happening again.

Key Performance Indicators (KPIs) relating to Occupational Health and Safety (OHS).

In 2019 and 2018, the KPIs for Occupational Health and Safety (OHS) evolved as follows:

Key Performance Indicators (KPIs)	2019	2018
Workforce Training on Occupational Health and Safety (OHS) (number of hours)	108,067	102,637
Attendance, Training on Occupational Health and Safety (OHS) (1)	6,587	6,397
Safety Inspections (2)	81,728	84,032
Safety Walks (3)	286	219
Extra Checking On Site (ECoS) (4)	21	18
Own accident frequency rate (6)	0.37	0.37
Own severity rate (6)	0.03	0.03
Combined accident frequency rate (7)	0.68	0.72
Combined severity rate (8)	0.06	0.06
Number of accidents (9)	35.98	39.27

(1) Number of employees attending preventive training courses during the year)
(2) Number of safety inspections of works/projects carried out by own workers and contractors
(3) Number of safety visits to facilities and work centres by Management, accompanied by prevention technicians, to check the state of the facilities, compliance with OHS standards and workers' due regard for health and safety in their behaviour.
(4) Number of safety visits by experts from different countries to the work centres to share preventive improvement practices.
(5) Combined accident frequency rate = (Number of accidents / Number of hours worked) x 10^6.
(6) Combined severity rate = Number of days lost / Number of hours worked) x 10^3.
(7) Combined accident frequency rate = (Number of accidents / Number of hours worked) x 106.
(8) Combined severity rate = (Number of days lost / Number of hours worked) x 10^3.
(9) Of which 3 in 2019 and 2 in 2018 were serious and fatal accidents.

11.3. Responsible personnel management

ENDESA is committed to a sustainable approach to people management, promoting good practices in hiring, remuneration, labour relations, training, selection, etc. and with initiatives that favour a healthy and safe work environment and promote well-being, work-life balance, equal opportunities, diversity and inclusion.

These actions, in addition to ensuring the welfare of our human capital, seek to promote the Company's values (responsibility, innovation, proactiveness and trust) and cultural transformation initiatives such as the “Cambiamos” (“We change”) project, which among its objectives aims to define a communication strategy with a markedly emotional character in order to convey to ENDESA employees the process of transformation that the Company is going through, the solvency and solidity of its Strategic Plan for getting through this process; the commitment to sustainability and climate change as a purpose of ENDESA; and employees' initiative as an engine of change.

Along these lines, in 2019, ENDESA worked in each of the following dimensions, developing various activities as described below:

Diversity and equal opportunities

As part of its policy of Diversion and Inclusion, ENDESA rejects all forms of discrimination and undertakes to guarantee and promote diversity, inclusion and equal opportunities in all dimensions covered by the policy (gender, age, disability and nationality, etc.).

a) Gender.

In 2019 ENDESA implemented the actions foreseen in the agreement signed with the Ministry of Equality in the areas of selection, promotion and work-life balance, among others. In this regard, continuous support is given to initiatives such as “Take the Lead” and “Women Mentoring” to promote female leadership and empower women to occupy positions of responsibility, and long-term initiatives are promoted to achieve a greater female presence in technical profiles, with programmes such as “Dismantling Stereotypes” in the classrooms, and the “Orienta-T” programme in which we work with teachers and children from 10 to 14 years old to dismantle gender stereotypes and promote technological vocations for girls

In addition, ENDESA annually carries out the exercise of designing the Succession Plan for those positions with strategic responsibility in the organisation. Among the established criteria that must be met for the identification of possible successors is gender diversity. This means that at least one of the proposed successors for each position must be female.

Also in line with the gender diversity strategy, women have been trained in middle management positions to improve their leadership skills and encourage promotions without gender bias.

Additionally, ENDESA has voluntary agreements with the Ministry of Equality, notably the “More women, better companies” and “For a society free of gender-based violence” initiatives, and has been awarded the “Equality in the Company” distinction.

At 31 December 2019, the Board of Directors of ENDESA, S.A. consisted of 11 Directors, 9 men and 2 women.

b) Age:

ENDESA works on the recognition and management of differences between generations, ensuring integration, motivation and knowledge transfer. To this end, during 2019 actions were carried out such as a mentoring programme aimed at young people who have just joined the Company; and Programmes aimed at valuing senior talent through knowledge transfer initiatives and recognition of their experience, such as: “Our highest values”, an initiative aimed at employees over 55 years of age with exceptional contribution to their professional career, who receive recognition from the organisation, their direct manager and their peers, in the form of participation in experiential or business activities.

c) Disability.

ENDESA develops actions in the field of integration of people with disabilities, collaborating with foundations working to this end. These actions find expression both in projects that favour the employment of this group and in services that support employees with disabilities (79 employees with disabilities at 31 December 2019), and relatives of employees with disabilities (76 family members with disabilities during 2019):

- With Adecco Foundation: The Family Plan continues to be made available to people in active employment. Through this plan, 76 family members with disabilities received personalised counselling and therapy. In addition, beneficiaries of the Family Plan are offered a summer camp for their children.
- With Randstad Foundation: A specialised service for consultation and advice on disability is provided.

– With the Prevent Foundation and the Universia Foundation: Support was given to various scholarship programmes for the training of students with disabilities.

In addition to collaboration with foundations, ENDESA has identified a reference person who is responsible for centralising all issues and serving both managers and employees on this subject.

d) Nationality:

ENDESA is committed to the recognition, respect and integration of people with different nationalities working in the Company. Within this framework, a mentor from the host country is assigned to help expatriates in their integration, both personal and professional.

To give visibility to all the above actions, we continued to hold “Diversity Days” in 2019. A total of five participatory activities were carried out in the cities of Barcelona, Madrid, Seville and Zaragoza, with the aim of raising the awareness of the workforce in the four dimensions of the Diversity and Inclusion Policy.

Work-life balance and flexibility

ENDESA continued to promote several lines of action that consolidate the culture of flexible work and that favour the reconciliation between the professional and personal life of all workers, men and women, promoting co-responsibility.

In this regard, there are several measures under way, among which is the “Remote Working” initiative. This initiative is designed to help achieve work-life balance, in addition to promoting flexibility and autonomy in choosing where, when and how to work. It promotes greater trust between manager and employees as well as responsibility for results. In total, 2,399 employees (1,183 women and 1,216 men) took part in this initiative in 2019. In addition to “Work Outside the Office”, there is the possibility of adapting the working day to the needs of the employee, through time flexibility, the temporary change of working hours, the reduction of the working day, unpaid leave for taking care of family members, paid leave and unpaid absences, all measures that help to find a balance between the personal needs of employees and their aspirations for professional growth.

In addition to flexible work measures, and in line with co-responsibility, ENDESA develops parental programmes aimed at balancing the needs of people as parents and their aspirations for professional growth. These consist of a series of structured interviews between employees, their managers and the “Business Partners”, before and after the maternity/paternity experience to increase their value, both for the worker and for the Company.

The main objectives pursued by this initiative are the following:

– Optimal management of the maternity/paternity period to facilitate reconciliation between the duties of parenthood and career aspirations;

– Introduction of a new cultural attitude to maternity/paternity that values the acquisition of new skills instead of focusing on absence from work;

– Involving and valuing new parents in the organisation during the maternity/paternity period and when they resume work; and

– Creating a work environment of mutual trust between manager and worker with the intention of sharing and caring for the new family dimension, making it easier for people to contemplate parenthood with ease of mind and renew their commitment to their work.

As a complement to this programme, ENDESA continues to make available to its employees the online educational platform "Managing children" in which more than 40 education experts collaborate. The objective of the initiative is to support mothers and fathers in the work of educating their children.

Promotion of volunteer work

ENDESA encourages corporate volunteer work and cooperates on numerous social development projects with the involvement of its employees. Corporate volunteers are a catalyst for other initiatives and bring the Company closer to its stakeholders, fostering the development and commitment of the participants. Further, it reflects a commitment to the development of the communities in which it operates, contributing to activities that raise interest in the Company and its stakeholders. The most outstanding volunteer projects deal with facilitating access to energy, helping vulnerable groups, promoting employability, and improving the environment.

In 2019, 14 volunteering projects were developed, involving 277 volunteers during working hours and 19 after-hours. Of the total of 296 volunteers, 12 have collaborated in both modalities. These projects involved a total contribution of 2,094 hours during working hours and 140 hours after-hours.

Over 6,900 people benefited from these initiatives in 2019.

11.4. Employment climate

During 2019 action plans were implemented in various areas of the Company and at all levels, with the aim of increasing employees' motivation, well-being and commitment to the organisation.

The initiatives forming part of these plans aim to leverage ENDESA's strengths to address the areas of improvement identified. A large number of these were aimed at further improving management skills in environments that are increasingly flexible and diverse. Another important group of measures was aimed at encouraging employee participation in decision-making on projects and processes, developing the values of trust, proactiveness, responsibility and innovation on which ENDESA bases its management model.

Notable examples of actions included in these plans included:

- The "Cambiamos" cultural change project referred to previously.
- The launch of flexibility policies as a powerful driver of the "Remote Working" project. This project has undoubtedly helped to drive working flexibility policies and to establish a solid basis for a new working model.
- The "Smart Workplace" pilot scheme in ENDESA X, which revolutionises several basic aspects of the way a business unit works: physical spaces, technology, processes and HR policies. By harmoniously integrating these aspects of day-to-day work, the aim is to make the teams more creative, innovative and agile in the development of their projects, thereby improving the performance and results of the Business.

Workplace action plans were regularly monitored to ensure that they conformed to the planning and targets set for 2019.

11.5. Leadership and personal development

ENDESA constantly strives to identify and develop the potential of its employees, so that their performance can help make the Company a benchmark within the sector. From this standpoint, talent management ensures personal development on merit and their contribution.

ENDESA's leadership model is based on the Company's vision, mission, values and codes of conduct. The "Open Power" values (Responsibility, Innovation, Trust and Proactiveness) are present in all people management processes.

ENDESA has carried out various professional development actions adapted to the specific needs of each business, such as the following: Highlights:

- "Coaching": More than 250 people have benefited from this type of individual or group action, carried out through the in-house coaching network of over 35 in-house coaches. This coaching team is one areas where ENDESA is seen as an example to follow by other IBEX-35 companies. In 2019 ENDESA was awarded First Prize for "Culture of Coaching in the Company" by the Spanish Association of Executive and Organisational Coaching (AECOP) for its work promoting the personal and professional development of people in the Company through coaching.

- Skills Workshops: The “Coach Manager” workshop, aimed at people managers, was carried out for the development of skills and competencies through coaching. Thirty workshops were held in 13 different locations, through internal trainers of the ENDESA Internal Coaching Network, reaching more than 350 people managers, Additionally, to continue this workshop and further expand the coaching culture in the Company, in September 2019 we launched the “Coach Manager” workshop, which aims to follow on from the original “Coach Manager” workshop, offering new tools relating to coaching applicable to the day-to-day management of people. This workshop was attended by 78 people in Madrid, Barcelona and Seville and there are plans to continue it in 2020 in view of the high level of demand.

- Mentoring: This is a knowledge transfer project in which leading professionals in a specific area of expertise accompany other colleagues for a period of 3 to 6 months. In 2019 a new edition of the “Women Mentoring” project was begun, with 11 women selected as knowledge references to participate as mentors, guiding other colleagues in the development of new skills. The objective of this mentoring programme, in addition to the transfer of knowledge, is to give visibility to and empower the Company’s female talent.

- Another project for the transfer of knowledge and empowerment of networking, launched at ENEL Group level in 2019, is “Job Shadowing”. This is a development action consisting in an exchange of experiences where the guest temporarily accompanies the host in his or her day-to-day job and learns from the experience.

- Human Resources Consulting: One of the great achievements of this development is being able to put in place tailored solutions for businesses that need it. During the year ENDESA further reinforced an internal consultancy line that provides *ad hoc* solutions to needs expressed by the businesses. This action is carried out by in-house development experts applying personal coaching and consulting techniques and tools.

- Succession Plans: In 2019 ENDESA continued with the identification of successors for the positions of greatest managerial responsibility. In 2019 ENDESA adopted the corporate tool of the ENEL Group for managing the Succession Plan, the digitalisation of this process being aligned with the Open Power values of the Company, promoting transparency in the process. Through this new tool, the people who occupy the highest positions of the Company (Top 200) share among themselves in a transparent and automatic way the appointments of their successors in order to broaden the vision of talents and promote transversality.

- In 2019, in view of the pilot experience of the Open Feedback Evaluation (OFE) of 2018, the process was reviewed and a change made, separating network feedback from the evaluation of the person in charge. In the new “Open Feedback” (OF) of 2019, the possibility is left open to the entire network to exchange feedback about the 10 Open Power behaviours at any time of the year. In the evaluation, the responsibility rests exclusively with the direct person in charge who will have to evaluate the people of his team on the 4 “Open Power” values. The campaign that began in 2019 will continue in the year 2020, so participation data is not yet available. ENDESA continues to use the Management by Objectives (MBO) and Annual Bonus (AB) evaluation systems, which it applies to Executives and employees with variable remuneration, respectively. There is also the Sales Force Objectives system that affects all salespeople, with variable remuneration, excluding Management by Objectives (MBO) and Annual Bonus (AB).

- At 31 December 2019, 84.8% of ENDESA employees were eligible to be evaluated through the “Open Feedback” (OF) tool based on ENDESA's “Open Power” values. The number of employees involved in this campaign, launched in December, is 8,443.

- Also, at 31 December 2019, 32.6% of ENDESA employees receive variable remuneration based on objectives, representing a total of 3,242 employees. During 2019, 3,091 evaluations of the objectives of the year 2018 were carried out.

Key Performance Indicators (KPIs) relating to evaluation of performance and objectives.

In 2019 and 2018, the KPIs relating to evaluation of performance and objectives evolved as indicated hereunder:

Percentage (%)

Key Performance Indicators (KPIs)	2019	2018
Employees with Variable Remuneration Linked to Evaluation by Objectives (1)	32.6	32.2
Employees Involved in Performance Evaluation (2)	84.8	87.4

(1) Employees with a variable component of their salary linked to the achievement of the objectives of the Company.
(2) Employees participating in the evaluation of behaviours and/or values of the company through the "Open Feedback" (OF) tool.

11.6. Training

ENDESA offers its employees 360º training in order to equip and improve the technical qualifications they need to perform their duties, and to encourage the growth of attitudes and skills for their personal development. This offer is aimed at achieving compliance with the Company's strategic objectives and at promoting its values.

To undertake this activity, ENDESA invested Euros 34 million, Euros 13 million of which were for direct training costs.

In 2019, ENDESA held 2,198 training sessions, in which 9,060 employees took part. 402,953 training hours were given, with an average of 40.5 hours per employee.

ENDESA's commitment to compliance with legislation in force concerning each and every area in which it operates entails a large number of training activities - safety, criminal risk prevention, sustainability and the environment.

Occupational health and safety (OHS) training.

With regard to occupational health and safety (OHS), the workplace risk prevention courses are compulsory for all employees, and consist of both online methodologies and classroom sessions depending on contents and the target audience. Specific courses of action are carried out for positions with specific levels of responsibility in relation to prevention, such as: the Prevention Representatives, Prevention Resources and members of emergency teams. Courses and recycling workshops are used to update knowledge of regulations and also of ENDESA's own procedures.

ENDESA, in its commitment to the digitalisation of processes and in line with its safety strategy, has incorporated virtual reality into its training on Occupational Health and Safety (OHS). In 2019 it launched the “VIVES” (Virtual, Immersive, Vision, ENDESA, Safety) training programme, which brings together innovation and safety.

Energy sustainability training

Commitment to sustainable development is an essential part of ENDESA's activity. Therefore, training in this area is important, with the design, development and implementation of courses aimed at making sure that ENDESA employees take on board the sustainability principles in their private and professional activities, and by changing their energy behaviour become examples for society to follow.

Environmental training

Environmental training was further strengthened in 2019 with around 2,075 hours of class provided to ENDESA employees. With this training, the Company complied with requirements for renewal of its different ISO 14001, energy efficiency and Integrated Environmental, Energy Efficiency and Indoor Air Quality Management System certificates.

The "Raising Environmental Awareness" online course, available to all employees, has been updated; it reviews the progress made by people in their relationship with the environment and, in particular, the nature of ENDESA's relationship with and commitment to the environment.

In 2019, the online program "Environmental aspects in Infrastructure and Networks" was added to the training catalogue. Although it is aimed at people in the distribution business area, it is available to all employees.

Training on digitalisation

Training on digital transformation was an important chapter in 2019, with 22,559 hours taught.

In 2019 we launched the "Digital Routines in 21 days" programme (R21D), the aim of which is to promote good digital practices so as to be able to incorporate new routines every 21 days). This is an online training course with practical tips and tricks to get more out of digital tools, both in personal and collaborative use: short videos between 2 and 4 minutes long with clear and concise indications on how to become digital in 21 days.

Also in 2019 the range of courses on digitalisation was expanded, with the addition in particular of courses on data management, programming and modelling; "Salesforce"; "Business Analytics"; "Digital Marketing" and "Social Media Management".

Other training activities

Through its courses in management, social and leadership skills, ENDESA provides employees with tools to ensure their personal and professional development. These courses are managed transversally among different Lines of Business Lines and Support Areas. In 2019, 141,815 hours of skills management programmes were provided.

Training in agile methodologies has been a key part of the company's goal of implementing agile management methods. In 2019 the "Let's talk about Agile" programme was launched. Intended for all employees, the idea is for them to learn about the components of the agile method and how it works, and also the reasons and basic considerations for implementing the standard agility model and starting to work in accordance with this methodology. With a focus on this methodology, technical training on the different agile roles and project management has been incorporated into the training catalogue.

In 2019, a new training programme was incorporated on new work methodologies, called "New Ways of Working", which focuses on the development of innovation and creativity skills, with courses such as "Design Thinking", "Visual Thinking", "Lean Startup" and "Creative problem solving."

ENDESA is also constantly committed to providing employees with technical training. This assists their professional development and gives them the qualifications to go about their tasks. Some 119,525 hours of technical instruction were taught in 2019 in the areas of Generation, Renewables, Infrastructures and Networks, Supply, Global Digital Solutions (GDS), Procurement and Support Areas.

Finally, since it forms part of a multinational, ENDESA is keen to provide language classes, chiefly English and Italian, with a wide range of programmes in different formats.

Key Performance Indicators (KPIs) relating to the training activity.

In 2019 and 2018, key performance indicators (KPIs) for training evolved as follows:

No. of Hours

Key Performance Indicators (KPIs)	2019	2018
Training (1)	402,953	370,416
Promotion of Employee Training (2)	40.5	37.9
Digital Skills Training (3)	22,559	31,277

(1) Training given to the workforce.
(2) Average training given to each employee.
(3) Training in digital skills given to the workforce.

11.7. Attracting and retaining talent

In order to attract the best talent, ENDESA focuses on Employer Branding to promote the company in the job market and remain an attractive place to work. Over the past few years, the focus has been on attracting young talent. As part of these initiatives, in order to attract and retain this talent within the Company, it has attended job fairs in different universities, international employment congresses and vocational training centres. A number of different innovation, technology and diversity events have been held, mainly for young people in order to improve their technological skills and knowledge. In this regard, the “Flow Your Talent” project implemented in ENDESA aims to enhance skills and develop young talents.

Other actions under way with the objective of attracting talent to the company include "Recruitment Day", aimed at finding the profiles that the business requires, and "Data Day", an event aimed at selecting data experts.

Given the need to incorporate STEM (Science, Technology, Engineering, Mathematics) profiles, medium and long-term actions are being taken to encourage technological vocations at earlier ages (schools and institutes), with a special focus on girls, in accordance with the business strategy of gender diversity.

In a digital environment, communication and the relationship with candidates change quickly, which is why the company has reinforced and improved its presence in social media and other online platforms. These digital channels are one of the main recruitment channels. An example of this is the conducting of video interviews, which help us digitalise and streamline selection process times.

In 2019, 180 young graduates were recruited through the ENDESA Grants Programme, boosting their employability and giving them the opportunity to put into practice the knowledge acquired at university and begin a professional career. Once the scholarship period is over, some of them will be incorporated into the ENDESA workforce.

ENDESA not only carries out internal selection processes for each country, but also occasionally arranges employee exchanges between countries. This aspect has come to the fore since ENDESA joined the ENEL Group.

International mobility

In 2019, ENDESA, as part of the ENEL Group, continued to roll out international mobility programmes for employees in order to contribute to their development in international arenas, widen their global business vision and boost their technical knowledge.

Personnel selection

ENDESA encourages employees to participate in its hiring processes, fomenting internal mobility and providing opportunities for people looking for new learning and professional development opportunities according to their interests and personal motivation. Internal job vacancies are given priority.

In 2019, ENDESA carried out some 200 internal selection processes.

In cases where ENDESA is unable to promote employees from within the company, the company seeks people directly linked to its activities through internships, grants or specific contracts, in addition to using different databases.

In 2019, some 400 external job vacancies were processed for permanent and temporary staff in Spain and Portugal.

Remuneration policy

ENDESA's remuneration policy is aligned with Spanish and international regulatory recommendations in the area of corporate governance. The company's main objective is to draw, retain and motivate the best professionals, ensuring that internal equality and external competition are maintained, and establishing remuneration according to best market practices.

ENDESA's remuneration policy therefore seeks to ensure competitive and equal compensation among its employees. Remuneration is determined according to an external competition analysis based on market wage surveys, using a valuation methodology that assesses similar posts in companies with a similar number of employees and turnover.

ENDESA's remuneration policy is also merit-based. In 2019, as in previous years, the individual salary review process was carried out for all employees in all professional categories. The objective of these processes is to recognise the efforts of personnel and their commitment to the Company, adjusting remuneration on a case by case basis, while ensuring that the minimums established in the Framework Collective Agreement are observed. This policy also strengthens the manager's role in recognising employees' achievements.

In 2019, an exercise in transparency in communication to the personnel of the salary review process was carried out, with special emphasis on the gender perspective.

Key Performance Indicators (KPIs) relating to the wage gap.

In 2019 and 2018 the KPIs relating to the wage gap evolved as follows:

Percentage (%)

	Salary Gap - Average Fixed Remuneration (1)	
	2019	**2018**
Executives	11.1	15.9
Middle Management	9.0	10.3
Administrative and Management Personnel	10.8	14.2
Operatives	(2.8)	4.8
AVERAGE	**6.3**	**8.0**

(1) Difference between the average fixed remuneration of men and that of women, as a percentage of that of men (%).

11.8. Social dialogue

In ENDESA, at 31 December 2019, the number of workers covered by the Collective Agreement, in different legal terms, was 9,032, or 90.75% of the workforce.

Pursuant to Spanish labour regulations and those of ENDESA in 2019, the criteria to be followed in the event of business reorganisation and corporate restructuring have been established, whereby Union representatives will be informed at least 30 days before any such corporate restructuring and reorganisation is actually implemented.

The most important actions regarding collective bargaining in 2019 were as follows:

– Negotiation of the Fifth Framework Collective Agreement of ENDESA and the new Framework Agreement of Guarantees and Agreement on Voluntary Measures of Suspension or Termination of Employment Contracts.

– Negotiation on the procedure for managing relocation of surplus thermal generation personnel.

– Negotiation on the procedure for managing relocation of surplus B2B personnel

Within the scope of ENDESA in Spain, it should be noted that throughout 2019 the process of negotiation of the Fifth Collective Agreement continued, certain matters of negotiation being submitted to a Binding Equity Arbitration and the Resolution being issued on 22 January 2020.

By virtue of the foregoing, on 23 January 2020, the Fifth ENDESA Framework Collective Agreement was signed, as well as the Framework Agreement of Guarantees for ENDESA, S.A. and its electricity subsidiaries domiciled in Spain and the Agreement on Voluntary Measures of Suspension or Termination of Employment Contracts (see Note 38 to the Consolidated Financial Statements for the year ended 31 December 2019).

Spain has been an ILO signatory since its foundation, and ENDESA's conventional regulations meet the existing Conventions ratified by Spain.

12. Treasury shares

ENDESA did not hold any treasury shares at 31 December 2019 and did not carry out any transactions involving treasury shares in 2019.

13. Other information

13.1. Stock market information

The performance of ENDESA's share price on the Madrid stock market and major benchmarks in 2019 and 2018 was as follows:

Percentage (%)

Share price performance	2019	2018
ENDESA, S.A.	**18.2**	**12.7**
Ibex-35	11.8	(15.0)
Euro Stoxx 50	24.8	(14.3)
Euro Stoxx Utilities	22.2	0.3

Stock market information		31 December 2019	31 December 2018	% Var.
Market capitalisation (1)	Millions of Euros	25,188	21,313	18.2
Number of shares outstanding		1,058,752,117	1,058,752,117	-
Nominal Share Value	Euros	1.2	1.2	-
Cash (2)	Millions of Euros	9,280	10,355	(10.4)
Madrid stock exchange	Shares			
Trading volume (3)		404,075,920	547,343,953	(26.2)
Average daily trading volume (4)		1,584,611	2,146,447	(26.2)
Price to Earnings Ratio (P.E.R.) Ordinary (5)		16.13	14.11	-
Price to Earnings Ratio (P.E.R.) (6)		147.30	15.04	-
Price / Carrying amount (7)		3.28	2.36	-
Total shareholder return (TSR) (8)	%	25.3	20.5	-

(1) Market Capitalisation = No. of shares at the end of the period * Share price at the end of the period.
(2) Cash = Sum of all the operations made over the value in the reference period (Source: Madrid Stock Exchange).
(3) Trading Volume = Total volume of stock in ENDESA, S.A. traded in the period (Source: Madrid Stock Exchange).
(4) Average daily trading volume = Arithmetic mean of stock in ENDESA, S.A. traded per session during the period (Source: Madrid Stock Exchange).
(5) Price to Earnings Ratio (P.E.R.) Ordinary = Share price at the end of the period / Net ordinary earnings per share.
(6) Price to Earnings Ratio (P.E.R.) = Share price at the end of the period / Net earnings per share.
(7) Price to Book Value = Market capitalisation / Equity of the Parent.
(8) Total Shareholder Return (TSR) = (Quotation at the Close of the Fiscal Year - Quotation at the Beginning of the Fiscal Year + Gross Dividend Paid in the Fiscal Year) / Quotation at the Beginning of the Fiscal Year.

Euros

ENDESA share price (1)	2019	2018	% Var.
High	25.490	21.270	19.8
Low	20.070	16.600	20.9
Average in the period	22.948	18.938	21.2
End of the reporting period	23.790	20.130	18.2

(1) Source: Madrid Stock Exchange.

The year 2019 was a positive year for international financial markets, which closed with high overall returns in the equity and fixed income markets. This evolution was achieved despite the uncertainty generated by Brexit in Europe and the trade tensions between China and the United States (USA), which put global economic growth at risk. Thanks to the changes in monetary policy made by the central banks to deal with the situation, the main global stock indices managed to close the year with double-digit increases, mostly offsetting the losses posted in the previous year.

The North American markets led the way, marking new historical highs supported by the three interest rate cuts approved by the Federal Reserve. The NASDAQ 100 technology index led the ranking with a 38.0% increase, its biggest annual advance in the last 10 years, followed by the S&P 500 index with a revaluation of 28.9% and the Dow Jones Industrial Average with 22.3%

The European stock exchanges also achieved significant gains, most particularly those in which the manufacturing sector weighed heaviest. The Italian FTSE MIB index closed with a revaluation of 28.3%, the biggest since 1998, the French CAC 40 index with 26.4% and the German DAX with 25.5%. The pan-European Eurostoxx 50 also rose 24.8%, its biggest increase in 20 years. The most moderate returns corresponded to the FTSE index in the United Kingdom, with 12.1% and the Spanish IBEX-35, which lagged behind with just 11.8%, which even so was its biggest rise since 2013 when it rose 21.4%.

The Spanish index was slowed down by the weight of banks in its composition, this sector being the worst performer in relative terms as a result of low interest rates and the political uncertainty due to the fact that after two general elections, the year ended with a government still in office. In this context, the main indicator of the Spanish stock market closed the year at 9,549.2 points, two sessions after marking the annual maximum at 9,700.5 points. The minimum price for 2019 was recorded on 15 August at 8,519.0 points, 0.24% lower than at the beginning of the year.

A total of 22 shares in the IBEX-35 closed 2019 in positive territory, with 10 of them registering increases of more than 20% at closing and four of them with revaluations greater than 40%. These are mostly defensive bias companies, with less exposure to the economic cycle, with stable income and high dividend yields. Among the last positions of the selection were the banks, with four companies in the sector closing the year with negative returns.

Unlike the banking sector, the main stocks of the energy sector closed in prominent positions within the index, leading the way by capitalisation. Shares in the oil and energy sectors amounted to Euros 143,000 million in market capitalisation at the close compared with Euros 129,500 million for the banking sector.

Within this ranking, ENDESA, S.A. shares were in the second best position in the sector, and in the number 13 position within the IBEX-35, with an upward trend throughout 2019 and an accumulated revaluation of 18.2%. Within the European sector index Eurostoxx Utilities, which closed with an increase of 22.2%, ENDESA, S.A. shares were also in an outstanding seventh position.

ENDESA, S.A.'s shares rose throughout 2019, from a low of Euros 20.07 per share at the close of the session on 2 January 2019 to the peak of Euros 25.49 per share in the session of 27 December 2019, a new all-time high. The stock finally closed 2019 at Euros 23.79, gaining 18.2% and increasing its market value by Euros 3,900 million to Euros 25,188 million.

From that minimum at the beginning of the year, the shares of ENDESA, S.A. behaved positively during the first half of the year, encouraged by the presentation of the Draft National Integrated Energy and Climate Plan (PNIEC) 2021-2030 and by the signing of the Nuclear Protocol. The biggest ups and downs in the annual evolution of ENDESA's shares occurred in July, when the first drafts of the new remuneration for the sector were published by the Spanish National Commission on Markets and Competition (“CNMC”), although the stock resumed its upward trend shortly afterwards.

The last half of the year was marked by the announcement of the discontinuation of the operation of the mainland coal power plants and by the presentation of the Company’s new Strategic Plan 2020-2022, with a strong commitment to renewable energy and digitalisation. This ambitious Strategic Plan, which will allow ENDESA to lead the energy transition process that has begun in the country, received a very favourable reception from the market, which has continued to appreciate the solid evolution of the Company, the stability of its income and the high dividend yield granted to its shareholders (see Section 6. Outlook in this Consolidated Management Report).

Total shareholder return, calculated as the sum of the market return and dividend yield, was 25.3% in 2019. Added to the 18.2% positive stock market return are the Euros 1.427 per share distributed as a dividend from 2018 earnings, which gave an additional dividend yield of 7.1%.

13.2. 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 (see Section 17. Proposed distribution of net income in this Consolidated Management Report). 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 (see Section 17. Proposed distribution of net income in the Consolidated Management Report).
(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.

14. Information on average payment period to suppliers

Information on the average payment period to suppliers in 2019 is provided in Note 22.1 to the Consolidated Financial Statements for the year ended 31 December 2019.

15. Annual Corporate Governance Report as required by Article 538 of Royal Legislative Decree 1/2010, of 2 July 2010, approving the Consolidated Text of the Spanish Corporate Enterprises Act.

The 2019 Annual Corporate Governance Report, as required by Article 538 of Royal Legislative Decree 1/2010, of 2 July 2010, approving the Consolidated Text of the Spanish Corporate Enterprises Act, forms an integral part of this Consolidated Management Report, and its contents are available on the website of the Spanish National Securities Market Commission (CNMV) at the following address:

https://www.cnmv.es/portal/consultas/EE/InformacionGobCorp.aspx?nif=A-28023430&lang=en

16. Statement of Non-financial Information as required by Law 11/2018, of 28 December 2018, amending the Commercial Code, the Consolidated Text of the Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July 2010, and Law 22/2015, of 20 July 2015, on the Auditing of Financial Statements, on non-financial information and diversity.

The Statement of Non-financial Information as required by Law 11/2018, of 28 December 2018, amending the Commercial Code, the Consolidated Text of the Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July 2010, and Law 22/2015, of 20 July 2015, on the Auditing of Financial Statements, on non-financial information and diversity is included as Appendix II to this Consolidated Management Report and forms an integral part thereof.

17. Proposed distribution of net income

Profit for 2019 of ENDESA, S.A., the Parent, amounted to Euros 1,642,109,330.16.

The Company's Board of Directors will propose to the shareholders at the General Shareholders' Meeting that this amount be used to make a dividend payment of Euros 1.475 gross per share with the remainder allocated to retained earnings.

Millions of Euros

	Proposed appropriation of net income
	Euros
To Dividends (1)	1,561,659,372.58
To retained earnings	80.449.957.58
TOTAL	**1,642,109,330.16**

(1) Maximum amount to be distributed based on Euros 1.475 gross per share for all shares (1,058,752,117 shares).

24 February 2020

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) + 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).

€M = millions of Euros; € = Euros.
n = 31 December of the year being calculated.
n-1 = 31 December of the year before the year being calculated.

APPENDIX II

Statement of Non-Financial Information

Consolidated Non-Financial Information Statement of ENDESA, S.A. and Subsidiaries

CONTENTS

ORGANISATION OF THE ENDESA GROUP

1. Business Model for the Management and Organisation of Group Activities

1.1. Name of the Organisation

ENDESA, S.A. and subsidiaries, hereinafter ENDESA or ENDESA GROUP.

1.2. Activities, Products and Services

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

ENDESA's electricity generation and supply businesses are managed jointly, thus optimising this integrated position compared with managing the two activities separately. The organisation is divided into the generation, supply and distribution businesses, each of which includes electricity and, where applicable, gas activities.

1.3. Location of the Head Office

Calle Ribera del Loira, no. 60.
28042 Madrid - Spain
Spain

1.4. Location of Operations

See section 1.7.

1.5. Criteria for preparing the Consolidated Non-Financial Information Statement

This document, which forms an integral part of the ENDESA Group's consolidated management report at 31 December 2019, has been drawn up in accordance with the requirements of Law 11/2018, of 28 December, amending the Code of Commerce, the revised text of the Corporate Enterprises Act approved by Royal Decree Law 1/2010, of 2 July, and Law 22/2015, of 20 July, on the auditing of accounts, with regard to non-financial and diversity information.

In order to provide this information, the ENDESA Group has been based on the Global Reporting Initiative for Sustainability Reports (GRI Standards) and its sector supplement "Electric Utilities Sector Supplement" for the indicators broken down according to the attached Annex.

The scope of this consolidated Non-Financial Information Statement includes the consolidated information relating to the 2019 financial year of the ENDESA Group in accordance with the Basis of Presentation of the Consolidated Financial Statements described in Note 2 of the Notes to the Consolidated Financial Statements for the financial year ended 31 December 2019.

1.6. Ownership and Legal Form

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.

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.

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 holdings 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 assets generated from renewable sources.

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 encompasses, 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%).

Energy supply: ENDESA Energía, 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., 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. 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. The ENDESA X Business Line covers four 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.

1.7. Markets Served

ENDESA carries on the activities of electricity and gas generation, distribution and sale, mainly in Spain and Portugal, and, to a lesser extent, from its platform in Spain and Portugal 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, ENDESA's electricity generation and supply businesses are managed jointly, thus optimising this integrated position compared with managing the two activities separately.

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

Spanish market

– **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.

- Conventional mainland electricity generation is a deregulated activity, although specific remuneration is available for generation from renewable sources.

- On the other hand, conventional generation in the 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 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.

Portuguese market

– **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.

1.8. 2020-2022 Strategic Plan: Objectives and strategy

Energy Policy Context.

During 2019 ENDESA made further progress and passed new milestones on its committed path towards a more sustainable, dynamic and efficient business model, aligned with its strategic vision of being a leading player in the energy transformation that Spain is faced with and capitalising on any new opportunities that may arise as a result of this great challenge.

The European Union (EU) has made a clear commitment in the fight against global warming, aiming for a climate-neutral Europe in 2050. The European Union (EU) thus subscribes to the Paris Agreement, the objective of which is to prevent the average global temperature from rising to more than 2°C above pre-industrial levels, as well as to promote additional efforts that make it possible for global warming not to exceed 1.5°C.

The transposition of these objectives into Spanish legislation is in process, and in this regard on 22 February 2019 the Ministry for Ecological Transition launched a public consultation on the Strategic Energy and Climate Framework, which basically contains the following documents (see Section 3. Regulatory Framework of the Consolidated Management Report):

1. Draft Law on Climate Change and Energy Transition:

2. Draft of the National Integrated Energy and Climate Plan (PNIEC) for 2021-2030:

3. Fair Transition Strategy.

During COP 25 in Madrid in December 2019, the European Commission presented the European Green Deal, an ambitious package of measures with which Europe seeks to lead the fight against climate change and head the transition of the world economy towards a clean and fair model. To do this, the document includes more than 35 initiatives in all areas of European Union (EU) activity, which will have to be implemented in the coming years.

Strategic pillars

The fulfilment of these ambitious decarbonisation objectives in Spain will mean facing great challenges between now and 2030. With the publication of the 2020-2022 Strategic Plan, ENDESA reiterates its firm commitment to contributing to the development of a new energy model, based on a high degree of electrification from renewable sources, as a more efficient and sustainable energy vector that ensures a fair and inclusive transition.

The main lines of the new Strategic Plan are closely aligned with the new energy paradigm, both in order to capture the new growth opportunities associated with the energy transition and to continue consolidating the current leadership position. This Plan is based on the following priorities:

1. Acceleration in the decarbonisation commitments at its generation facilities, by strongly promoting renewable energies and the gradual closure of technologies with higher emissions.

2. Electrification of demand, consolidating the current leadership position by leveraging management based on customer value and the development of customised solutions and new tools.

3. Progress in the development and operation of more efficient networks that facilitate the integration of renewable energies and the electrification of demand, always with the ambition of being the digital network operator that achieves excellence in the sector.

4. Promotion of new platforms and ecosystems that serve to lay the foundations for future business opportunities.

In addition, all the objectives of ENDESA’s Strategic Plan confirm the commitments of the Company's business model to the Sustainable Development Goals adopted in 2015 by the United Nations, especially with SDGs 7 (Affordable and Clean Energy), 9 (Industry, Innovation and Infrastructure), 11 (Sustainable Cities and Communities) and even more especially 13 (Climate Action), to which more than 90% of the Plan's investments are dedicated (see Section 8.3. ENDESA’s contribution to the United Nations Sustainable Development Goals (SDGs) in this Consolidated Management Report).

1) Acceleration in decarbonisation commitments of generation facilities

ENDESA's commitment to gradually reducing emissions to achieve the final zero emissions targets in 2050 is reflected in the following strategic lines:

– Acceleration of the investments in Renewables in the period 2019-2022, amounting to €3.8 billion, almost doubling the amount of investments envisaged in the previous plan. During the 2020-2022 period ENDESA will add capacity of 2.8 GW, so that by the end of the Plan it will have increased its renewable installed capacity by almost 38% since the end of 2019, which already includes the 879 MW awarded in capacity auctions held in 2017.

– This commitment to decarbonisation was endorsed again in September of this year when the ENDESA Board of Directors announced, through a Price-Sensitive Information Disclosure, the discontinuity of coal-generated electricity generation activity in the

Peninsula having announced in its 2020-2022 Strategic Plan the cessation of mainland coal activity by 2022 and the total abandonment of its coal activity by 2030.

As part of that process, the closure of the Compostilla and Teruel plants was requested in December 2018 and the closures of the As Pontes and Litoral plants have been requested in December 2019, without prejudice to the right of withdrawal, in the event that, as a result of the co-combustion tests with different types of biomass that are still being carried out, a fuel mixture is identified that allows the technical, environmental and economic viability of the facilities, as a whole or in part.

Also, in December 2018, the closure of coal groups 1 and 2 of the Alcudia plant was requested, which was authorised by the competent authorities in March 2019, with these groups having been removed from the Register of Electrical Power Production Facilities in January 2020. Additionally, from 1 January 2020, coal groups 3 and 4 of the Alcudia plant will operate a maximum of 1,500 hours per year, which will be reduced by up to 500 hours per year from August 2021. The total power of the coal plants in the process of closing represents 39% of the total installed power in the ENDESA thermal generation pool (12.8 GW) in Spain.

This profound transformation of the generation mix will allow ENDESA to obtain an emission-free mainland production estimated for 2022 of 85% of the total, with a 60% share of renewable sources, as well as a 70% reduction in specific carbon dioxide (CO_2) emissions in 2030 compared to 2017, which will put ENDESA in a good position to achieve the goal of total decarbonisation by 2050.

2) Electrification of demand

ENDESA expects an increase in future electricity demand as a result of greater penetration of electrification, since this is the cleanest and most sustainable source of energy. That is why we must be prepared to meet the new and more complex needs of our customers, as well as staying ahead of market trends, anticipating the creation of new, more efficient and sophisticated products and services. This will involve the implementation of the following actions:

- Consolidate ENDESA's current leadership position in the gas and electricity supply businesses in Spain, through active management based on customer value, developing comprehensive and customised solutions that allow the capture of the most sophisticated profiles.

- Focus on the customer experience, obtaining a greater knowledge of ENDESA's customer base and their needs by developing analytical capabilities that increase the perceived added value, thus increasing its business margin.

- Strengthen efficiency and operational excellence in dealings with the customer base with the launch of new digital and self-service channels.

- Launch of new commercial channels that will complement the traditional ones.

- Implementation of new commercial strategies that favour customer retention in both electricity and gas, through preventive campaigns based on advanced analysis and prediction models.

3) Development of networks as a facilitating and integrating element

Development of the electricity grid has long been a fundamental pillar of ENDESA's strategy. Projected investment, driven by the electrification of demand and the inclusion of renewable energies, aims to improve grid quality and efficiency, reducing operating costs, and increasing the value of assets through investments in smart grids and the pursuit of excellence.

To this end, ENDESA continues with its investment effort aimed at becoming the reference digital operator, and for this it will allocate €1.1 billion in the 2019-2022 period to the development, automation and modernisation of the network. This amount represents approximately 55% of the €2 billion total investment envisaged for this business in the plan.

These digitisation initiatives will help to improve grid reliability and service quality. In particular, ENDESA intends to cut interruptions by 19%, grid losses by 0.3 percentage points, and operating costs per customer by 9% in three years.

4) Promotion of new platforms and ecosystems that serve to lay the foundations for future business opportunities.

The changes in the electricity sector that will derive from the application of supranational energy transition policies, and which in the case of Spain have been reflected in the Integrated National Energy and Climate Plan (PNIEC), will lead to an increase in electricity consumption as a proportion of total final energy consumption reflected in the generalised use of:

- Electric vehicles, for which the Integrated National Energy and Climate Plan (PNIEC) estimates that 5 million units in service will be reached in 2030, tripling the electricity consumption of transport to 24 TWh.

- Residential electrification, an area in which an increase is expected in the share of total electricity consumption from the current 38% to 45% in 2030.

These changes in consumption patterns and the development of new platforms open the door to new business opportunities that ENDESA expects to exploit and expand under the ENDESA X business line.

Quantitatively, mature businesses, which include the e-Home and e-Industries lines, will absorb about two-thirds of the almost €200 million of investment allocated to ENDESA X in order to maintain the growth path achieved in the last few years. These businesses will lay the foundations for the development of new ones that involve future business opportunities, such as e-Mobility, storage by means of batteries and services associated with electric vehicles and demand management. With regard to mobility, ENDESA has presented a plan to encourage electric mobility, with the aim of rolling out 36,000 public and private recharging points throughout Spain by 2022.

These four strategic lines of action are combined with the strong commitment that ENDESA maintains to the search for continuous efficiency through the digitalisation of its businesses. To this end, ENDESA intends to deploy digitisation investment programmes across all businesses, amounting to €1.3 billion between 2019 and 2022, which will involve an estimated improvement in EBITDA of €150 million by 2022. The largest such investments will come in Distribution, with €1.1 billion invested in digitalising said business, accounting for approximately 85% of the investments envisaged for the period.

More details on the 2020-2022 Strategic Plan can be found on the Company's website at https://www.ENDESA.com/en/sobre-ENDESA/a201610-estrategia-plan-estrategico.html

Main financial indicators

The 2020-2022 Industrial Plan contains an investment target, net of subsidies and assets assigned by customers, of €7.7 billion between 2019 and 2022, 20% more than in the previous Strategic Plan.

The breakdown of this Plan by nature of investments is as follows:

– Investments in asset development (62%).

– Investments in asset maintenance (30%).

– Investments in customers (8%).

The breakdown of the investment plan by Business Lines is as follows:

– Generation (€5.2 billion) Investments in renewable generation amount to €3.8 billion and will focus on the development of new capacity of approximately 2.8 GW in addition to the 879 MW allocated in the 2017 auctions which came on stream at year-end 2019. The rest of the mainland investments mainly consist of recurring maintenance investments. In terms of amounts, it is especially worth mentioning those destined for the nuclear power plants with the objective of ensuring their optimal operation, safety and long-term profitability, as well as the investments for efficiency improvement planned in the combined cycle gas plants which will become the reference support of the System as the cessation of activity of the coal plants is completed.

– Distribution (€2 billion), with investments in maintenance and growth investments aimed at modernising and developing new infrastructures that respond to decarbonisation and electrification trends in the economy. The digitisation initiatives will continue to increase the level of automation and digitisation of the network, with significant projects such as a new phase of the Quality Plan and the Remote Control of the Network.

– Supply and ENDESA X (€500 million), with investment in developing new IT tools to foster customer digitalisation and the development of new service channels and other products and services.

On the basis of the strategic pillars described above, and taking account of market and regulatory estimates for the next few years, ENDESA has drawn up a business plan including, among other parameters, forecasts of economic indicators for the Group's consolidated results. In accordance with this, ENDESA expects a positive trend as follows:

– EBITDA: €4.3 billion in 2022.

– Net ordinary income: €1.9 billion in 2022.

– Net cash flows from operating activities, which are expected to total €9.5 billion in 2020-2022, will enable ENDESA to carry out its investment plan and maintain an attractive shareholder remuneration policy.

Notwithstanding the foregoing, prospective information cannot be considered a guarantee of the Company's future performance as plans and forecasts are subject to risks and uncertainties, which could result in ENDESA's future performance not matching the initial forecasts.

1.9. Factors and Trends that may affect our future evolution

See the Internal Control and Risk Management System chapter of this document and Chapter 7. Main Risks and Uncertainties in connection with ENDESA's Business from the risk management report).

2.- ENDESA Dimension

2.1. ENDESA in figures

	2017	**2018**	**2019**
Gross Operating Profit (EBITDA) (millions of euros) (1)	3.542	3,627	3,841
Benefits after Taxes and Minority (millions of euros)	1,463	1,417	171
Share Capital (millions of euros)	1,271	1,271	1,271
Non-Current Financial Debt (millions of euros)	4,414	4,975	5,652
FINAL HEADCOUNT (EMPLOYEES)			
Spain and Portugal	**9,706**	**9,763**	**9,952**
GROSS INSTALLED CAPACITY (MW)			
Spain and Portugal	**23,678**	**23,766**	**24,231**
Hydroelectric	4,752	4,753	4,712
Conventional thermal	8,130	8,077	7,659
Nuclear	3,443	3,443	3,443
Combined cycles	5,678	5,678	5,677
Renewables and Cogeneration	1,676	1,815	2,740
ELECTRICITY PRODUCTION (GWH)			
Spain and Portugal (2)	**78.648**	**74,193**	**61,402**
Hydroelectric	5,004	8,339	5,721
Conventional thermal	31,906	28,997	13,346
Nuclear	26,448	24,067	26,279
Combined cycles	11,849	8,957	11,687
Renewables and Cogeneration	3,441	3,833	4,369
FINAL CUSTOMER ELECTRICITY SALES (GWH)			
Spain and Portugal	**96,513**	**89,639**	**89,441**
Regulated Price	12,919	12,356	11,385
Liberalised market	83,594	77,283	78,056

Number of Customers (Electricity) (6) (THOUSANDS)			
Spain and Portugal	**10,848**	**10,754**	**10,635**
Regulated market (4)	5,255	5,029	4,807
Liberalised market (3)	5,593	5,725	5,828
Gas sales (GWh)			
Total (7)	**79,834**	**86,729**	**79,784**
Deregulated market	46,578	47,810	45,584
Regulated market	1,372	1,430	1,295
International market	24,523	25,270	19,968
Wholesale business	7,361	12,219	12,937
NUMBER OF GAS CUSTOMERS (8) (THOUSANDS)			
Total	**1,560**	**1,604**	**1,649**
Regulated market	246	233	230
Deregulated market	1,314	1,371	1,419
DISTRIBUTED ENERGY (2) (GWh)			
Spain and Portugal	**117,961**	**117,029**	**116,611**
TAX INFORMATION			
Public subsidies received (9) (€ million)	315	287	273
Contributions to foundations and non-profit organisations (€ million)	3.71	4.94	4.18

(1) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel expenses - Other fixed operating expenses.
(2) Data measured at power plant busbars.
(3) For consistency with the economic data referred to this business that are provided in this report, it includes the sales made by ENDESA Energía to customers in European countries outside the Iberian market.
(4) Customers at a rate. Customers for tolls are not included.
(5) Data from the date of takeover of ENEL Green Power España, S.L.U. by ENDESA Generación, S.A.U., on 27 July 2016.
(6) Supply points
(7) Excluding own generation consumption.
(8) Supply points.
(9) We only receive subsidies in Spain.

2.2. Tax information by country

(Data in € millions)

Country	Total revenue						Accounting profit before tax	
	2019			2018				
	Third party income	Intragroup transactions	Total	Third party income	Intragroup transactions	Total	2019	2018
Spain	17,772	626	18,398	18,193	130	18,323	155	1,798
Portugal	1,075		1,075	1,079		1,079	40	19
France	425		425	554		554	31	(7)
Germany	260		260	239		239	2	5
Netherlands								1
Morocco							2	2

(Data in € millions)

Country	Income tax paid (1)		Accrued income tax (2)		Accumulated earnings		Tangible assets other than cash and cash equivalents		ENDESA Profit/loss for the year (Parent Company)		Number of employees by geographic location	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Spain	444	338	416	354	6,898	6,981	**20,957**	21,834	112	1,397	9,839	9,657
Portugal	-4		4		**-6**	1	367	3	33	20	60	57
France		**-12**	2		3	13	5	3	23	**-9**	44	40
Germany						-6			1	6	9	9
Netherlands					2	1				1		
Morocco									2	2		

(1) (+) payment, (-) collection
(2) (+) Income from income tax, (-) expense from income tax. Refers to the current tax for the year

NOTE:

The criterion for determining the accounting result is on a consolidated basis.

The data corresponding to the Income Tax corresponds to the Corporate Income Tax paid/collected in the reporting period. In this case, indicate that ENDESA and its subsidiaries resident in Spain which are 100% owned, are part of the Tax Consolidation Group whose parent company is ENEL S.p.a., with the Company representing the Tax Group in Spain being ENEL Iberia, S.L. Therefore, the data that is recorded is the amount paid/collected by ENDESA and its subsidiaries included in the Tax Group, to ENEL Iberia, S.L., who, in accordance with the regulations of the Tax, declares and liquidates the tax of the Tax Group before the Tax Administration. On the other hand, for the rest of the subsidiaries of the consolidated commercial group that are not part of the fiscal consolidation group, the amount paid / charged to the Tax Administration is taken into account.

Morocco consolidates in the group by the equity method, so the accounting result corresponds to the result after taxes in the percentage in which ENDESA participates.

3.- Significant changes in the organisation

During the 2019 financial year the significant changes occurring in the Company correspond to the formalisation of the following deals involving the acquisition and incorporation of Companies:

	Transaction	Activity	2019 Company Incorporations			
			Stake as at 31 December 2019 (%)		Stake as at 31 December 2018 (%)	
			Control	Economic	Control	Economic
Energía Neta Sa Caseta Llucmajor,	Acquisition	Photovoltaic	100.00	100.00	-	-
ENDESA Energía Renovable, S.L.U. (2)	Incorporation	Supply	100.00	100.00	-	-
Baleares Energy, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
Baikal Enterprise, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
Renovables La Pedrera, S.L.U. (1)	Acquisition	Wind	100.00	100.00	-	-
Renovable Mediavilla, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
ENDESA Soluciones, S.L.U. (2)	Incorporation	Supply	100.00	100.00	-	-
Dehesa PV Farm 03, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
Dehesa PV Farm 04, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
Emintegral Cycle, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
Envatios Promoción I, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
Envatios Promoción II, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
Envatios Promoción III, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
Envatios Promoción XX, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
Fotovoltaica Yunclillos, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
Olivum PV Farm 01, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
Pampinus PV Farm 01, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
Torrepalma Energy, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
Xaloc Solar, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-
Bogaris PV1, S.L.U. (1)	Acquisition	Photovoltaic	100.00	100.00	-	-

(1) Companies acquired by ENEL Green Power España, S.L.U. (EGPE) for the development of renewable energy generation projects.
(2) Companies established by ENDESA Energía, S.A.U.

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.

4. Commitment to a Sustainable Energy Model.

4.1. The Open Power Strategic Positioning.

The energy sector is experiencing a profound change caused by the main macro-trends (climate change, urban concentration, strengthening of civil society, technological and digital revolution), and by other emerging fruits of technological and social changes.

ENDESA in response to these changes and through the Open Power concept, which constitutes the mission, vision and values of the Company, has always been at the forefront of the different advances produced in the energy sector, bringing safe, affordable and sustainable energy to millions of people. Therefore, aware of this change, it is positioned in a new era of energy which is more open, participatory and digital. This positioning is summarised in the concept of Open Power with the vision of facing up to some of the greatest challenges in the world through values such as responsibility, innovation, trust or proactivity:

Mission

- Open up energy to more people.
- Open up energy to new technologies.

- Open up new ways of managing energy for the consumer.
- Open up energy to new uses.
- Open ourselves up to more collaborators.

Vision:

Open Power to face up to some of the biggest challenges in the world.

Values:

- Responsibility.
- Innovation.
- Trust.
- Proactiveness.

4.2. Sustainability Policy

Maintaining a leadership position and strengthening it for the future involves a balanced fulfilment of ENDESA's responsibilities in economic, social and environmental matters, based on ethical criteria.

Accordingly, ENDESA's sustainability policy aims to formalise and specify the company's commitment to Sustainable Development, as evidenced by its Open Power strategic positioning and to achieve the creation of shared value, ensuring that the activity that it carries out has a positive impact on the communities in which it operates, as the best way of guaranteeing returns for its shareholders in the short, medium and long term.

Accordingly, the Sustainability Policy establishes nine commitments for the future:

– **Our customers**: commitment to digital quality, commercial excellence and efficient energy consumption.

– **Our shareholders and investors**: commitment to creating value and profitability.

– **Our people**: commitment to personal and professional development, diversity and work-life balance, and the occupational health and safety of the people who work for ENDESA.

– **Our conduct**: commitment to good governance, transparency and ethical behaviour.

– **Our environment**: commitment to reducing our environmental footprint and protecting the environment.

– **Innovation**: commitment to innovation in technology and the scope of services.

– **Society**: commitment to the socio-economic development of the communities in which the Company operates.

– **Institutions**: commitment to developing public-private partnerships to promote sustainable development.

– **Our employees**: commitment of those who work with us to be actively involved in sustainability.

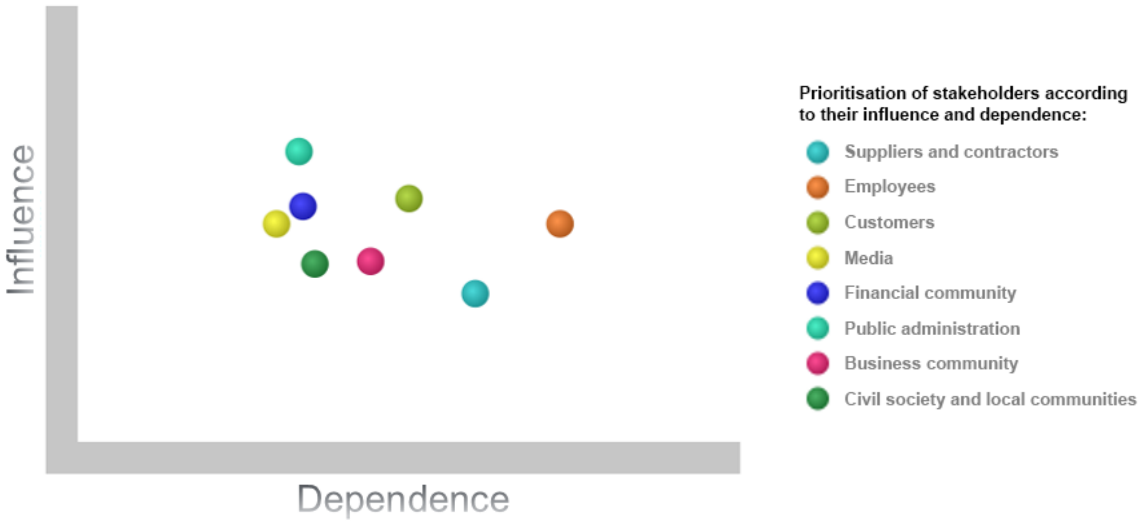
The commitments for the future set out in the Sustainability Policy constitute the basis and guidelines for ENDESA's conduct in the promotion of a sustainable business model. Compliance with the policy is expressly driven by Senior Management; it concerns employees, contractors and suppliers, and it is exposed to third party valuation:

- These commitments are fully integrated into the Company's strategic vision and day-to-day work and are constantly reviewed and improved through the definition of objectives, programmes and actions which are included in successive Sustainability Plans.
- ENDESA has monitoring and evaluation mechanisms available that exhaustively measure the achievement of these commitments. In this regard, the Audit and Compliance Committee carries out an annual monitoring of the corporate social responsibility strategy and practice and the Board of Directors approves the sustainability plan, the Non-Financial Information Statement and the Sustainability Report.
- ENDESA's focus is on steady and fluid dialogue with stakeholders, with the aim of incorporating their expectations in a structured manner and in alignment with its strategy.
- ENDESA is committed to the application of responsible communication practices as its principal vehicle for conveying the strength and solidity of its commitment to sustainable development to its various stakeholder groups.

5.- Dialogue with Stakeholders

ENDESA, aware that stakeholders and their expectations constitute the basis on which it articulates its sustainability strategy and serve to guide its industrial plan in a way that responds to those needs, reducing risks and taking advantage of business opportunities that are generated by satisfying these expectations, makes a commitment to the promotion of a continuous dialogue with its different groups, for which it reviews, identifies and catalogues, on an annual basis, its stakeholders both globally and in its local operations. In this way, for each stakeholder a segmentation is carried out that allows each of the groups that it comprises to be identified and thus optimise the identification of dialogue and consultation channels to assess their perception of the company's management.

This prioritisation is carried out according to three variables: the level of dependence on the activity of the company, the ability to influence the decision-making process of the company and the level of special and immediate attention required by the stakeholder. This analysis in 2019 maintains that public institutions, investors and customers are the stakeholders with the greatest capacity to influence the Company, while employees are those with the highest degree of dependence.



This methodology is also applied in the local operations of the company in order to increase the level of detail, thus seeking to identify relevant local stakeholders that allow designing effective responses under the approach of creating shared value between the company and the stakeholders. This also makes it possible to implement a continuous interaction with them through the use of different communication channels and procedures, which allows them to acquire a solid knowledge of the needs and expectations of the stakeholders, as well as their evolution.

Stakeholder	Main Communication Channels
Public Administration	· Direct contacts · Forums and conferences · Working groups
Shareholders and Financial Institutions	· CNMV · Corporate website · Investor Relations Department: Roadshows, Quarterly Results and Strategic Plan Presentations · Shareholder Office · Shareholders' General Meeting · Communications with proxy advisors
Customers	· Sales offices · Sales managers · Web channel · Customer service centres · Forums and Working Groups · Mobile app · Social networks
Business Community	· Direct contacts · Meetings and working groups · Forums and conferences
Media	· Direct contacts · Press conferences · Forums and Conferences · Social networks
Our People	· Intranet and internal social network · Forums and working groups · Knowledge interviews · Breakfast with the CEO · Contact mailboxes · Corporate magazine and newsletters
Civil Society	· Direct contacts · Working groups

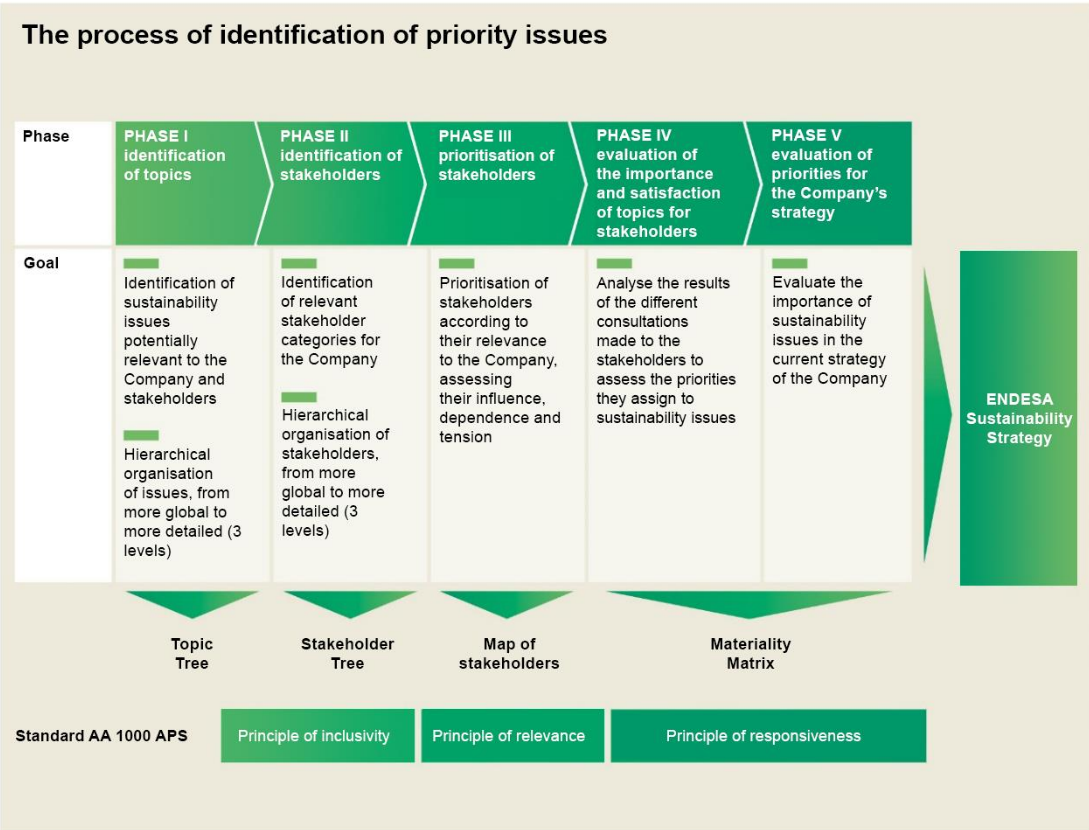
	· Forums and conferences
	· Web channel
	· Web and Twenergy
	· Social networks
	· Ethical channel
	· Sustainability Mailbox
Suppliers and Contractors	· Direct contacts
	· Web channel
	· Committees
	· Forums and conferences
	· Working groups

6. Materiality Study: Identification of Priorities from the Dialogue with Stakeholders.

6.1. The Priority Identification Process.

ENDESA, based on the continuous dialogue with the Stakeholders and in order to integrate their expectations in a structured way and aligned with the purpose of the company, annually carries out a priority identification process to evaluate and select the economic, ethical, environmental and social issues that are relevant to stakeholders and to the company's strategy.

This process is aligned with the international standards AA 1000, which are intended to guide the organisation in the strategic management of interaction with its stakeholders to identify, prioritise



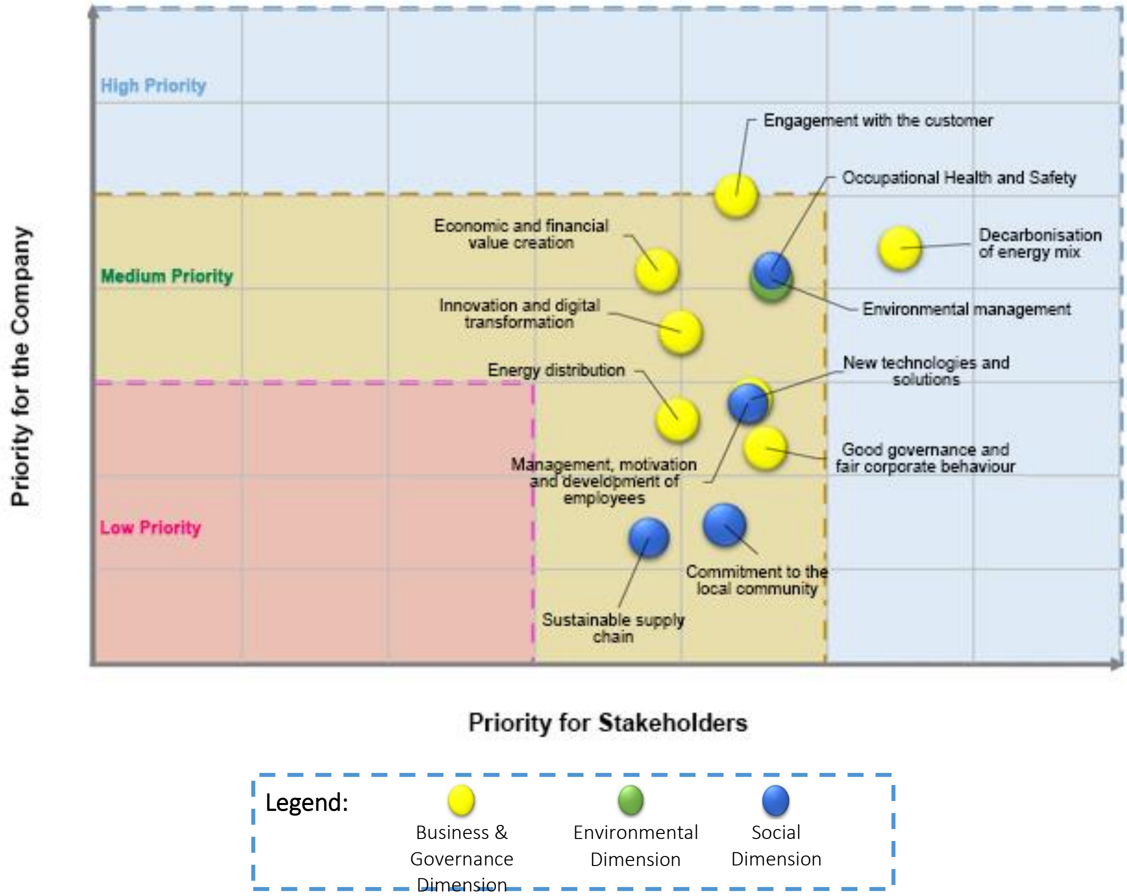
and respond to sustainability challenges and improve performance over the long term through compliance with a set of principles: inclusiveness, relevance and responsiveness.

6.2. Materiality Study 2019 - Consultation of Stakeholders on Economic, Environmental and Social Issues.

In 2019 ENDESA has carried out a materiality study that has served as a basis for defining the priorities of its 2020-2022 ENDESA Sustainability Plan and for this, it has carried out the following analyses and works:

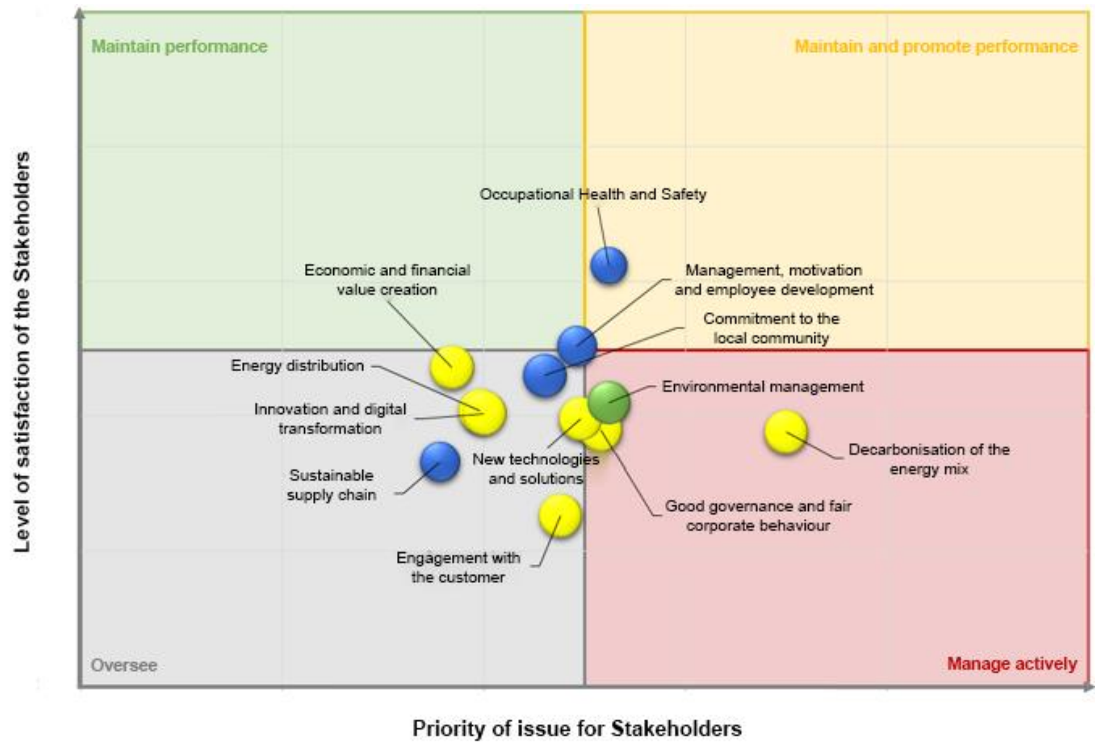
- Analysis of trends in the field of energy and sustainability with possible current or future effect on the activity of the Company.
- Analysis of investors, proxy advisors and investment analysts on sustainability issues.
- Review of the assigned relevance and the degree of maturity of the issues in the management of the main companies in the electricity sector.
- Analysis of media and social networks.
- Online consultations and in-depth telephone interviews with different external stakeholders.
- Focus group with key employees in the management of the Company's sustainability issues.
- In-depth interviews with ENDESA Senior Management.
- Analysis of existing reports that incorporate issues related to the sustainability of the Company: corporate reputation report, Employee Climate survey, customer satisfaction survey and other studies carried out in previous years.

From the combined analysis of the relevance in the business strategy and the priority for the stakeholders of each of the topics, the result is the following matrix:



As the previous matrix shows, among the most relevant issues for the sustainability of the company and with some changes with respect to the previous year, the decarbonisation of the energy mix, the commitment to the customer, occupational health and safety and environmental management appear.

In addition, the level of satisfaction of the stakeholders regarding these issues has been analysed, identifying the decarbonisation of the energy mix as the material issue that should be managed more actively.



To identify the issues on which ENDESA should focus its actions in the coming years to guarantee the creation of shared value and the best generation of benefit to the Company and its shareholders in the long term, the Company combines the results of the previous analysis with the of the business model, the sector and the expectations of stakeholders. The result identifies the following areas of action:

- *Response of the sector to climate change*: international commitments and technological development promote the decisive impulse to renewable energies and the progressive reduction of the weight of generation from fossil sources in the energy mix.

- *Models of value creation for the new energy scenario*: increased competition, technological development and new consumer demands, will foreseeably lead energy companies to transform their business model towards one more focused on distribution (promoting their digitalisation) and marketing (developing and diversifying the offering of services, especially in the field of renewable energy, energy efficiency, mobility and digital services).

- *Strengthening social legitimacy*: the energy sector has a high public exposure, promoted by greater social awareness in this regard. Therefore, it is essential to continue working on the improvement of social perception to continue competing in the new energy scenario and in the implementation of the shared value creation model in all phases of the life cycle of the company's operations.

- Responsible business management: increases the importance of environmental, social and government issues in determining a responsible company. These include aspects related to human rights, human capital development, occupational health and safety, environmental management, cybersecurity and the extension of sustainability to the supply chain.

In short, according to the stakeholders consulted, the creation of the company's value must be based on a set of requirements necessary to operate (such as corporate governance, environmental management, health and safety, human rights, supply chain or community relations) and incorporate a set of elements aimed at generating future value for the business (such as customer orientation, new business solutions, digitalisation and operational efficiency). All this must be done on the basis of the promotion of an emission-free energy model by 2050 and through the continuous commitment to the development of highly qualified human capital that will lead the energy transition.

7. The ENDESA Sustainability Plan.

7.1. 2019-2021 ENDESA Sustainability Plan (PES)

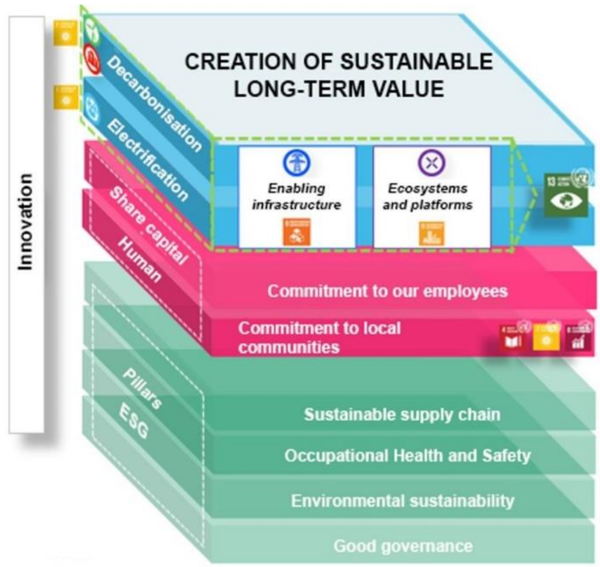
For ENDESA, sustainability plays a central role when defining the direction of our business, and in order to integrate it with the management of the business and the decision-making processes, there must be maximum alignment between the business strategy and the sustainability strategy, so that both are aimed at the attainment of the same objective and provide mutual feedback to achieve it, thereby generating economic value for the Company in the short and long-term. Therefore, ENDESA's materiality analysis feeds the strategic reflection that defines the Industrial Plan. Additionally, the 2019-2021 ENDESA Sustainability Plan (PES), through more than 100 quantitative management objectives, responded to each of the priorities and strategic pillars identified, with a global compliance of 92%.

As part of its commitment to transparency and in the interest of building trust with its stakeholders, ENDESA duly renders account of its achievement of the objectives and actions included in its 2019-2021 ENDESA Sustainability Plan in this Statement of Non-Financial Information (see subsequent chapters) and in the 2019 Sustainability Report, which will be made available on its website www.ENDESA.com..

7.2. 2020-2022 ENDESA Sustainability Plan (PES)

On 27 November 2019, ENDESA presented to the investment community the update of its 2020-2022 Strategic Plan and, aligned with it, ENDESA has carried out an analysis and reflection process based on the results of the materiality study carried out in 2019 for the design of its new 2020-2022 ENDESA Sustainability Plan. This plan is based on the achievements and improvement opportunities identified in the previous plan, thus identifying priorities for action for the next 3 years.

Structure of the 2020-2022 ENDESA Sustainability Plan



The new 2020-2022 ENDESA Sustainability Plan (PES) continues along this path, which promotes the creation of long-term sustainable value through the establishment of the following strategic priorities:

- ***Decarbonisation***: With a clearly defined roadmap for decarbonisation in 2050, the new plan continues to increase the ambition of the objectives in favour of the development of renewable energies and complementary technologies to favour the new energy model, such as increasing storage capacity and fossil fuel reduction.

- ***Electrification***: Through a focus on innovation and digitalisation, the PES includes lines of action aimed at promoting a quality service that increases the electrification of the Company. For this, it develops sustainable business solutions aimed at responding to new customer demands, as well as maintaining a high level of excellence in relationships and quality of service. Likewise, the objectives aimed at promoting efficiency along the value creation chain and the promotion of digital transformation in the 3 main areas in which it works are: generation and distribution assets, customers.

- ***Human Capital***:

  - ***Commitment to our employees***: Due to the strategic nature of human capital in an environment of change like the one currently experienced by the energy sector, ENDESA maintains and incorporates new objectives in the field of talent development, job satisfaction, diversity and achieving a balance between working and personal life.

  - ***Commitment to local communities***: The ENDESA Sustainability Plan once again includes objectives aimed at promoting socio-economic development, education and access to energy as fundamental axes of its commitment to local communities and ensuring the implementation of the shared value creation approach in the development of its activities.

- ***ESG Pillars:***

- ***Sustainable supply chain**:* The ENDESA Sustainability Plan establishes lines of action aimed at monitoring environmental, safety and human rights parameters in the selection of suppliers and contractors.

- ***Occupational Health & Safety**:* Objectives are set to reduce accidents in employees and contractors, as well as to promote healthy habits.

- ***Environmental sustainability**:* The ENDESA Sustainability Plan sets objectives to reduce the company's environmental footprint throughout its entire perimeter of activity.

- ***Corporate governance:*** Lines of action are established to maintain a high level of excellence in fulfilling their commitments and ethical responsibilities and in the implementation of good corporate governance practices.

All the strategic lines marked together with the incorporation of lines of action in the field of innovation, digitalisation and cybersecurity allow the creation of long-term economic and financial value.

This 2020-2022 ENDESA Sustainability Plan reaffirms, therefore, ENDESA's determined commitment to sustainability, which is put into practice through the more than 115 quantitative management objectives.

The most relevant objectives of the 2020-2022 ENDESA Sustainability Plan are detailed in the following chapters of this Non-Financial Information Statement, while the details of all the objectives will be available in the 2019 Sustainability Report and the corporate website www. ENDESA.com

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

1. General Risk Management and Control Policy

The General Risk Management and Control Policy establishes the basic principles and the general framework for the control and management of risks of all kinds that might affect the attainment of the objectives, ensuring that they are identified, analysed, assessed, managed and controlled systematically and within the levels of risk established.

The General Risk Management and Control Policy seeks to guide and steer the set of strategic, organisational and operational actions that allow the Board of Directors of ENDESA, S.A. to precisely delineate the acceptable level of risk, so that the managers, staff and service functions of the various Business Lines can maximise the Company's profitability, preservation or increase of its equity and treasury and certainty in its achievement above certain levels, preventing uncertain and future events from having a negative influence on its ability to achievement the company's profitability objectives, its operations, sustainability, resilience or reputation in a sustained manner over time, providing an adequate level of guarantees to shareholders and safeguarding their interests, as well as those of customers and other stakeholders.

The general guidelines of the Risk Management and Control Policy are implemented and supplemented by other specific corporate risk policies for each business line, staff and service functions as well as by limits established for optimal risk management.

The General Risk Control and Management Policy is implemented through an Internal Control and Risk Management System (Spanish acronym: SCIGR), which comprises an organisation, principles, a regulatory system and a risk control and management process.

The Internal Control and Risk Management System conforms to a model based on the one hand on an ongoing study of the risk profile, applying current best practices in the energy or benchmark sectors as regards risk management, homogeneous measurement criteria within the same type of risk, segregation of risk managers and controllers, and, on the other hand, on ensuring a link between the risk assumed and the resources needed to operate the businesses, always maintaining an appropriate balance between the risk assumed and the objectives set by the Board of Directors of ENDESA, S.A.

The risk control and management model implemented in the Company is aligned with international standards following a methodology based on the 3 lines of defence model, as described in the General Risk Control and Management Policy published on the Company website. https://www.ENDESA.com/es/accionistas-e-inversores/gobierno-corporativo/politicas-corporativos.html

The organisation of the Internal Control and Risk Management System is implemented through independent risk management and risk control functions that ensure adequate segregation of duties.

The General Risk Management and Control Policy defines the Internal Control and Risk Management System for ENDESA as an interwoven system of rules, processes, controls and reporting systems in which overall risk is defined as the total consolidated amount of all risks to which it is exposed, taking into account the mitigating effects for the different exposures and risk classes, allowing for consolidation and appraisal of risk exposure, from the Company's different business units and areas, as well as the development of management information relevant to making decisions on risk and the proper use of capital.

The risk control and management process consists of the identification, evaluation, monitoring and management in time of the different risks, and contemplates the main risks to which the company is exposed, whether endogenous (for internal factors) or exogenous (for external factors).

- **Identification** The purpose of the risk identification process is to generate the risk inventory based on events that could prevent, degrade or delay the achievement of the objectives. The identification must include risks whether their origin is under the control of the organisation or whether it is due to unmanageable external causes.

- **Evaluation** The objective is to obtain the parameters that allow the measurement of the economic and reputational impact of all risks for their subsequent prioritisation. Evaluation includes different methodologies according to the characteristics of the risk, such as the assessment of scenarios, the estimation of the potential loss from the impact and likelihood evaluation distributions.

- **Monitoring** The objective is to monitor the risks and establish management mechanisms allowing the risks to be kept within the established limits and the appropriate management actions to be taken.

- **Management** The objective is the performance of the actions aimed at keeping risk levels at optimum levels and in any case within the established limits.

The Risk Management and Control Policy set and approved by the Board of Directors of ENDESA, S.A., constitutes the central element of the system from which other specific documents and policies are derived, for example, the “Policy on Management and Control of Tax Risks” and the “Criminal Compliance and Anti-Bribery Policy”, which are approved by the Board of Directors of ENDESA, S.A. and in which risk and control catalogues are defined.

In addition, in view of the growing interest in the management and control of the risks to which the Companies are exposed and given how complicated it is becoming to identify them from a comprehensive point of view, it is important for employees to take part at all levels in this process. In this regard a risk mailbox has been created for employees to help identify market risks and come up with suggestions for measures to mitigate them, thereby complementing the existing top-down risk management and control systems and mailboxes and specific procedures for reporting breaches of ethical behaviour, criminal risks and employment risks.

2. ENDESA's criminal and anti-bribery risk prevention model

Organic Law 5/2010 by which Organic Law 10/1995, of 23 November, of the Criminal Code was modified, and subsequently amended by Organic Law 1/2019, of 20 February, established a list of crimes applicable to legal persons, referring to the need to establish surveillance and control measures for their prevention and detection. This legal regime was reformed by Organic Law 1/2015, of 30 March, detailing the requirements that allow legal persons to prove their diligence in the field of criminal prevention and detection.

In accordance with the provisions of this Organic Law, ENDESA has developed certain internal rules that have satisfied the need for adequate control and management systems applied in the area of criminal detection and prevention, particularly in conduct aimed at restricting the crime of bribery.

The ENDESA Criminal and Anti-Bribery Regulatory Compliance Management System (hereafter referred to as the "Compliance System") comprises an integrated body of provisions on the basis of the Criminal and Anti-Bribery Compliance Policy, which is respectful of legal requirements Spanish in this matter and sufficient to meet the expectations that are deposited in the Organisations that operate according to the highest levels of commitment in the most advanced markets.

The main activities that are carried out in ENDESA for the effective application of the Compliance System are the evaluation of the risks and the control activities and the supervision of the same, thus guaranteeing its design and operability.

The Criminal Compliance and Anti-Bribery Policy was approved by the Board of Directors on 6 November 2017 and is additional to the General Risk Control and Management Policy; it establishes the general principles of the Compliance System, which inform the content and application of all corporate internal standards, as well as the Organisation's actions.

The functions of verification, monitoring and updating of the Compliance System are performed by the Criminal Risk Supervision Committee and, ultimately, the operation and compliance of the System is supervised by the Audit and Compliance Committee (CAC) of the Board of Directors.

For more details, see section 2.3 and 2.4 of the section Fight against Corruption and Bribery in this document.

3. The Internal Control System for Financial Reporting (SCIIF)

The Internal Control System for Financial Reporting (SCIIF) is a component of the company's internal control system and consists of a complete set of processes that ensure reasonable certainty regarding the reliability of both internal and external financial information. The ENDESA Internal Control Unit is the area responsible for identifying the most relevant processes, activities, risks and controls of the Internal Control System for Financial Reporting (SCIIF) that it considers material to provide reasonable assurance that the information disclosed externally by ENDESA is reliable and appropriate.

Every six months, ENDESA carries out an Evaluation Process of the Internal Control System for Financial Reporting (SCIIF) in which each person responsible for the controls of the SCIIF evaluates regarding both its design and its effectiveness. Within the model, an ongoing verification process of the SCIIF is also carried out by an independent expert. The results of both processes are reported:

a) to the Board of Directors, to which in accordance with the Corporate Enterprises Act the power of supervision of internal information and control systems is reserved; and

b) to the Audit and Compliance Committee (CAC), which, in accordance with the Corporate Enterprises Act has among its functions the supervision of the effectiveness of the internal control of the Company.

4. Risk control and management.

ENDESA has established a process of control and management of risks that allows it to obtain a complete vision of all the risks to which it is exposed, considering the mitigation effects between the different exposures and categories thereof, as well as the preparation of the corresponding management information for decision making in terms of risk and appropriate use of capital.

The Risk Committee supervises the management and monitoring of all risks other than those of a criminal nature and those related to internal control and financial information, referring the results of its deliberations and conclusions to the Audit and Compliance Committee of the Board of Directors of ENDESA S.A.

Risk Control is the area delegated by the Risk Committee to define the procedures and norms of the internal control and risk management system, to ensure that all the risks are homogeneously and periodically identified, characterised, quantified and properly managed in the area of responsibility that affects the entity, including off-balance sheet, monitoring risk exposure and the control activities implemented. To carry out its functions, Risk Control relies on other areas and committees that have specific and complementary risk control and management models and policies.

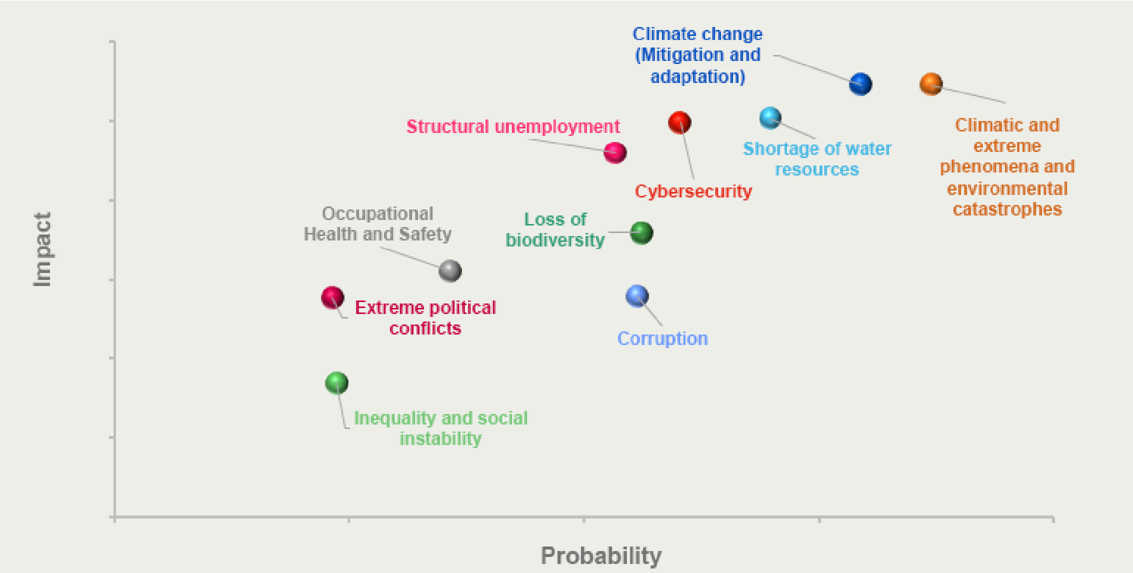
5. Main Sustainability Risks - Impacts of Risks and Opportunities Related to Environmental and Social Issues.

ENDESA is exposed to certain risks that it manages through the application of identification, measurement, control and management systems. In this sense, the different types of risk, financial and non-financial (operational, technological, legal, social, environmental, political and reputational) that the Company faces, are taken into consideration. These aspects are integrated into the company's risk management and control system and are supervised by the Audit and Compliance Committee (CAC) of the Board of Directors.

In 2019, ENDESA, as it has been doing systematically and on an annual basis, has updated the identification of emerging sustainability risks with medium and long-term impact related to any of the dimensions that make up sustainability, with the aim of analysing the impact on the business and establish the necessary measures for its control and prevention.

To this end, ENDESA has taken as a reference the identification of global risks prepared by the World Economic Forum based on a consultation with 1,000 experts from the business world, university, civil society and public sector on the perception of global risks in a time horizon of 10 years. This map has been adjusted to ENDESA's operating context based on the queries made by the Company to the stakeholders as part of the materiality study, thus identifying the most relevant sustainability risks and the query made to the stakeholders within the Human Rights Due Diligence to identify risks at the country level. These three factors (analysis of the World Economic Forum, materiality study and risk analysis in the Due Diligence) determine both the probability and the impact of the different risks. This analysis is complemented by that of the Company's exposure to each of the risks carried out taking into account the analyses of MSCI and Sustainalitycs.

The resulting risk map varies slightly from that of the previous year since some of the macro-trends identified in previous years have been accentuated, such as climate change and its effects, loss of biodiversity and the associated environmental activism, among others:



Risk	Description	Potential Impact on ENDESA	Main Management and Mitigation Measures
Climate Change (Mitigation and Adaptation)	The measures that are being taken in the fight against climate change by States and the business sector may be insufficient for mitigation and adaptation.	Increase in regulatory requirements to accelerate the transition to an energy mix free of greenhouse gas emissions (increased production cost overruns based on fossil fuels). Increase in the demands by investors regarding the management of the impact of the different climate change scenarios.	ENDESA has established a roadmap towards the Decarbonisation of its energy mix by 2050 that sets intermediate targets for reducing CO2 emissions for the years 2020, 2030 and 2040. This roadmap is supported by a clear commitment to renewable energy and the optimisation of thermal generation assets during the transition. With the new 2020-2022 Strategic Plan, this commitment to decarbonisation has been reinforced, announcing the abandonment of the activity of mainland coal in 2022, which has been materialised throughout 2019 in the request for the closure of the thermal power plants of Litoral, As Pontes and groups 1 and 2 of the Alcudia plant, which completes the closure requests for the Teruel and Compostilla plants made in 2018. That same Plan contemplates an increase in the period between 2020 and 2022 of approximately 40% in installed renewable capacity. An adaptation project has been carried out that includes both the assessment of internal vulnerability and the evaluation of future benefits and opportunities. The conclusions of the aforementioned project show that the risks to which the business lines would be subjected are classified as low and very low and are also expected to materialise slowly and in the future.
Extreme Climate Phenomena and Environmental Disasters	Climate change is generating associated phenomena such as increasing the occurrence and intensity of adverse weather events (floods, storms, etc.). On the other hand, a greater incidence of environmental catastrophes caused by nature itself (tidal waves, earthquakes, etc.), or by humans (industrial discharges, air and/or radioactive pollution, etc.) has a considerable impact on business activity.	Incidents in distribution networks and generation plants motivated by the occurrence of adverse meteorological phenomena. Environmental sanctions derived from the potential provocation of environmental catastrophes in the operation of power plants or the distribution network (fires, radioactive emissions).	ENDESA has environmental management systems for all its generation and distribution assets, certified by ISO 14001 and aimed at promoting excellence in environmental management and going beyond the requirements established in environmental legislation. On the other hand, the Company participates actively and continuously over time both in national and international initiatives and in the development of studies and projects in order to deepen the evaluation of the impacts of climate change on the infrastructure elements that allow it to establish adaptation measures to minimise risks. Additionally, it prepares its facilities for possible eventualities derived from extreme climatic phenomena and environmental catastrophes. In this regard, among other actions, in 2018 the deployment of emergency plans for hydroelectric dams was completed.

Risk	Description	Potential Impact on ENDESA	Main Management and Mitigation Measures
			ENDESA has environmental liability and civil liability insurance to deal with potential breaches of environmental regulations and cover claims arising from damage to third parties.
Cybersecurity	The digital transformation entails greater exposure to potential cyber attacks that may jeopardise the security of computer systems and databases with sensitive information.	Economic losses and reputational impacts that arise in the event that ENDESA's information systems are affected by a cyberattack. Likewise, the Company's critical infrastructure could also be exposed to such attacks that could have a serious impact on the essential services they provide (e.g. nuclear power plants). The danger of fraudulent impersonation in the commercial activity is increasing and it is necessary to take the security measures and protection of the personal data of the customers.	ENDESA has a cybersecurity strategy that is aligned with international standards and government initiatives. As part of this strategy ENDESA carries out a process of evaluation of the main risks and identification of vulnerabilities, as well as an exhaustive digital surveillance through which it analyses the information and implements corrective actions to mitigate risks. Additionally, it deploys training and awareness actions in the use of digital technologies among its employees, both in the professional and private spheres, to mitigate risks.
Inequality and Social Instability	There is a worldwide increase in inequality that, in the case of Spain and Portugal, is accentuated by high levels of unemployment. Likewise, the social instability caused by the lack of leadership and the weakness of representative democracy, together with an increased capacity by people to organise themselves and increase their demands on governments and companies, are contributing to a strengthening of civil society.	Social instability and the strengthening of civil society are causing further questioning of the activities of the company, which needs to increase the intensity of its communication and develop more participatory relationship models with society.	ENDESA is developing different actions to facilitate access to energy for vulnerable groups. ENDESA has signed 272 agreements in force, of which 6 are with Autonomous Communities and 5 with Federations of Municipalities and it maintains contact with 537 municipalities. In addition, the Company is implementing a methodology for creating shared value in the surroundings of its local operations in order to ensure that it produces a positive impact on local communities, contributing to respond to the challenges that these communities face, which include unemployment and inequality and the ensuing social instability.
Loss of Biodiversity	Due to the increased demographic pressure and human activity, characterised by high consumption of natural resources, a loss of the biodiversity of ecosystems is being produced.	Increased environmental requirements for the development of new electricity generation and distribution projects.	ENDESA within its Biodiversity Conservation Plan, develops projects for the protection, conservation and enhancement of Biodiversity, promotes the increase of its scientific knowledge, seeks synergies that help its conservation and develops tools that help to understand the interaction of biodiversity with the activity it develops.
Shortage of Water Resources	The demographic explosion and the consumption patterns of today's society entails a greater pressure on those natural resources that have to supply the needs of the population, especially water	Restrictions on the use or availability of water for electricity generation.	ENDESA incorporates into its environmental management systems actions aimed at promoting efficiency in the consumption of water resources.
Structural unemployment	Different factors such as population growth, the impact of automation, cyclical economic crises, the seasonality of employment or the lack of adaptation of the industrial fabric to the new competitive conditions determine that high levels of unemployment are continuously maintained.	Less economic activity that has an impact on lower energy demand and value-added products and services and greater volume of customers in vulnerable economic situations, with difficulties in dealing with the electricity bill.	ENDESA has a fair transition plan through a methodology for creating shared value in the environment of its local operations where employment for its workers is guaranteed. In 2019, ENDESA allocated more than €3.1 million according to the LBG methodology, in projects aimed at creating economic fabric in the communities, improving employability and creating jobs. In addition, ENDESA incorporates sustainability criteria in its tenders, among which, in general, it prioritises the supplier/contractor to employ local workers. ENDESA establishes agreements with the Public Administration to avoid the supply cut of vulnerable customers and thus reduce the risk of default. In addition, ENDESA has a series of rates according to the economic situation of the different groups

Risk	Description	Potential Impact on ENDESA	Main Management and Mitigation Measures
			(PVPC, Small Consumer Sale Price) as well as the management of the Bono Social discount rate for those with vulnerable economies.
Corruption	The existence of corruption is an obstacle to economic development, represents a greater unpredictability and risk for the development of economic activity	Greater difficulty in developing the activity, impact on the general perception of country risk that may affect access to financing.	The management and mitigation measures for this risk are described in point 2 of this section and in greater detail in the section Fight against corruption and bribery of this document.
Health and Occupational Safety	Occupational health and safety aspects are critical. The type of industrial activity carried out can determine a greater exposure to this type of risk	Occurrence of accidents with an impact on the health of workers.	ENDESA gives absolute priority to the health and safety of its employees, so this issue is closely followed by Senior Management that meets at least monthly to analyse the evolution of the indicators and take appropriate measures before potential deviations. In addition, performance in this area is one of the indicators that determines the variable remuneration of Senior Management. ENDESA has a management policy and associated procedures such as the ENDESA and Business Occupational Health and Safety Management System and its corresponding Operating Rules in Technical Instructions. In addition, Strategic Health and Safety Plans have been established in the medium term with annual renewals or as a result of an abnormal concentration of accident rate. Within ENDESA, as stipulated by Law 31/1995 on Occupational Risk Prevention and regulations that develops it, the prevention and protection service has been organised with the "JOINT PREVENTION SERVICE" figure with a series of tasks to be developed.
Political conflicts and extremism	The geopolitical situation in certain countries, political polarisation and extremist religious movements are causing an increase in terrorist attacks in developed countries.	Increase of the risk on the security of infrastructures in general and with greater intensity in the critical infrastructures that can potentially be the object of terrorist attacks, such as nuclear power plants and reduction of income due to the economic slowdown derived from the uncertainty generated by political polarisation.	ENDESA has security policies that guarantee the implementation of the physical, technical and organisational measures necessary for the protection of people, infrastructure and information systems, in line with the identified risks and the threat assessment; all in accordance with private security regulations and in compliance with the legal and regulatory provisions related to the protection of critical infrastructure and essential services, and in permanent cooperation with the competent authorities in matters of public safety.

RESPECT FOR HUMAN RIGHTS

1. ENDESA Human Rights Policy

ENDESA has a permanent commitment to respect and promote human rights. This commitment is reflected in its corporate policies and is manifested through its adherence to the United Nations Global Compact, which incorporates support and respect for the protection of human rights and non-complicity in its violation within its first two principles. Likewise, ENDESA has historically developed pioneering activities to ensure respect for human rights in its activities and those of its supply chain, continuously developing processes to identify risks and potential human rights impacts.

Following the approval of the Guiding Principles of Business and Human Rights by the United Nations, ENDESA decided to formally adapt its historical commitment to respect and promote human rights to this new framework, integrating it into the management of business activity.

In this way, the Board of Directors of ENDESA, S.A. approved in 2013 the human rights policy, thus following the recommendations established by the Guiding Principles. This policy includes ENDESA's commitment and responsibilities in relation to all human rights, and especially those that affect its business activity and the operations developed by ENDESA employees, both managers and employees. It also promotes the adherence of its contractors, suppliers and business partners to the same principles, paying particular attention to conflict and high-risk situations.

The policy identifies 8 principles framed in two broad areas, such as labour practices and communities and societies:

Labour practices:

- Freedom of association and collective bargaining.
- Rejection of forced or compulsory labour and child labour.
- Respect for diversity and non-discrimination.
- Occupational Health & Safety.
- Fair and favourable working conditions.

Communities and Societies:

- Respect for the rights of communities.
- Integrity: zero tolerance for corruption.
- Privacy and communications.

The policy is available at https://www.ENDESA.com/content/dam/ENDESA-com/home/sostenibilidad/plandesostenibilidad/documentos/pol%C3%ADtica-de-derechos-humanos/Pol%C3%ADtica- Human-Rights-ENDESAES.pdf .

2. The Due Diligence Process.

In order to apply the commitments contained in the human rights policy, and following the recommendations of the Guiding Principles, ENDESA undertakes to establish adequate due diligence processes that guarantee its implementation and monitoring, evaluating the possible impacts and risks existing in matters of human rights and establishing measures for their mitigation.

Therefore, during 2017 ENDESA carried out a due diligence process through which it assessed the level of compliance with its policy and the Guiding Principles. This process covered all of its business activity in Spain, including electricity generation, distribution and marketing activities, as well as supply chain management, asset purchase processes and corporate functions.

This process was developed based on a first identification of the country risk level, a subsequent evaluation of the real and potential impacts of ENDESA's activity on human rights and, finally, the design of an action plan.

Given the relevance that this issue has for ENDESA, the entire process was presented to the Audit and Compliance Committee (CAC) on 29 January 2018 to report the main results of the Due Diligence and the action plan designed, for the purpose of Follow up on an annual basis. Also, at the session on 28 January 2019, the CAC was informed of the actions carried out in 2018 to comply with the aforementioned action plan. In the year 2019, 100% of the actions of the action plan resulting from the Due Diligence were completed, and the CAC was informed again in its February 2020 session.

One of the improvements included in the action plan has been to proceed with the periodic execution of Due Diligence to ensure that there is a permanent review of ENDESA's activity to ensure a level of excellence in compliance with the Human Rights Policy and Guiding Principles This periodicity has been set at 3 years to allow time for, once identified possible deficiencies, the appropriate corrective measures are established. Therefore, having conducted the first Due Diligence in 2017, a new Due Diligence will be carried out throughout 2020. The results included in the following points refer to the analysis carried out in 2017 and the actions carried out to cover the identified deficiencies were carried out between 2018 and 2019.

2.1. Country Risk Level Identification.

In order to know the context in which ENDESA operates in the field of human rights and identify those issues that, due to regulatory and social conditions, could pose a higher level of starting risk, ENDESA conducted a consultation in 2017 to more than 50 experts from different fields such as: United Nations, civil society, academic institutions, citizenship, customers and supply chain.

This consultation allowed the Company to classify each of the principles included in the human rights policy according to the level of risk of non-compliance in Spain (marked mainly by the level of development of current legislation and the social context of the country), where the Company operates.

2.2 Impact Evaluation of the Business Activity of ENDESA. Aspects and mechanisms for risk management

The objective of the second phase of the process was to carry out an analysis of the ENDESA value creation chain in order to identify real and potential impacts of the Company on each of the aspects included in the human rights policy and in the applicable Guiding Principles. To do this, it acted on two levels:

- Conduct in-depth interviews with Senior Management and the CEO in order to analyse the "state of the art" of integrating respect for human rights in the daily management of the company, thus identifying potential risks and opportunities.
- Internal evaluation of the company's policies, procedures, systems and practices in each of the business and management areas, based on the analysis of more than 130 indicators that measure performance in the different aspects of human rights related to management business.

This analysis made it possible to verify that ENDESA already had a set of very robust management mechanisms and systems in place at the time of the due diligence process, enabling it to guarantee respect for human rights and properly manage existing risks. In this regard, the main results and existing management mechanisms identified in 2017 are summarised below:

Aspects		Level of Management and Maturity in ENDESA	Mechanisms for Risk Management
Scope: Labour Practices			
Freedom of Association and Collective Bargaining		Robust	More than 90% of the workforce covered by collective agreements agreed with the different trade union organisations and adjusted to the treaties in force of the International Labor Organization (ILO) ratified by Spain. The functioning of these organisations and the right to union action are expressly included in the collective agreements.
Rejection of Forced or Compulsory Labour and Child Labour		Robust	The management systems and procedures of People and Organisation guarantee the absence of minors in the workforce. The youngest employee at the time of the due diligence was 22 years old. As at 31/12/2019 the youngest employee was 22 years old. The conditions of hiring employees are clearly detailed in the contract itself and collective agreements regulate the performance of overtime, there being a commitment to their remuneration and minimisation.
Respect for Diversity and Non-Discrimination		Robust	ENDESA has a diversity and inclusion policy and action plan that establishes objectives and lines of action in four areas (gender, age, nationality and disability) in order to spread a culture that pays attention to diversity as an element of generation of value In addition, the collective agreement regulates the existing equality plan in the company.
Occupational Health and Safety (OHS)		Robust	ENDESA work centres have occupational health and safety management systems certified by the international standard OHSAS 18.001, through which appropriate measures are established to manage the risks inherent to ENDESA's industrial activity and reduce the accident ratios. In addition, the prevention of occupational hazards is integrated into the activities, processes, practices and facilities throughout all the management bodies of the company.
Fair and Favourable Working Conditions		Robust	Working conditions are regulated through collective agreements agreed with trade union organisations. In addition, the different mechanisms and procedures of People and Organisation management are aimed at promoting working conditions that exceed the requirements established by current regulations.
Scope: Communities and Society			
Respect for the Rights of the Communities	Responsible Relations with the Communities	Robust	ENDESA is currently implementing a methodology for creating shared value in the management of its local operations, through which it integrates the expectations of local communities in the management of assets and seeks solutions that generate value in the Company, thus contributing to obtaining the "*social licence*" to operate. This methodology is implemented throughout the useful life of the asset.
	Security management	Robust	ENDESA makes use of private security forces in accordance with the provisions of current regulations. Security services are provided by external personnel duly accredited and authorised by the Ministry of Interior. As part of their training, aspects of Private Security legislation, basic rights of people and human rights are included. Likewise, they undergo periodic review and evaluation processes by the State's law enforcement authorities.
	Environment	Robust	ENDESA has environmental management systems certified by ISO 14001 for 100% of its electricity generation and distribution activity. Through these systems, the

		Company establishes environmental monitoring plans and continuous improvement measures that go beyond the requirements established by current regulations.
Integrity and Ethical Conduct	Robust	ENDESA has a Code of Ethics, a Zero Tolerance Plan with Corruption and other regulations in accordance with the most advanced compliance models. In addition, among other aspects, Endesa has established specific action protocols in order to guide the actions of its employees regarding accepting and offering gifts and entertainment, and in dealings with public officials and authorities. Endesa also has a crime prevention model that complies with the regulations applicable to the group regarding corporate criminal liability. This model was certified in 2017 under the UNE 19601 standard: 2017. Finally, since 2017 the Company has a legal and anti-bribery compliance policy, as well as an anti-bribery management system certified by the UNE-ISO 37.001-2017 standard.

During the due diligence process, the extension of the commitment to human rights throughout the entire value chain, including the supply chain and responsible customer relations, was also analysed. The main mechanisms for the management of both aspects are detailed below:

Appearance	**Management Mechanisms**
	Supply Chain
Supplier and Contractor Management	The general contracting terms and conditions include obligations for suppliers and contractors in relation to respect for human rights during the provision of the service contracted by ENDESA. Likewise, since 2017 the supplier qualification process includes criteria for the evaluation of human rights for the families of suppliers with higher risks. If necessary, audits and on-site visits are planned, as well as the establishment of improvement plans by suppliers and, if appropriate, the loss of qualification and the possible suspension of the contract.
Fuel Provision	The electricity sector must be supplied with fossil fuels whose origin is, in many cases, from countries where there are less stable legal frameworks and with a higher risk of breach of human rights. Therefore, ENDESA systematically performs a counterpart analysis prior to contracting such services. This analysis allows identifying relevant controversies that may entail legal and reputational risks for the Company and incorporates elements related to human rights. Likewise, during the last few years there has been a lot of pressure on the part of Civil Society and investors regarding coal mining, transferring this pressure to the electrical companies (especially the European ones) that use this fuel for the operation of their thermal power stations. Although ENDESA has announced the abandonment of its mainland coal activity in 2022 and has already requested the closure of all its mainland coal plants and Groups 1 and 2 of the Alcudia thermal power plant, still and as part of the ENEL Group, it is part of the Bettercoal initiative. Promoted by a group of European electricity companies, this global initiative aims to promote the continuous improvement of corporate responsibility in the coal supply chain, including human rights as one of its main elements. Thus, mining companies must adopt the Bettercoal code and implement a set of good practices and undergo continuous evaluation and improvement processes. For more details see the Supply Chain section of this report.
	Responsible Relations with the Customer
Privacy and Communications	ENDESA has a system certified by AENOR for the treatment of commercial and Customer Service advisors that is based on a specific ethical code aimed at ensuring that the commercial activity complies with current legislation, respects private life, guarantees the protection of minors and respect those who do not want commercial information. Regarding the protection of personal data, ENDESA has the appropriate monitoring and review systems and mechanisms to comply with the Organic Law on Data Protection. With regard to advertising communications there is an internal control system that seeks to minimise risks and avoid messages that may threaten human dignity or human rights.
Access to Energy for Vulnerable Customers	ENDESA recognises the essential role that access to energy constitutes to guarantee the fulfilment of human rights, since it is directly related to the well-being of people and their quality of life. In this sense, the States have the main responsibility of guaranteeing sustainable, safe and affordable access to basic energy services. However, the electricity sector can contribute to this end and thus promote social and economic development that is inclusive and sustainable. In this context, ENDESA is aware of the serious problem of the inability to deal with the energy bill in many Spanish homes and, therefore, the Company has pioneered the signing of agreements with the Public Administration to guarantee the supply to the vulnerable customers. In addition, the Company develops different actions aimed at promoting energy efficiency and saving the electricity bill of this type of groups.

3. Opportunities for Improvement and Action Plan.

During the process of evaluating compliance with human rights policy and its alignment with the Guiding Principles, a set of improvement opportunities were identified to strengthen the Company's commitment to respect for human rights in the performance of its industrial activity. and commercial.

Thus, these opportunities for improvement are classified into four areas: reinforce and disseminate ENDESA's commitment to human rights; promote the integration of human rights in business activity among employees; strengthen relations with local communities; and extend commitment and control to the value chain.

To respond to these four areas of action, an action plan was defined containing 27 actions, the development of which was planned for 2018 and subsequent years and whose follow-up is submitted to the Board of Directors of ENDESA, S.A. through the Audit and Compliance Committee (CAC).

The main improvement opportunities identified and the actions carried out in the action plan that were presented in detail to the Audit and Compliance Committee (CAC) of 28 January 2019 are detailed below. In the table it can be verified that as of 31 December 2019 a degree of achievement of 100% has already been reached.

Scope of Improvement	Main Actions	Status as at 31/12/2019
Strengthen and disseminate ENDESA's commitment to human rights, both to employees and to external stakeholders.	• Inclusion of a reference to the commitment to Human Rights and due diligence in public documentation related to the policy and management of nuclear assets • External dissemination of ENDESA's commitment to human rights and the actions being carried out.	• Added text explaining the commitment to Human Rights and due diligence in specific nuclear section. • Communication of Human Rights policy and intense communication campaign between September and December through the intranet.
Promote the integration of human rights in ENDESA's business activity among employees.	• Training on human rights to ENDESA staff. • Promotion of diversity and inclusion programmes and promotion of the improvement of diversity ratios. • Improvement of safety ratios (frequency, severity and fatal accidents).	• Launch of an internet course for all employees in December 2018. • Improvement objectives already included in the 2019-2021 PES and in the 2020-2022 PES. • Improvement objectives included in the 2019-2021 PES and in the 2020-2022 PES.
Strengthen relations with local communities.	• Continuation of the implementation of mechanisms and actions for the management of relations with local communities in the activities of electricity generation and distribution.	• Implementation of Shared Value Creation methodology in thermal and renewable assets in O&M and adjustment of the methodology for generation and distribution to put more focus on Human Rights.
Extend commitment and control to the value chain.	• Analysis of the feasibility of including Human Rights criteria in the vendor rating process • Continuation of the extension of the evaluation criteria in human rights to the asset purchase processes.	• Criteria included. Pilot made in early 2019. • Extended to asset purchase operations (Ceuta Distributor).

Additionally, other relevant actions have also been developed within the due diligence action plan:

- Extension of the information collected in the Sustainability Report.
- Promotion of measures to avoid discriminatory attitudes during the selection process (inclusive language in publications, at least one woman in the finalists, exhaustive reporting of the percentage of women in all phases of the selection process, etc.).
- Awareness-raising among managers about the company's commitment to minimising the number of overtime hours.
- Inclusion of Human Rights criteria in the evaluation process (vendor rating) of suppliers.
- Inclusion of Human Rights aspects in the sustainability questionnaire made to contractors.

- New counterpart evaluation procedure with a focus on Human Rights in coal suppliers.
- Communication and dissemination of the ethics channel to suppliers and contractors.
- The emergency plan for hydraulic dams has been deployed in 100% of assets.
- Incorporated a focus on Human Rights in the focus groups carried out with NGOs to prepare the materiality analysis.

4. Complaint and Claim Mechanisms.

ENDESA's human rights policy provides that when any person related to ENDESA, whether an employee or an external person, considers that there is a situation contrary to what is stated in the policy itself, they may inform the Audit Function of the business.

In the treatment of these communications, the Audit Function will act to protect the informants from any form of retaliation, being understood as such, any act that may give rise to the mere suspicion that the person in question may be subject to any form of discrimination or penalty. In addition, the confidentiality of the identity of the informants is guaranteed, unless otherwise stipulated in the applicable legislation.

On the other hand, for those issues related to the workplace, ENDESA has the necessary mechanisms to establish a continuous dialogue with the different trade union organisations through which they can transmit complaints or claims to the company. Likewise, through the strategic positioning of Open Power, ENDESA seeks to establish an increasingly continuous and close dialogue with civil society organisations through which complaints or suggestions on issues related to human rights can also be received. In this regard, it is worth mentioning the existence of a sustainability mailbox (sustainability@endesa.es) through which any stakeholder can contact the company.

In any case where, based on a communication of this type, it is determined that there has been a breach of the principles set forth in this Policy, the corresponding procedure provided in the Code of Ethics will apply. Likewise, ENDESA is committed to developing the appropriate remediation mechanisms, without prejudice to allowing access to other judicial and non-judicial mechanisms that may exist.

Additionally, within the Due Diligence Action Plan, a specific channel (sustainability_csv@ENEL.com) has been created to facilitate the reception of doubts, complaints or clarifications for all assets and projects. Information on the existence of this channel is available, in addition to the usual ENDESA communication channels, in the information panels (panel sites) located in all facilities.

4.1. Complaints for cases of violation of human rights. Cases of discrimination and corrective actions taken

In 2019 there were 2 complaints on issues related to human rights (mobbing or corporate climate and people management and organisation), in 2018 we had 3 complaints on issues related to human rights.

One of them has been referred to a specialist for management, since the protocol has been established, and in none of them has non-compliance been verified.

CORPORATE GOVERNANCE

1. Diversity of Competencies and Points of View of the Members of the Administration, Management and Supervisory Bodies by Age, Gender and Educational and Professional Background.

1.1. Composition of the Highest Governing Body.

COMPOSITION OF THE ENDESA BOARD OF DIRECTORS ON 31-12-2019			
Board position	**Name or company name with director**	**Category of Director**	**Date of first appointment**
Chairman	Mr Juan Sánchez-Calero Guilarte	Independent	12-Apr-19
Vice Chairman	Mr Francesco Starace	Proprietary	16-Jun-14
CEO	Mr José D. Bogas Gálvez	Executive	7-Oct-14
Director	Mr Miquel Roca Junyent	Independent	25-Jun-09
Director	Mr Alejandro Echevarría Busquet	Independent	25-Jun-09
Director	Mr Antonio Cammisecra	Proprietary	27-Sep-19
Director	Mr Alberto de Paoli	Proprietary	4-Nov-14
Director	Ms Helena Revoredo Delvecchio*	Independent	4-Nov-14
Director	Mr Ignacio Garralda Ruíz de Velasco	Independent	27-Apr-15
Director	Mr Francisco de Lacerda	Independent	27-Apr-15
Director	Ms Maria Patrizia Grieco	Proprietary	26-Apr-17
Secretary	Mr Borja Acha Besga	-	1-Aug-15

*Ms Helena Revoredo ceased in her duties as a company director on 15 January 2020.

DIRECTORS	QUALITIES AND SKILLS							DIVERSITY			
	Finance and Risks	Engineering	Legal	Management	Strategy	ICT	Human resources	Years in office	Nationality	Gender	Age
Juan Sanchez-Calero Guilarte			✓	✓	✓			1	SP	M	62
Francesco Starace	✓	✓		✓	✓			5	IT	M	64
José Bogas Gálvez	✓	✓		✓	✓			5	SP	M	64
Alberto De Paoli	✓			✓	✓			5	IT	M	54
Miquel Roca Junyent	✓		✓	✓	✓		✓	10	SP	M	79
Alejandro Echevarría Busquet	✓			✓	✓			10	SP	M	77
Maria Patrizia Grieco	✓		✓	✓	✓	✓		2	IT	W	67
Antonio Cammisecra	✓	✓		✓	✓			1	IT	M	49
Helena Revoredo Delvecchio	✓			✓	✓			5	ARG	W	72
Ignacio Garralda Ruíz de Velasco	✓		✓	✓	✓			4	SP	M	68
Francisco de Lacerda	✓			✓	✓			4	PORT	M	59

1.2. Nomination and selection of the Highest Governing Body.

The Regulations of the Board of Directors, in its Article 9.- Selection, appointment, ratification and re-election of Directors, establishes that: "*The Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall approve a specific and attestable policy for selecting candidates for the office of director, ensuring that the proposed appointments of directors are based on a previous analysis of the needs of the Board, and which favours a diversity of knowledge, experiences and gender*."

In this regard, the Board of Directors approved on 10 November 2015 a Policy for the selection of Directors (modified on 16 December 2019, in order to technically improve the content of the Policy and to adapt to the best governance practices corporate) concrete and verifiable, which seeks the integration of different professional and management experiences and competences (including those that are specific to the business developed by the Company, the economic-financial and legal), promoting, in addition, to the extent of the possible, the diversity of gender and age.

Likewise, Article 9 of the Regulations indicates that "*The proposals for the appointment, ratification or re-election of Directors made by the Board will fall on persons of recognised prestige who have the appropriate professional experience and knowledge to carry out their duties and assume a commitment of sufficient dedication for the performance of the tasks of that one.*

The General Shareholders' Meeting or, as the case may be, the Board shall be responsible for appointing Board members in accordance with the provisions set forth in the Spanish Capital Corporations Act (Ley de Sociedades de Capital) and the Articles of Association. The position of Director is waived, revocable and re-eligible.

Proposals for the appointment, ratification or reappointment of Directors made by the Board of Directors to the General Shareholders' Meeting, or as approved by the Board of Directors itself in the case of proposals for appointment, shall be made at the proposal of the Appointments and Remuneration Committee, in the case of Independent Directors, and following a report by said Committee for all other types of Directors."

1.3. Diversity in Government Bodies.

The Policy for the selection of Directors (approved on 10 November 2015, and amended on 16 December 2019, in order to technically improve the content of the Policy and the adaptation to the best corporate governance practices), bets on the Article 5 for the promotion of gender diversity*: "ENDESA understands that diversity in all its forms, at every level of its professional team, is a key component to ensuring the Company's competitiveness and also plays a key role in its corporate governance strategy that ensures a critical attitude, as well as the expression of different points of view and positions and the analysis of its strengths and weaknesses.*

For this, it ensures equal opportunities and fair treatment in the management of people at all levels, maximising the value contribution of those elements that differentiate people (gender, culture, age, abilities, nationality, etc.) within the Board of Directors, the Audit and Compliance Committee and the Appointment and Compensation Committee, taking into account the limitations presented by the smaller size of the Committees.

In this regard, the Director Selection Policy shall promote the objective of having female directors account for at least 30% of the total number of Board members by 2020.

1.4. Remuneration of Directors.

Directors shall be entitled to the following remuneration based on their condition as such: a monthly fixed salary and attendance allowances for each meeting of the governing bodies of the Company and its committees.

- "Monthly fixed allocation": the amount applied for this concept as of January 2013, which amounts to €15,600 gross, is maintained as of the date of issuance of this Report. Additionally, this item includes €1,000 gross per month for the positions of Chairman of the Audit and Compliance Committee and the Appointments and Remuneration Committee, and €2,100 gross per month for the Coordinating Director.
- "Attendance allowances" for each session of the Board of Directors, Audit and Compliance Committee and Appointments and Remuneration Committee, maintaining the amount approved by the Board on 21 January 2013 and amounting to €1,500 gross.

Detailed information on the remuneration of the Directors of the Company can be found in the documents "ENDESA Remuneration Policy" and "Annual Report on Directors' Remuneration" published on the Company's website.

The following is the average remuneration of the Directors in their capacity as such, in 2019 financial year:

	TOTAL AVERAGE		AVERAGE FOR MEN		AVERAGE FOR WOMEN	
€ thousand	2019	2018	2019	2018	2019	2018
PERMANENT	237.1	194.7	256.9	197.5	187.7	187.7
ALLOWANCE	39.9	38.4	44.7	42.9	27.7	27.0
TOTAL	277.0	233.1	301.7	240.4	215.5	214.7

The Board of Directors of ENDESA consists of 11 Directors. However, the data are calculated on the seven Directors (5 men and 2 women) who receive remuneration as such. The other 4 remaining Directors (all men) have renounced any payment as Directors in their capacity as such and that is why, in order not to distort the average, their inclusion has not been considered.

In ENDESA there is no gender gap in the remuneration of Directors, since the amounts of the remuneration items are the same for men and women. The difference of 29% in the average remuneration is due to two fundamental reasons: on the one hand, in the "fixed" concept to the fact that the positions of Chair of the Committees and Coordinating Director have an additional remuneration and in the case of ENDESA said positions are not held by any women and on the other hand, in the item "allowances" to which they are associated with belonging to the Board Committees or not and attending meetings.

FIGHT AGAINST CORRUPTION AND BRIBE

1. Material Aspects and Objectives.

1.1. List of Material Aspects.

Integrity and ethical conduct constitute fundamental pillars to guarantee the responsible management of a Company. In recent years, the ethical conduct practices of listed Companies have become subject to increasing scrutiny by markets, regulators and society in general. ENDESA's financial performance is conditioned, among other factors, to strict compliance with ethical norms and principles, both internally and externally. In this way, ethical conduct allows ENDESA to build trust between its shareholders and investors, and it becomes a brand differentiation factor that builds customer loyalty, factors that are reflected in the economic results and that contribute to consolidating the leadership position and reference ENDESA holds in the market.

In this sense, in the consultations carried out by ENDESA to its most relevant stakeholders, the following aspects related to integrity management and ethical conduct have been identified among the most relevant: integrity in the organisational model and management of good corporate behaviour, transparency in communication (financial, fiscal and sustainability) and in the relationship with institutions.

1.2. How the organisation manages material aspects - ENDESA Sustainability Plan (PES)

ENDESA, through its ENDESA Sustainability Plan and the implementation of its ethical compliance model, responds to these expectations and establishes objectives and actions aimed at this end.

The following is a summary of the level of compliance achieved in the most relevant objectives of the 2019-2021 ENDESA Sustainability Plan linked to priorities in the field of ethical conduct, as well as the new objectives established in the framework of the new 2020-2022 ENDESA Sustainability Plan.

The full detail of all the objectives in the field of integrity and ethical conduct included in the Sustainability Plans will be included in the 2019 Sustainability Report, which can be accessed at www.ENDESA.com

Compliance with the main objectives in the field of integrity and ethical conduct of the 2019-2021 ENDESA Sustainability Plan (PES)

SCOPE 2019-2021 PES	DESCRIPTION OF THE OBJECTIVE	OBJECTIVE 2019	RESULT 2019	LEVEL OF COMPLIANCE
Integrity and Ethical Conduct	Annual verification of the effectiveness of the Criminal Risk Prevention Model (% verification)	100%	100%	100%
	% employees trained in ethics in the last 3 years	97.5%	100%	100%
	Be a reference in the sector and one of the Companies best valued for their ethical, integral and faultless behaviour (DJSI score)	>95%	96%	100%
	% verifiable complaints analysed in a period not exceeding 90 days	100%	100%	100%
	Execution of the action plan to comply with the guidance of the National Securities Market Commission (CNMV) on Audit Commissions	100%	100%	100%

New objectives in the field of integrity and ethical conduct for the 2020-2022 ENDESA Sustainability Plan (PES)

SCOPE 2020-2022 PES	MAIN OBJECTIVES	OBJECTIVE 2020	OBJECTIVE 2022
Integrity and Ethical Conduct	Certification of the Criminal Risk Prevention and Anti-Bribery Model, according to UNE 19601 and UNE-ISO 37001	YES	Yes
	% employees trained in ethics in the last 3 years	100%	100%
	Be a reference in the sector and one of the Companies best valued for their ethical, complete and faultless behaviour (DJSI score in the "Codes of conduct" section)	>95%	>95%
	% verifiable complaints analysed in a period not exceeding 90 days	100%	100%
	Supervision and annual report to the Audit and Compliance Committee (CAC) of the Criminal Risk Prevention Model	YES	YES
	Due Human Rights Diligence: Supervision of the process, approval and monitoring of the action plan by the Audit and Compliance Committee.	YES	YES

2.- Policy Practiced by the Company in Corruption and Bribery Issues.

Endesa is fully committed to compliance with ethical principles and all legislation and regulations in force governing its relations with its stakeholders, and in all its activities.

The Company has a Code of Ethics, a Zero Tolerance to Corruption Plan and other regulations in accordance with the most advanced "compliance" models, which include the values, commitments and ethical responsibilities binding upon all its collaborators. In addition, among other aspects, Endesa has established specific action protocols in order to guide the actions of its employees regarding accepting and offering gifts, and in dealings with public officials and authorities.

Endesa also has a crime prevention model that complies with the regulations applicable to the group regarding corporate criminal liability. The document "General Principles for the Prevention of Criminal Risks" summarises the guiding principles of action applicable to all employees, which reflect key values of the company to achieve its business objectives and prevent the materialisation of criminal risks within the company.

The Code of Ethics, the Zero Tolerance Plan with Corruption, the General Principles for the Prevention of Criminal Risks, the Protocol of Good Practices in dealing with public officials and authorities and Corporate Integrity Protocols can be consulted on the web: https://www.ENDESA.com/es/accionistas-e-inversores/gobierno-corporativo/conducta-etica

2.1. Code of Ethics.

The Code of Ethics is composed of:

– 16 General Principles governing relations with stakeholders and defining reference values in ENDESA activities.

– Behaviour Criteria in the relations with each stakeholder, which specifically provide the guidelines and norms to which ENDESA employees must adhere to respect the general principles and to prevent the risk of unethical behaviour.

– Implementation Mechanisms, which describe the organisational structure around the Code of Ethics, responsible for ensuring the adequate knowledge, understanding and compliance of the same by all employees.

Likewise, according to the Code of Ethics, Endesa does not finance parties, their representatives or candidates in Spain or abroad, nor does it sponsor congresses or parties whose sole purpose is political propaganda.

Additionally, ENDESA refrains from any type of direct or indirect pressure on political exponents (for example, through public concessions to ENDESA, acceptance of suggestions for hiring, consultancy contracts, etc.).

2.2. Zero Tolerance Plan with Corruption.

ENDESA has a plan against corruption; the Zero Tolerance Plan with Corruption that represents the specific commitment of the Company in the fight against corruption and full rejection of any form in which it is manifested, in compliance with the tenth principle of the Global Compact, to which ENDESA adheres: "Companies are committed to fighting corruption in all its forms, including extortion and bribery."

2.3. Anti-bribery policy.

In 2017, the "Criminal and Anti-Bribery Compliance Policy" was added to the above internal regulatory instruments, which, together with those mentioned above, make up the ENDESA group's "Criminal and Anti-Bribery Compliance Management System". This is an integrated body of provisions that not only complies with Spanish legal requirements in this area, but is also sufficient to meet the expectations reasonably placed on organisations that operate with the highest levels of commitment in advanced markets, such as the ENDESA group.

ENDESA is aware that certain criminal acts that are identified under the generic name of "bribes" constitute a phenomenon that, among other effects, raises serious moral, economic and political concerns, undermines good governance, hinders development, destroys trust in institutions and interferes with the correct and efficient functioning of markets. Therefore, the Criminal Regulatory Compliance System pays special attention to the prevention, detection and adequate reaction against such strictly prohibited conduct, conveying the importance of the entire Organisation's contribution to the fight against all forms of "bribery".

The main actions that, on a permanent basis, ENDESA will develop for the effective application of the Criminal Regulatory Compliance System are:

- Risk assessment and control activities. The identification of the activities in which criminal acts can be committed is carried out in coordination with the Supervisory Committee and those responsible for the processes within the Organisation.

- Supervisory activities: Evaluation of the Criminal Regulatory Compliance System, action plans for deficiencies, response to non-compliance and information and Communication.

2.4. Criminal Risk Prevention Model.

ENDESA has a Criminal Risk Prevention and Anti-Corruption Model (hereinafter, the "Model"), which provides the Company with a control system with the objective of preventing or significantly reducing the risk of committing crimes within its business activity, in compliance with the provisions of the Criminal Code regarding criminal liability of the legal entity, a regime introduced in the Spanish legal system in 2010.

The Audit and Compliance Committee (CAC) is the body responsible for monitoring the operation and compliance of the Model and the functions performed by the Supervisory Committee, which is responsible, among other tasks, for monitoring and updating the Model. The Supervisory

Committee is composed of the Director General of Audit, the Secretary General and the Board of Directors (which is its Chairman), the Director General of Corporate Legal Advice and Compliance, the Director of Business Legal Counsel and the Director General of Human Resources and Organisation.

During 2019 the Supervisory Committee met on 3 occasions, and in these sessions the main issues related to the Criminal Risk Prevention and Anti-Corruption Model were followed, including the intervention of those responsible for different areas of the Company to inform to the Committee on relevant aspects within its purview.

At the beginning of each fiscal year, the Supervisory Committee prepares an Activities Programme in which priorities are established based on qualitative criteria based on a risk approach, for the development of which, and by virtue of the powers conferred and the required specialisation is supported by the Audit, Legal Advisory and People and Organisation General Directorates. In addition, on an annual basis, the Committee submits a report on the execution of the programme to the Audit and Compliance Committee (CAC), including details of the activities carried out and conclusions reached.

The activities carried out in 2019 include:

– The review, update and evaluation of the events of risk of commission of the crimes and of adaptation and update of its mitigating controls included in the matrix of the Model,

– Verification of the adequate effectiveness and operation of the Model by reviewing the appropriate design and operability testing of certain control activities,

– The carrying out of various training and dissemination initiatives to the Company's staff on the ethical reference and criminal prevention compliance framework in force at ENDESA.

– Review and update of the Model in order to maintain the certificates that accredit the Criminal Compliance Management System in accordance with UNE 19601:2017 and an anti-bribery Management System in accordance with UNE-ISO 37001.

From the activities carried out during the year, it is concluded that ENDESA's Criminal Risk and Anti-Corruption Prevention Model is operational in all the relevant Group Companies and is being executed effectively, being generally adequate to mitigate commission risks of the offenses established in the applicable regulations.

3. Cases of Complaints Related to Corruption and Fraud and Corrective Actions Taken.

During the year 2019, all the processes established for the correct application of the ethical code have been fully complied with by society. During 2019, ENDESA has received, either through the Ethics Channel or by other means, a total of 11 complaints of different types. Of these, 7 had to do with corruption or fraud. The investigation of all of them was closed during the same year or in January 2020.

Of the complaints related to corruption and fraud which were received and closed, 2 breaches of the Code of Ethics have been verified, which have been referred for management by a specialist, following the established protocol.

COMPLAINTS RELATED TO CORRUPTION AND FRAUD			
	2017	**2018**	**2019**
Conflicts of interest / Corruption	3	0	4
Fraud or theft against the Company. / Misuse of resources	1	1	3
Total	4	1	7

4. Measures to Fight Money Laundering.

ENDESA is not within the subjective scope of Law 10/2010, of 28 April on prevention of money laundering and terrorist financing (Article 2) and other regulations for the development of the same, or applicable EU regulations, all of this without prejudice to full respect for the legal provisions in said matter as they were applicable in ENDESA commercial trade.

Notwithstanding the foregoing, the ENDESA Criminal Risk and Anti-Corruption Prevention Model, which constitutes a structured and organic system of surveillance and control procedures and activities suitable for preventing the commission of crimes, expressly establishes the crime under its scope of application money laundering, which is considered adequate and sufficient measure to prevent the commission of such criminal offences, in response to ENDESA's activity. The ENDESA Model includes 24 specific control activities against the risk of money laundering, in different Group Companies.

As a key element of the Model, ENDESA promotes a culture of compliance through the training of employees in this area. Accordingly, the Company has launched an online course on the Model, whose content deals with the crimes under the Spanish Criminal Code that involve criminal responsibility for the legal entity, with a focus on those that are applicable in the context of ENDESA, among which money laundering is considered.

The aforementioned Model has, since October 2017, with the UNE-19601/2017 certification referred to "Compliance Management Systems", as well as with the UNE-ISO 37001/2017 certification referred to "*Anti-bribery Management Systems*" that has been renewed for the years 2018 and 2019.
Additionally, there are policies and procedures that regulate certain processes of the Company that could have risks related to money laundering.

ENVIRONMENTAL SUSTAINABILITY

1. Material Aspects and Objectives.

1.1. List of Material Aspects.

In 2019 ENDESA has identified the decarbonisation of the energy mix and the minimisation of environmental impacts as the most relevant environmental issues for the promotion of a sustainable business model and, therefore, on which the Company must continue moving forward in order to meet with the expectations expressed by the stakeholders in the consultations carried out in the framework of the 2019 materiality study.

ENDESA, aware of its role in the fight against climate change and its ability to contribute to a low carbon economy, places among its priorities the progressive reduction of greenhouse gas (GHG) emissions associated with the generation of electric energy, through a greater role of renewable energy and optimising the management of traditional technologies. All this without losing sight of the public commitment to achieve the decarbonisation of the energy mix in 2050, which will be achieved following the roadmap set for the new update of the 2020-2022 Strategic Plan, which entails an increase in the level of ambition of the intermediate commitments of this road map.

The care of the environment and the minimisation of environmental impacts have become one of the main shaping factors of the state of opinion regarding the Companies in the sector. Likewise, the regulations have intensified significantly, which has led to an increase in the level of demand required of companies in their performance to minimise their environmental footprint. In this sense, ENDESA, always committed to excellence in environmental management, continues to assume among its environmental priorities aspects such as the improvement of air quality, the efficient use of energy and the promotion of responsible consumption of water resources.

1.2. How the organisation manages the material aspects - ENDESA Sustainability Plan (PES).

ENDESA incorporates the material aspects detected in its sustainability plans, and establishes quantitative objectives aimed at promoting excellence in their management, thus allowing assessment of the level of commitment and performance achieved.

In this regard, the level of compliance achieved in the most relevant objectives of the 2019-2021 ENDESA Sustainability Plan (PES) linked to the described environmental priorities is summarised below, as well as the new objectives established in the framework of the new 2020-2022 ENDESA Sustainability Plan (PES).

The full detail of all the environmental objectives included in the Sustainability Plans will be collected in the 2019 Sustainability Report, which can be accessed at www.ENDESA.com

Compliance with the environmental objectives of the 2019-2021 ENDESA Sustainability Plan (PES)

SCOPE 2019-2021 PES	DESCRIPTION OF THE OBJECTIVE	OBJECTIVE 2019	RESULT 2019	LEVEL OF COMPLIANCE
Decarbonisation Energy Mix	Absolute emissions of CO_2 (Millions of tonCO_2)	27.95	17.31	100%
	Specific emissions of CO_2 (kg/kWh)	0.382	0.282	100%
	Free production of CO_2 (%)	52%	59%	100%
Reduction of Environmental Impact	Reduction of specific SO_2 emissions (g/KWh)	0.61	0.43	100%
	Reduction of specific NOx emissions (g/kWh)	0.93	0.94	99%
	Reduction of specific emissions of particles (g/kWh)	0.02	0.02	100%
	Specific water consumption in generation (m^3/MWh)	0.50	0.37	100%

New environmental objectives for the 2020-2022 ENDESA Sustainability Plan (PES).

SCOPE 2020-2022 PES	MAIN OBJECTIVES	OBJECTIVE 2020	OBJECTIVE 2022
Decarbonisation of the Energy Mix	Absolute emissions of CO_2 (Millions of tonCO_2)	18.29	10.96
	Specific emissions of CO_2 (kg/kWh)	0.277	0.172
	Free production of CO_2 (%)	60%	69%
Reduction of Environmental Impacts	Reduction of specific SO2 emissions (g/kWh)	0.33	0.23
	Reduction of specific NOx emissions (g/kWh)	0.91	0.78
	Reduction of specific emissions of particles (g/kWh)	0.015	0.013
	Specific water consumption in generation (m3/MWh)	0.40	0.34

2. Environmental Policy

ENDESA considers environmental excellence to be a fundamental value of its business culture, and in January 2020 its Board of Directors approved an update of its Environmental Policy, the first version of which dates back to 1998, to adapt it to the current context and the demands of its commitment to combating global warming. ENDESA carries on its activities respecting the environment and in accordance with the principles of sustainable development, and is firmly committed to the conservation and sustainable use of resources in line with the principles of the circular economy.

In fulfilling its environmental commitments, ENDESA identifies, evaluates and manages the environmental aspects and impacts deriving from its activities, striving to minimise the negative and maximise the positive effects by applying the following basic principles of action, which constitute the foundations of its Environmental Policy:

- Integration of environmental management, the focus on the circular economy and the concept of sustainable development into the Company's corporate strategy, using environmental criteria documented in the planning and decision-making processes and in the processes for studying new business opportunities, mergers or acquisitions.

- Permanent monitoring, at all locations, of compliance with the legislation in force and with the voluntary agreements acquired, and regular reviews of its plants' environmental performance and safety, reporting on the results obtained.

- Establishing appropriate management systems to achieve excellence, based on continuous improvement, aimed at preventing pollution and ensuring compliance with applicable environmental legislation in the centres, and with the management standards adopted.
- Sustainable use of energy and water resources and raw materials, and the measurement and reduction of the environmental impact by applying the best techniques and practices available, promoting innovation and establishing actions aimed at combating climate change.

- Protection, preservation and promotion of biodiversity, ecosystems and its services in operations relating to its business, focusing on the goal of No Net Loss of Biodiversity.

- Contribution to the fight against climate change through progressive decarbonisation of the energy mix, promoting the development of renewable energies, energy efficiency and the application of new technologies and also offering solutions for a gradual electrification of society.

- Raising awareness of and sensitivity to environmental protection issues, through internal and external training programmes and collaboration with public-sector authorities, institutions and citizens' associations in all areas in which it is active.

- Establishing a constructive dialogue and adopting a collaborative attitude with public administrations, official bodies, shareholders, customers, local communities and other stakeholders, and taking into account their expectations, relevant issues and, in short, the environmental challenges that is facing the society in which the company acts when defining its business strategies, guiding them to respond to these challenges.

- Requiring its contractors and suppliers to implement environmental policies based on these same principles that cover all processes throughout their value chain.

3. Business model: Combating climate change.

Global warming has already increased by 1°C compared to pre-industrial levels, and is likely to exceed 1.5°C between 2030 and 2050 if it continues to grow at the current rate, according to estimates by the Intergovernmental Group of Experts on Change Climate (IPCC), something that would have catastrophic consequences for the planet and threaten civilisation as we know it. However, despite this negative message, science is keeping an open door to hope, and this same group in its special report at the end of 2018 states that a world with a temperature increase limited to 1.5°C is still possible, although a radical and urgent transformation of all economic systems on an unprecedented scale is necessary to achieve this.

To address this challenge requires the proactive collaboration of all stakeholders, including governments, businesses, financial institutions and civil society. In this context, the role of the business sector is essential, since it is responsible for most global emissions, while having a unique ability to develop innovative solutions to reduce them on a large scale. In particular, the electricity sector can contribute proactively by promoting not only the reduction of GHG emissions in the electricity production process, but also supporting the decarbonisation of other industries and services by promoting the electrification of energy demand.

For ENDESA, the fight against climate change is one of the biggest challenges that companies must face in their most immediate future, and it has joined that momentum taken by the energy sector in full awareness of its leading role.

ENDESA is part of a leadership context in the fight against global warming by the European Union, and proof of this has been its leading role in the United Nations Conference on Climate Change (COP 25) held in Madrid on 2-13 December 2019 under the presidency of Chile, which had as a central theme of work to address the need to increase the ambition in terms of mitigation of limiting the increase in global temperature to below 1.5°C, which means achieving climate neutrality by 2050, to which ENDESA is contributing through its goal of zero emissions.

ENDESA has been one of the main sponsors of this and has actively participated in the climate change event by regularly following the negotiations and presenting its vision and experience in several events that it has organised and others in which it has actively participated, both on the COP site and at its headquarters in Madrid, addressing such necessary issues as the fair transition, the circular economy, the decarbonisation of isolated electrical systems, emission offsetting projects such as the ENDESA Forest, or the financing of the sector.

Decarbonisation is the main challenge facing ENDESA in the coming years. The conclusions of the materiality analysis carried out in 2019 confirm the relevance of this aspect for its stakeholders, as well as the need that they convey for the Company to make an important commitment in this regard. All this is specified in the responsible management of issues related to climate change in order to establish an industrial plan and a subsequent sustainability plan that respond to this aspect, making a commitment to a new sustainable energy model, based on the electrification of demand, since this is the most efficient energy vector, and based on renewable energy.

The ENDESA Strategic Plan aims to consolidate its leadership position in the markets in which it operates taking into account the impact of climate change on the energy business model, and the transition to a new energy ecosystem, reducing the risks it represents for its business and maximising the opportunities that this transition and this new ecosystem are going to offer. This plan is formalised through highly ambitious objectives that contribute significantly to the fight against climate change and involve the alignment of the company with the objectives of the Paris Agreement and with the latest findings of science. Proof of this is the commitment to decarbonisation of its energy mix with a sustainable approach in which it contributes to SDGs 7 (Affordable and non-polluting energy) and 13 (Climate Action) establishing an ambitious goal of 100% decarbonisation of the generation mix in the year 2050 with intermediate milestones, reaching a 70% reduction in specific CO_2 emissions by 2030 compared to 2017.

In the 2020-2022 Strategic Plan, presented on 27 November 2019, ENDESA increases its ambition and establishes the objective of increasing by more than 38% the capacity installed in renewables in 2022 with an associated investment of €3.8 billion, as well as the commitment to work in a smooth transition towards decarbonisation, guaranteeing security of supply, avoiding new inefficient investments in fossil fuels and putting dates on a road map of 99% reduction in coal activity by 2022 and a complete cessation of its activity in the year 2030. In order to achieve it, steps were already taken in 2019, such as the closure of the Alcudia 1 and 2 facilities, the commitment to close Compostilla and Teruel by 30 June 2020 and the closure request submitted to the currently-entitled Ministry for the Ecological Transition and the Demographic Challenge on 27 December 2019 for the As Pontes and Litoral plants 1.

ENDESA is committed to contributing to the transition being fair and the creation of sustainable and decent jobs. A zero-emission economic system in the second half of the current century, as foreseen in the Paris Agreement, will require major technological, social and economic transformations. For this reason there needs to be a fair transition, in which jobs are sustainable and decent, greenhouse gas emissions can be neutral, poverty is eliminated and communities are prosperous and resilient.

[1]The company reserves the right to withdraw this application, either wholly or in part, in the event that, as a result of additional combustion tests to be conducted with different fuel mixtures in the coming months at both the As Pontes and Carboneras plants, the results vary and guarantee the viability of the plants.

ENDESA is fully convinced that decarbonisation is a real opportunity for society as a whole, but it is essential that the transition be understood by all as a benefit, and not as a change that will be beneficial to some and harmful to others. Therefore, forward-looking policies need to be developed to take advantage of these opportunities and ensure a fair transition for all, leaving no one behind. Collaboration between governments, the private sector, civil society and other stakeholders will be essential to achieve the climate objectives set out in the Paris Agreement following an inclusive approach.

In this context, ENDESA has demonstrated its commitment by signing in September 2019 its adherence to the United Nations commitment in the area of Fair Transition under the "Climate Action for Work" initiative that Spain leads together with Peru and entities such as the ILO.

ENDESA has been working to implement an inclusive energy transition, and to that end it accompanies its requests to close with voluntary projects with actions to mitigate the impact caused by the decrease in activity, aimed at promoting the development of economic activities and generation of employment in the areas where the plants are located.

Transport emissions in Spain have increased by almost 50% since 1990. The transport sector is one of the main sources of carbon dioxide (CO2) emissions in the Spanish economy, accounting for about 27% of national emissions, according to the National Inventory Report of Greenhouse Gas Emissions for the year 2018 published in January 2020 by the Ministry for Ecological Transition and the Demographic Challenge. That is why one of the basic objectives of the future Law on Climate Change and Energy Transition will be to promote a policy of sustainable mobility and transport. From this we can deduce that the fundamental challenge of developed societies, in terms of mobility, is to evolve towards low-carbon economic models and reduce pollution, mainly in cities. ENDESA aspires to lead the response to this challenge through the promotion of electrification of energy demand and efficient consumption, developing plans and programmes aimed at promoting electric mobility, smart grids and energy efficiency.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE

ENDESA has been considering the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) since the appearance of the final report in June 2017 when reporting its climate change management. However, given the importance that this initiative has taken, to the point of becoming a benchmark for investors, institutions and society in general, ENDESA has decided to incorporate in this non-financial information statement the following sections, which follow the structure of core elements contained in the final report of recommendations, to detail in a more clearly identifiable way how it is responding satisfactorily to the recommendations of the TCFD.

Governance

The energy sector, which is partly responsible for climate change, will also be affected by its incidence, since its consequences will impact the entire value chain, from generation to distribution. For this reason, ENDESA integrates this vision not only as an element in its environmental (and climate) management policy but as a component with weight in its decision-making at the business level and determination of its strategies, which means that decisions are taken at the highest levels of management.

ENDESA establishes its strategic plans taking into account geopolitical, regulatory and technological macro-trends, placing special emphasis on the markets in which it operates, and considering the risks and opportunities it faces (taking into account operational, technological, market and transition aspects, and physical risks, among others). Climate change and the energy transition is one of the main pillars of the Company's strategy, and it is the Board of Directors that is responsible for its development and implementation. Likewise, ENDESA has established an incentive system for its executives related to the Company's performance in the management of climate change. In the Strategic Incentive Plan, whose participants are the Executive Directors of the Company, as well as executives whose participation is considered essential in the achievement of the Strategic Plan, one of the objectives is directly linked to the reduction of specific CO2 emissions whose compliance determines 10% of the incentive. This objective is reviewed annually, with each long-term incentive plan, being the last objective approved for the previous 2019-2021 Plan, in line with the industrial objectives contemplated in the previous 2019-2021 Strategic Plan, of 332.2 gCO2/kWh (ENDESA's specific CO2 emissions in Spain and Portugal in 2021, understood as the ratio between absolute CO2 emissions due to ENDESA's electricity generation and ENDESA's total net production for that year.)

Strategy

The intergovernmental group of experts on climate change (IPCC) issued a special report at the end of 2018 that states that to limit global warming to 1.5°C, "fast and powerful" transitions would be needed on land, energy, industry, buildings, transport and cities, and that it would be necessary for global net CO2 emissions of human origin to decrease by 45% compared to 2010 levels by 2030, and to continue to decrease until reaching "zero net emissions" approximately by 2050.

In September 2019, ENEL, ENDESA's parent company, certified climate-based scientific objectives, SBTi, committing to reduce its direct greenhouse gas emissions by 70%[2] per kWh by 2030, taking 2017 as the reference year. Also, by 2030, ENEL has pledged to reduce by 16% its indirect emissions related to the sale of natural gas in the retail market, also taking 2017 as the reference year.

Taking the IPCC report as a reference, and considering the objectives certified with a scientific basis by ENEL, ENDESA has defined its new 2020-2022 Strategic Plan, with which it aspires to become a leader in the global transformation process and to contribute decisively to the collective objective of reducing global warming to 1.5°C. Among the strategic pillars defined by ENDESA are:

- The decarbonisation of the energy mix by 2050, through an emission reduction plan that has increased its ambition with respect to the one provided for in the previous 2019-2021 Strategic Plan, and which establishes intermediate milestones such as the 70% reduction in specific emissions of CO_2 by 2030, compared to 2017, a year in which 75% of the generation mix is expected to be free of CO_2;
- The increase in installed capacity in renewables by more than 38% in 2022, compared to 2019, with an associated investment of €3.8 billion; and
- A smooth transition towards decarbonisation, guaranteeing security of supply and avoiding new inefficient investments in fossil fuels.

The Company is aware that the path towards an efficient and sustainable energy model will be possible thanks to a greater presence in the renewable energy generation mix, and the electrification of demand. Within the path of electrification of demand, and with special emphasis on transport, it provides for its installation of 36,000 charging points in its Strategic Plan.

[2] The commitment is equivalent to reducing CO_2 emissions to 125 g per kWh by 2030 compared to 411 g recorded in the reference year (2017).

The development and management of renewable energies of ENDESA in Spain is carried out through ENEL Green Power España (100% owned by ENDESA), the fourth-largest Spanish operator in the Spanish renewable energy sector.

At the end of 2019 ENEL Green Power Spain had 2,723 MW of gross installed renewable power, of which 2,291 MW corresponded to wind power, 80 MW to mini hydro, 352 MW to photovoltaic and 0.5 MW to biogas plants, with a joint production during 2019 of 4,369 GWh. This capacity is joined by 4,668 MW gross installed capacity of large-scale hydropower. Production with renewable sources represents 16.4% of the total production of the Company.

Risk management

The process of identifying risks and opportunities includes those related to climate change, from its more short-term side (transition risks, related to regulation, new technologies, market changes and reputation), to its more long-term side (those related to the potential physical impacts related to climate change). These risks are evaluated based on established risk tolerance levels, considering: exposure (climate impacts that could affect the facilities), sensitivity (potential effects and their consequences for business and facilities), and vulnerability (adaptive capacity for overcome the impacts of climate change considering financial, technological and knowledge requirements).

In this context ENDESA has decided to use recognised climate scenarios to assess the flexibility and resilience of its Strategic Plan. For the physical risks, the climatic scenarios published in the fifth report of the IPCC are used, while for the transition risks, the National Integrated Energy and Climate Plans of Spain and Portugal are used.

In any case, ENDESA as a company has been a pioneer in the field. In 2009, it launched its first project in order to analyse and assess the vulnerability of all its businesses and facilities globally, which is why it was chosen by the former Ministry of Agriculture and Fisheries, Food and Environment (currently the Ministry for Transition Ecological and the Demographic Challenge) as a representative of the energy sector for the ADAPTA I and II initiative. After this, ENDESA has continued to work more deeply on the matter, participating in multiple international initiatives and developing projects related to innovation in urban resilience in the face of climate change (RESCCUE project, a new European system to fight against natural disasters); the analysis of the implications of the global change in the hydroelectric business and the surrounding ecosystems (HIDSOS project); the development of early warning systems against climate change (ANYWHERE project, included in the EU H2020 initiative); or the analysis and monetisation of the effect of climate change on the integrity and operation of electricity distribution infrastructure elements.

ENDESA has a risk management and control policy, approved by the Board of Directors, which serves as a general framework for action. The policy regulates all stages of the process, including identification, evaluation, prioritisation and management, as well as constant supervision and control. All the risks to which ENDESA is exposed, financial and non-financial, are covered by the policy, including risks related to climate change (for more information see the chapter Internal Control and Risk Management System of this Statement).

All organisational levels are involved in the process of identifying and assessing risks, in a coordinated manner and directed by the Company's risk control system. Each line of business and facility identifies and evaluates the risks and opportunities that arise from its activities, including those derived from its geographical location. Specifically for climate change, risks are assessed based on established levels of risk tolerance, considering: exposure (climate impacts that could affect facilities), sensitivity (potential effects and their consequences for business or facilities), and vulnerability (ability to adapt to overcome the impacts of climate change in view of financial, technological and knowledge-related requirements).

Metrics and objectives

The calculation of ENDESA's Carbon Footprint is an essential element of information and transparency that helps to manage the risks and opportunities before our Company in order to eliminate the emission of GHG in a global and integrated way.

The objective of the calculation of the Carbon Footprint must be to know the reality and impact in terms of Greenhouse Gas (GHG) emissions from the Company's activities, as well as the emissions associated with the full business value chain, allowing the incorporation of the "carbon component" within decision-making.

The Company has been calculating its Carbon Footprint, covering all its business lines, as well as its offices, since 2009. In addition, since 2013, ENDESA has been registering its Carbon Footprint in the National Carbon Footprint Register of the Spanish Office of Climate Change, a symbol of transparency and commitment by the Company in the fight against climate change.

After the verification of the calculation of the Carbon Footprint corresponding to the 2018 financial year, it has moved ahead with inclusion in the Carbon Footprint Register, carbon dioxide offsetting and absorption projects by the Ministry for Ecological Transition (MITECO). The objective of this register is to contribute to the reduction of greenhouse gas emissions at the national level, to increase the absorption by carbon sinks in Spanish national territory and thus to facilitate the fulfilment of the international commitments assumed by Spain in terms of climate change.
ENDESA for the second consecutive year has achieved the activation of the seal in its three areas, "calculate", "reduce" and "offset", through the "ENDESA Forest" initiative, which seeks the restoration of degraded or burned forest areas with native and resilient species, and with which the emissions associated with ENDESA photovoltaic plants have been offset.

It should be noted that it remains the only project in the energy sector to obtain registration accompanied by the activation of the seal in all its phases (Calculate, Reduce and Offset) in the Carbon Footprint Register, offsetting and absorption projects of the Spanish Climate Change Office (OECC) of the Ministry for Ecological Transition.

Scope 1 of the carbon footprint includes direct emissions of greenhouse gases, that is, those from sources controlled by the Company. Specifically, emissions from electricity production in thermal generation plants, use of SF6, methane leaks generated in hydraulic plant reservoirs, office air conditioning and its own fleet are included.

Scope 2 of the carbon footprint includes technical losses produced during the distribution of electrical energy not generated by the Company.

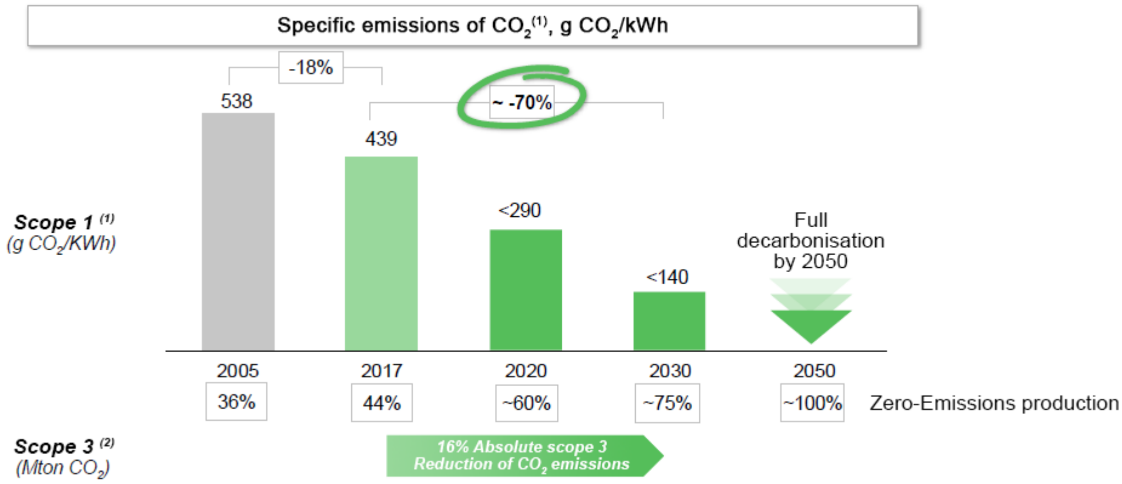
Scope 3 of the carbon footprint includes those emissions which are not produced by sources controlled by ENDESA, but which are the result of its activity. Within this scope, it is worth highlighting the emissions derived from the use of marketed natural gas.

The 2019 emissions data for the three scopes are subject to change due to the fact that at the time of publication of this Statement, the external verification process is being carried out according to the requirements of the UNE EN ISO 14064 standard. The data for the years 2017 and 2018 have already been verified.

SCOPE 1, 2 AND 3 CO2 EMISSIONS			
Year	CO2 (t) Scope1	CO2 (t) Scope2	CO2 (t) Scope3
2017	34,801,749	707,019	35,237,225
2018 (1)	31,292,646	591,547	30,004,109
2019	17,470,846	723,653	27,675,782

(1) The scope 1, 2 and 3 emission data corresponding to the year 2018 have been updated, providing the data obtained after the completion of the external verification process.

The Company annually updates the ENDESA Sustainability Plan (PES), reacting to the changes that occur in climate and energy policies, and renewing its reduction objectives accordingly, always with the idea of going beyond and complying with the challenge of curbing climate change. As we have already described in the chapter Organisation of the ENDESA group in section 1.8 of the 2020-2022 Strategic Plan, ENDESA has a firm commitment to contribute to the development of a new energy model and therefore establishes in its 2020-2022 PES intermediate objectives that will allow it to reach 100% emission-free production by 2050.



4. Environmental management.

4.1. Current and foreseeable effects of the company's activities on the environment and health and safety.

For ENDESA, sustainable development is an essential pillar of its strategy, including environmental protection as one of its most important commitments. This attitude constitutes a sign of positive and differential identity for the Company, since it is a fundamental principle of behaviour that is expressly included in its business values.

Through this commitment the aim is to minimise the impact of ENDESA's industrial activity on the natural environment in which it operates. Fundamentally, it addresses aspects related to the fight against climate change, adequate waste management, air emissions, discharges, contaminated soils and other potential negative impacts.

In addition, ENDESA's environmental management aims at the sustainable use of natural and energy resources, betting on the protection of biodiversity and the ecosystems of the environments where it operates.

The evaluation of the environmental risks associated with the development of the company's activities and the environmental certifications granted by external entities help ensure excellence in ENDESA's environmental management, which is integrated and aligned with its corporate strategy.

In a broad sense, the impact of ENDESA's activities has diminished significantly in recent years, as can be seen in the following sections of the document, as a result of the actions carried out as a result of the commitment acquired by the Company with decarbonisation, which includes the gradual abandonment of the use of certain fuels, as well as investments to adapt the facilities to the new regulatory requirements. Specifically, in 2019, reductions of 93% in specific SO_2 emissions, 52% in specific NOx emissions and 86% in specific particle emissions have been achieved, in all cases compared to 2005, reductions that imply a comfortable compliance with the applicable environmental legislation. As established in the 2020-2022 PES, ENDESA has established certain paths in which these pollutants will continue to decrease, reaching a 96% reduction in specific SO_2 emissions in 2022, of 59% in specific NOx emissions and 89% in specific particle emissions, all values compared to 2005.

The achievement of the 2020-2022 ENDESA Strategic Plan, which reinforces the commitment to decarbonisation by 2050, will allow to further reduce the impact of the Company's activities, while contributing to reducing the impact of other sectors of the economy, which the Company wants to accompany in its decarbonisation process via electrification, highlighting in an important way the transport sector, which will contribute to Sustainable Development Goal 3, which focuses on health and well-being.

4.2. Environmental evaluation or certification process

ENDESA, as explicitly stated in its Environmental Policy, is committed to achieving excellence in the environmental management of its business activity throughout the entire value chain. Therefore, it has maintained in its 2019-2021 Sustainability Plan the objective of maintaining 100% of its generation and distribution facilities certified by the International Standard ISO 14001. This objective, which was fully met in 2019, is maintained in the new 2020-2022 PES.

4.3. Resources dedicated to the prevention of environmental risks.

ENDESA makes a major investment effort to achieve excellence in environmental management. Thus, during 2019, ENDESA's investments in environmental activities reached €131 million, which contributed to an increase in accumulated investment by 7.7% in 2019.

ENDESA is subject to environmental regulations, which affect both the normal course of its operations and the development of its projects, leading to increased risks and costs. Additionally, ENDESA is exposed to environmental risks inherent in its business, which include the risks arising from the management of waste, discharges and emissions from the electrical production units and therefore can be held liable for damages to the environment, for damages to its employees or third parties, or for any other type of damage associated with its power generation, supply and distribution facilities, as well as the activities at port terminals.

In 2019 ENDESA began the implementation of a new methodology of "Assessment of Environmental Aspects, Impacts and Risks", which is applicable to all ENDESA businesses. Starting from the result of the evaluation of the significance of environmental aspects (as defined in the Environmental Management Systems corresponding to each business), the methodology incorporates the consideration of other aspects of an organisational, strategic, economic, reputational nature, etc. associated with the activity and infrastructure of the businesses. Legal compliance is also evaluated, as well as the effectiveness of the operational controls (technical, documentary, etc.) implemented, so that finally a “residual risk” assessment is obtained. The different levels of resulting final risk determine the obligation to launch specific action plans to mitigate the associated environmental risks. The results of this evaluation allow the levels of environmental risk resulting among different facilities, businesses, etc. to be compared.

It should be highlighted that annually and within the framework of Environmental Management Systems, according to the requirement of ISO 14001:2015, each business carries out an identification and evaluation of environmental aspects and an identification and evaluation of risks and opportunities. The former seeks to identify the environmental aspects associated with the activities that it carries out, evaluate the significance of the environmental aspects identified and determine which environmental aspects generate or might generate significant environmental impacts in order to give them adequate treatment and control. The latter aims to define the methodology for the identification, evaluation and management of risks and opportunities within the activity that will ensure that the expected results are achieved by mitigating the identified risks and enhancing the opportunities; in short, that continuous improvement is achieved.

The Company also has an environmental responsibility policy that covers personal and/or material damage to third parties, and also covers damage to Biodiversity according to EU Directive 35/2004 and equivalent National Legislation (Law 26/2007 of Environmental Responsibility).

5. Key Performance Indicators.

The following sections show the evolution of the most representative environmental indicators of ENDESA’s activity. Its evolution during the year 2019 has been positive. A decrease in the absolute values is observed as a result of a lower operation of the thermal power plants, but also a decrease in the specific values, fruit of the Company’s investment efforts focused on reducing the environmental impact of its activity.

5.1. Emissions.

5.1.1. Emissions of greenhouse gases.

The decrease in CO_2 emissions is due to a lower operation during the year 2019 of coal thermal power plants due to the profound change in market conditions that has led to these plants having suffered a significant lack of competitiveness in the coverage of market demand and, consequently, their exclusion from it has been accentuated.

CO2 emissions in the power generation process.

CO2 EMISSIONS AT THERMAL GENERATION FACILITIES			
	2017	2018	2019
Absolute (tonnes)	34,517,220	30,979,870	17,287,446
Specific (kg/kWh)	0.439	0.418	0.282

The emissions data for the year 2019 has been extracted from the last Annual Notification Report of each of the ENDESA thermal power plants, according to the version available as of the date of preparation of this Non-Financial Information Statement. This data could be subject to minor adjustments as a result of the ongoing verification process by AENOR, prior to submission to the competent Public Administrations before 28 February.

5.1.2. Polluting emissions to the atmosphere.

In addition to the decrease in pollutant emissions in 2019 due to a lower operation of thermal power plants, a significant decrease in specific emissions is observed thanks to the implementation of efficiency and environmental protection measures in the facilities.

ABSOLUTE AND SPECIFIC EMISSIONS OF SO_2, NO_x AND ENDESA PARTICLES			
	2017	2018	2019
SO_2 (tonnes)	60,287	47,845	26,492
NO_x (tonnes)	83,842	70,313	57,811
Particles (tonnes)	1,844	1,532	1,035
SO2 (gSO2/kWh)	0.77	0.64	0.43
NOx (gNOx/kWh)	1.07	0.95	0.94
Particles (g particles/kWh)	0.02	0.02	0.02

Measures to prevent or reduce emissions that affect air quality.

ENDESA has an exhaustive control system for all its emissions to control them in real time and ensure compliance with emission limit values at all times. For this, it carries out an exhaustive control and maintenance of the chimney measurement equipment and submits them to annual inspections carried out by external accredited laboratories. The Company meets the parameters required by the regulations applicable, implements technology to minimise emissions, and applies corrective measures to the impacts generated.

ENDESA has carried out major actions and procedures at the plants focused on complying with the emission levels required by the industrial emissions regulations during its operation in 2019, such as:

- In the combined cycle pool ENDESA is investing in the improvement of the combustion systems of its turbines to improve their operational flexibility and improve their emission standards.
- Within the scope of Directive 2010/75, on industrial emissions and the BREF of large combustion facilities, significant investments have been made to reduce emissions in the island generators at Mahón TC, Barranco de Tirajana TC and Granadilla TC and the acceptance of regimes of limited operation of some facilities in Jinamar TC and Candelaria TC.
- In the Barranco de Tirajana TC and Granadilla TC, the installation of primary measures (OFA “Over Fire Air” + burner retrofit for low NOx) and a transient SNCR system, which will be replaced by an SCR catalytic system, has been carried out in order to reach the limit values established in the best available techniques document.
- In Mahón DC, primary measures have been installed to reduce the emissions of TG 3, 4 and 5, among which are the installation of EPA air filters for the elimination of the possible particulate material present in the aspirated air and introduced in the turbines; and the

installation of Jensen fuel filters which improve combustion in turbines, reducing particle emissions. Additionally, in order to reduce NOx emissions, a water injection system has been installed in gas turbines 3, 4 and 5. In order to minimise the consumption of a scarce commodity such as water, this will be obtained from the discharge of the WWTP from the neighbouring city of Mahón. This last phase of the project is currently being undertaken.

- Finally, mention the closure of Alcudia 1 and 2 dated January 1, 2020, the planned closure of Compostilla thermal power plant and Teruel thermal power plant by mid-2020, as well as the closing request submitted by the Company for As Pontes thermal power plant and Carboneras thermal power plant at the end of 2019. This request accompanied by a reservation of right of withdrawal, total or partial, in the event that, as a result of additional combustion tests with different fuel mixtures, the results could be varied and the viability of the plants guaranteed.

In addition to the large investments aimed at reducing emission levels, ENDESA's facilities continue to make small modifications within the process of continuous improvement in order to optimise emission control systems and reduce them. The most notable action of the year 2019 is:

- In the field of automatic measurement systems: ENDESA facilities have continued with the calibration and verification of the automatic measurement systems of their facilities under EN-UNE Standard 14181. Throughout 2019, a pilot project was developed at the Los Guinchos diesel power plant for the replacement of the analysers of one of its generator sets with a new hot measurement system at 180ºC, without prior sample cooling, which significantly reduces the maintenance of the analysers and improves their reliability and availability. Similarly, the combined cycle plants in San Roque and Cristobal Colon have replaced their automatic measurement systems in order to increase their reliability.

The success of the implementation of all the mentioned measures is observed in the results obtained for the environmental indicators related to air pollution in 2019.

5.2. Consumption.

5.2.1. Fuel consumption.

The materials used to produce electricity are mainly fuels and are considered non-renewable. A lower consumption is observed in almost all fuels except in natural gas, associated with a greater functioning of the combined cycles.

CONSUMPTION OF MATERIALS				
Type of fuel	**units**	**2017**	**2018**	**2019**
Coal	kt	12,245	11,409	4,040
Fuel oil	kt	1,448	1,325	1,187
Diesel oil	kt	788	809	794
Natural gas	10^6 M^3	1,797	1,356	1,721
Uranium	t equivalent of Uranium	61.35	63.54	54.27

The table includes fuels consumed in all ENDESA activities. It is worth mentioning the use in electricity generation (all fuels), electricity distribution (diesel) and to a lesser extent in buildings (diesel and natural gas) and vehicle fleet (diesel).

5.2.2. Energy consumption.

Internal energy consumption

The organisation's energy consumption is associated with the fuels consumed for all ENDESA activities. In this sense, the table includes the consumption corresponding to the processes of generation, distribution and sale of electricity. In accordance with the reporting criterion of indicator GRI 302-1, the electrical consumption of the generation, distribution and office facilities is not reported since they are supplied with the electricity produced by the organisation itself.

There is a decrease in the total value of energy consumption derived from a lower operation of coal-fired power plants during the year 2019.

INTERNAL ENERGY CONSUMPTION BY PRIMARY SOURCE (TJ) *			
Type of fuel	**2017**	**2018**	**2019**
Coal	244,764	221,079	81,527
Fuel oil	58,205	53,313	47,755
Diesel oil	33,357	34.59	34,457
Natural gas	67,676	51,160	64,932
Uranium	280,139	254,926	279,042
ENDESA total consumption	**684,142**	**615,336**	**507,614**

* TJ: Terajoules

Energy intensity.

Energy intensity has been calculated considering internal energy consumption. The energy intensity value is affected by the proportion in the different generation technologies and the operation of each of them in the year. Continuing with the criteria established in 2018, in this year the energy consumption derived from Uranium was also included in the calculation. There was a decrease in the Company's energy intensity, which is the result of the continuous improvement actions that the Company is applying in all its processes.

Total Energy Consumption (TJ*)			Net Production (MWh)			Energy Intensity (TJ/MWh)		
2017	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
684,142	615,336	507,614	78,222	74,193	61,402	8.75	8.29	8.27

*TJ: Terajoules

Reduction of energy consumption - Energy saving.

In 2019 ENDESA has saved 17,846 GJ of energy thanks to the development of energy efficiency improvement programmes. Among the programmes focused on the conservation and adaptation of the equipment, standouts include the modifications in the lighting systems that have been transformed to LED systems, as well as in the air conditioning systems of the buildings. This year the actions regarding the redesign of processes in the thermal power plants, as well as the actions in the distribution facilities, are also very important. This energy saving means a decrease in the Company's carbon footprint and contributes to the reduction of the business operating costs.

ENERGY SAVING DUE TO CONSERVATION AND IMPROVEMENTS IN EFFICIENCY (GJ)			
	2017	**2018**	**2019**
Redesign of processes	0	0	10,181
Upkeep and adaptations of equipment	415.78	171.49	7,665
Total	**415.78**	**171.49**	**17,846**

Additionally, ENDESA has implemented measures related to the mobility of its employees, which have had an important impact measured in reducing energy consumption. We should highlight among these types of actions the collective transport in generation centres and the employee mobility plan. The energy savings associated with these measures was 38,066 GJ.

External energy consumption

For the year 2019, external energy consumption was estimated at 63.39 TJ, considering the fuel expenditure of the vehicles of the suppliers that work regularly with ENDESA, and considering the same perimeter as in previous years. The calculation is made based on the carbon footprint tool that is verified by AENOR according to UNE EN ISO 14064. The data are subject to some modification because at the time of publication of this Statement the external verification process is being carried out according to the requirements of the UNE EN ISO 14064 standard.

5.2.3. Water consumption.

Volume of process water by source.

The consumption of process water decreased compared to 2018 due to a lower performance of thermal generation technologies. In the case of nuclear generation, in 2019 there was increased production, and consequently there was a slight increase in water consumption.

CATCHMENT OF PROCESS WATER (Hm^3)			
	2017	**2018**	**2019**
Thermal Production Unit (UPT)	50.43	42.90	20.46
Nuclear Generation	1.75	1.71	2.2
Mining	0.02	0.02	0
TOTAL	**52.21**	**44.63**	**22.66**

To comply with the new water requirements established by GRI, the following table is provided, which includes water consumption for the different technologies, as well as in the main buildings of the Company:

WATER CONSUMPTION (Hm^3)		
	2018	**2019**
Thermal Production Unit (UPT)	24.38	6.49
Nuclear Generation	0.032 (1)	0.26
Mining	0.02	0
Buildings	0.06	0.06
Total	24.50	6.81

(1) An error was detected in the units of water consumption in nuclear generation corresponding to the year 2018, the corrected data is provided in the table.

Total water catchment by source.

With respect to water catchment by source, there is a decrease compared to the year 2018 of water catchment for all uses.

Note that the water used for refrigeration use is returned to the environment in adequate conditions to guarantee its subsequent uses, and that in volume it represents 99% of the total water collected.

TOTAL WATER CATCHMENT BY SOURCES (Hm3)				
		2017	**2018**	**2019**
Industrial use	Freshwater catchment	**49.39**	**41.49**	**20.08**
	from surface waters	48.44	40.27	19.31
	from wells	0	0	0
	from municipal network	0.95	1.22	0.77
	Seawater catchment	0	0	0
	Seawater catchment (desalinated)	2.80	3.12	2.58
	Wastewater catchment (internal use)	0.015	0.015	0.161
Use for Refrigeration	Marine water (open cycle) (1)	4,386.60	4,220.16	3,860.66
	Surface waters (open cycle)	1,502.80	1,753.91	1,628.40
	Water (closed cycle)			
	Volume of processed water	285.29	272.38	236.40
	Drainage from cooling towers	246.27	251.86	212.75
CIVIL USE		**0.24**	**0.19**	**0.220**
TOTAL*		**6,188.12**	**6,270.69**	**5,724.85**

*: The total volume of processed water used for closed cycle cooling is not included in the total.

(1) The figure for seawater catchment for use in refrigeration, in open cycle, from previous years has been corrected due to an error in the units of the data associated with nuclear generation.

Water sources affected by catchment.

WATER SOURCES THAT HAVE BEEN AFFECTED SIGNIFICANTLY BY WATER CATCHMENT (no.)			
Bodies of water significantly affected			
	2017	2018	2019
For uptake ≥5% vol. average annual total of body of water	124	124	124
For catchment in bodies of water considered significant	9	9	9
For catchment in Ramsar wetlands or in protected areas	8	8	8
For catchment in sources located in areas with national protection	76	76	76
For catchment in sources located in areas with international protection	73	73	73
Total bodies of water significantly affected	**290**	**290**	**290**
Characteristics of bodies of water significantly affected			
	2017	2018	2019
Volume (m3)	395,324,000	395,324,000	395,324,000
Flow rate (m3/sec)	2,525.70	2,525.70	2,525.70
Classified as protected	76	76	76
Value of its biodiversity 1=YES; 0=NO	0	0	0

Recycled and reused water

The recycled water reported corresponds to wastewater that is reused, either in the same process, or in a different one, but always within the same facility.

RECYCLED WATER (HM^3)		
2017	2018	2019
0.015	0.015	0.161

5.3. Noise and light pollution.

The limit values under which both the noise and light pollution parameters must be found are established in the environmental legislation and, in a consistent manner, the applicable limits are included in the authorisations of the different ENDESA facilities. Assurance of maintenance of the values within regulated margins is achieved through environmental management systems certified by independent third parties.

5.4. Circular economy.

ENDESA's vision of the circular economy integrates a new approach throughout the entire value chain based on the use of sustainable resources (renewable, reusable and recyclable), in maximising the useful life of goods and products and their use factor, and in the recovery of assets at the end of their life cycle. The representation of this vision can be shown through the five pillars of ENDESA of the Circular Economy:

- **Sustainable provisioning**: this is based on the use of renewable sources and reused or recycled material resources.
- **Extension of the useful life**: the current trend in the Linear Economy is for single-use. Extending the useful life is precisely the step of opposing this trend. To do this, it is necessary to act on the design of the products, to enable their repair, facilitate proper maintenance and as a consequence, extend the useful life of assets or products.
- **Product as a service**: this is a business model in which the customer instead of buying and owning the product acquires the service assigned to it, such as car sharing or product rental. This new model provides advantages over the previous one, such as the improvement of product quality, maintenance and waste management, since the property belongs to the company that provides the service, interested in having a product as long as possible and obtain the residual value at the end of its useful life.
- **Platforms for sharing**: these are digital applications in which citizens can share assets with each other, increasing the time of use of goods and products.
- **New life cycles**: closes the circle of the five pillars vision by proposing solutions that preserve the value of assets and products when they reach their end of life and use them in new cycles through reuse, regeneration or recycling.

ENDESA's public commitment to the circular economy materialised with the early accession to the Pact for a Circular Economy in November 2017, promoted by the then-Ministries of Agriculture and Fisheries, Food and Environment, and of Economy, Industry and Competitiveness.

ENDESA's most outstanding action towards a change in the circular model is its commitment to the decarbonisation of the generation mix by 2050, with an intermediate objective in 2030 to generate 75% of the electricity CO2 emission-free; aspiring to reach an energy model based on the consumption of renewable energy sources. Consequently, not only is efficiency increased and emissions and pollution reduced, but the consumption of raw materials is minimised by using renewable resources.

In the decarbonisation process itself, the principles of the Circular Economy are being applied, among which a highlight is the **Futur-e programme**: an initiative for the installations of thermal power plants that have ceased or are slated to cease operation. The objective is to identify new alternative uses for existing sites, through investments by the Company or a third party that create value for local communities, according to the potential and priorities of the territory to which they belong. This whole process is managed in an open, transparent and participatory manner. Only circular projects that meet the economic, environmental and social requirements reach the final phase of selection.

In addition, in relation to internal mobility, the Company has approved a sustainable and safe mobility plan (2018-2020) with two fundamental objectives such as reducing the number of kilometres travelled and electrifying the transport of its employees and fleets. The programmes in this plan related to the circular economy are:

- **Employee Mobility Plan**, a project that aims to promote sustainable mobility among its employees through the rental of electric cars.
- **Car-Sharing service for electric vehicles for employees**, which increases the utilisation ratio of ENDESA's electric fleet and encourages electric mobility among employees.
- **Mobility 2 Wheels**, through which a digital application has been created with which you can request its use and easily manage reservations and cancellations.
- **Shared taxi**, which has allowed 70% of kilometres travelled in ecotaxi, which has meant a reduction of 8.7 tn CO2, with 44% of passengers having shared routes.

5.4.1. Waste management: prevention, recycling, reuse and other forms of waste recovery and disposal.

ENDESA has environmental management systems in place that include specific operating procedures for the management of waste produced by all its activities, which are continuously reviewed to detect and drive improvements.

ENDESA works from its Environmental Management System for Energy Efficiency and Indoor Air Quality (SIGAEC) to promote the prevention, recycling and use of waste, as well as the use of less polluting materials, with the ultimate goal of not wasting natural resources, and also guaranteeing the correct management and destination of waste generated at ENDESA offices. In 2019 this certificate has been renewed confirming the effectiveness of SIGAEC and the remarkable effort made since its implementation in 2004.

Regarding the non-hazardous waste generated in our offices, paper and cardboard, plastic containers and metal containers are recovered 100%, and municipal solid waste is recovered 70% as a result of the segregation at origin performed by all employees. The following table shows the amounts of waste generated:

Type of waste (kg)	
MSW	235,874
PAPER AND CARDBOARD	51,700
PLASTIC BOTTLES	15,997
METAL CONTAINERS	480
TOTAL Non-hazardous waste	304,051

A notable initiative due to its transversal nature is the **Zero Plastics** project, which aims to minimise the consumption of single-use plastics in the Company, as well as promoting a change in culture and habits among ENDESA employees in relation to use of plastics. The initiative was launched in May 2019 at all ENDESA administrative offices, which has meant, among other benefits, the elimination of 232,700 plastic cups and the reduction of the consumption of bottled water by 64% at the Madrid head office. All the measures implemented have so far prevented the generation of 5.5 tonnes of single-use plastic waste, which represents a 45% reduction.

Throughout 2019, they have continued to be implemented and various actions have been launched in thermal power plants aimed at continuous improvement and efficiency of combustion facilities. These specific actions necessarily entail a spontaneous increase in the generation of certain waste.

The most common waste produced by ENDESA's activity (without considering coal combustion products) is construction and demolition waste, water treatment sludge and metallic materials, such as non-hazardous waste, and machinery and equipment, sludge and materials contaminated with hazardous substances such as hazardous waste.

ENDESA manages its waste according to the waste hierarchy (prevention, preparation for reuse, recycling, other types of recovery (including energy) and finally disposal), always starting from prevention, and when that is not possible, prioritising recovery and recycling treatments for the waste it generates, especially inert waste, as well as the treatment for reuse of those hazardous wastes that allow it, for example, used oils or cleaning solvents).

EVOLUTION OF ENDESA WASTE (Tonnes)				
	Non-hazardous waste (RnP)			
	2018	**2018**	**2019**	**2019**
	Produced	Valued	Produced	Valued
TOTAL	**69,678.81**	**62,805.23**	**61,100.71**	**55,102.12**
Thermal Production Units (UPT)	47,463.81	41,375.88	21,168.14	16,187.82
Hydraulic Production Units (UPH)	717.60	678.65	423.19	372.41
Port Terminals	530.60	511.37	402.39	386.79
Nuclear	2,040.00	1,444.40	2,690.94	2,062.61
Distribution	18,872.18	18,735.31	36,108.15	35,855.39
Renewables (wind, photovoltaic, biomass)	37.06	37.06	3.84	3.80
Buildings	324.15	248.52	304.05	233.29
EVOLUTION OF ENDESA WASTE (Tonnes)				
	Hazardous Waste (RP)			
	2018	2018	**2019**	**2019**
	Produced	Valued	Produced	Valued
TOTAL	**10,480.59**	**6,094.09**	**9,322.59**	**6,295.47**
Thermal Production Units (UPT)	6,644.72	3,013.32	6,252.97	3,918.81
Hydraulic Production Units (UPH)	418.49	354.31	222.94	162.75
Port Terminals	11.6	10.93	12.67	12.67
Nuclear	303.84	81.86	370.24	114.37
Distribution	3,002.30	2,536.34	2,318.66	1,959.27
Renewables (wind, photovoltaic, biomass)	103.61	101.31	143.56	126.34
Buildings	1.81	1.28	1.5	1.3

ENDESA has developed different Circular Economy initiatives, among which the following projects stand out:

- **Recovery of waste generated in coal plants:** The ashes, as a by-product of the combustion of coal, are used to replace the limestone necessary for the production of cement and asphalt, and the plaster we obtain from desulphurisation are sold for construction.

- **Cultivation of microalgae for the capture of CO_2.** Recovery of CO_2 from the combustion gases of each plant through the cultivation of microalgae.
- **Fish farm development next to thermal power plants.** Recovery of the residual heat of the refrigeration circuit, preventing its loss and converting it into an increase in temperature and performance for the fattening and growth of fish in the farm.
- **Second life of batteries.** In the 2nd life Battery Energy Storage System project, new and recycled batteries of electric vehicles have been integrated to develop a rapid response storage system.
- **The SmartNet project**. The ultimate goal is to improve both the efficiency and the stability of the electricity grid through a more circular and flexible network where the use of customer resources will be increased and where there will be a decrease in losses and emissions by reducing overloads in electrical distribution networks.

5.5. Renewable energies.

ENDESA makes a clear commitment to renewable energy, and for this its first performance was the acquisition in 2016 of the remaining capital of ENEL Green Power España, S.L.U. (60% was still not in its possession), in order to address its commitment to growth in renewables.

The consolidation of the commitment is articulated through the roadmap for decarbonisation that ENDESA has established in its 2020-2022 Strategic Plan, which sets the objective of increasing by more than 38% the capacity installed in renewables to reach 10.2 GW in 2022, compared to 7.4 GW at the end of 2019, with an associated investment of €3.8 billion in the 2019-2022 period.

The development and management of renewable energies of ENDESA in Spain is carried out in this way through ENEL Green Power España (100% owned by ENDESA), the fourth-largest Spanish operator in the Spanish renewable energy sector.

At the end of the year 2019 ENEL Green Power Spain had 2,723 MW of gross installed renewable power, of which 2,291 MW corresponded to wind power, 80 MW to mini hydro, 352 MW to photovoltaic and 0.5 MW to biogas plants, with a joint production during the year 2019 of 4,369 GWh. This capacity is joined by 4,668 MW gross installed capacity of large-scale hydropower. Production with renewable sources represents 16.4% of the total production of the Company.

ENDESA, through Enel Green Power España (EGPE), has successfully completed the milestone of connecting to the grid before 31 December 2019 the total capacity that was awarded to it by the Government in the auctions held in 2017. Together, 879 MW (540 MW wind and 339 MW solar) developed through 25 projects in Aragon, Andalusia, Extremadura, Galicia, Castilla León and Murcia have been put into operation, with a total investment of more than €800 million. This power has a production capacity of 2,068 GWh per year, which will prevent the annual emission of 1.3 million tonnes of CO_2 into the atmosphere each year.

On 23 December 2019, 100% of the capital of 13 companies holding photovoltaic projects was acquired from the Prodiel Group. The thirteen Companies acquired have 1,037 MW of capacity to develop through 10 projects. Of this figure, 102.5 MW is expected to be completed and launched in 2020, and the rest will be developed over the next few years until 2022, which allows significant progress in achieving the new capacity targets.

When they enter into operation, the estimated production of all these projects will amount to 1,990 GW/h per year (or what more than 500,000 households consume), which will prevent the emission into the atmosphere of more than 1.6 million tonnes of CO_2 annually.

Throughout the year, ENEL Green Power España S.L.U. made other acquisitions of companies promoting renewable projects, including: Sa Caseta and Biniatria (21.93 and 15.34 MW photovoltaic respectively in Mallorca), Son Cartet (2 MW photovoltaic in Menorca) and Nudo Mudejar in Teruel (31.6 MW photovoltaic and 49.4 MW wind).

5.6. Protection of biodiversity.

5.6.1. Measures taken to preserve or restore biodiversity.

Biodiversity conservation is not a new concept for ENDESA. In its first Environmental Policy, approved and published in 1998, one of the reference principles "Conserve the natural environment of its facilities by adopting measures to protect species of fauna and flora and their habitats" was already established. Likewise, biodiversity conservation has already been established as one of the seven Commitments for Sustainable Development within the framework of the first ENDESA Sustainability Plan. As a result of this commitment, in 2012 the structure was designed of the Biodiversity Conservation Plan, which began to be implemented in 2013, achieving a remarkable efficiency and a high degree of success in achievement since its origins. ENDESA has now gone one step further and in January 2020 its Board of Directors approved a biodiversity policy, which allows the Company's commitment to the matter to be strengthened and consolidated.

The ENDESA Biodiversity Conservation Plan provides a structure that allows to select and assess, first and under criteria of scientific, social and applied interest, all initiatives received, both internal and external, in terms of biodiversity conservation.

With respect to the objectives of the Biodiversity Conservation Plan, the main lines of action, already formulated in 2012, were maintained for 2019:

- Adapting the physical environment of ENDESA's land and facilities to increase the capacity to accommodate biodiversity in a manner that is biogeographically compliant.
- Managing environmental factors at the company's facilities to help to improve the habitat of certain species and their biotopes.
- Recognising ENDESA's natural heritage and the ecosystems it is home to, their value and state of conservation.
- Protecting native species in and around ENDESA's plants and controlling invasive species that have a high ecological impact and an impact on ENDESA's business.

At the end of 2019, the Biodiversity Conservation Plan had 26 courses of action under way, of which 21 were launched in previous years (5 of them ended in 2019, and 16 are still in progress) and 5 new courses of action were begun last year. A breakdown of locations shows that 61.5% of them were carried out in areas affected by ENDESA's facilities and 20% were research projects which, in the majority of cases included the publication of articles and scientific papers.

The following table shows the distribution of ENDESA's Biodiversity Conservation Plan actions in operation in 2019, classified according to the Plan's governing matrix and the 20 types of actions it contains, which can be deduced by crossing rows by columns:

		Areas of application (components of Biodiversity)				
		A. Uses and infrastructure management	B. Habitat management	C. Native species	D. Invasive alien species	
Areas of activity:	1. Own facilities	5	1	2	0	**8**
	2. Areas of influence	3	1	3	1	**8**
	3. Research projects	1	0	2	2	**5**
	4. Socio-environmental projects	1	3	1	0	**5**
	5. Emblematic projects	0	0	0	0	**0**
		10	**5**	**8**	**3**	**26**

Distribution of actions by subject	No of actions	%
Birdlife	10	38.46
Water resources	4	15.38
Forest resources	4	15.38
Restoration of Natural Spaces	4	15.38
Biodiversity management tools	4	15.38
TOTAL	**26**	**100**

These actions took place throughout Spain and Portugal and included many of ENDESA's business lines. Specifically, generation accounted for 38% of the activities, distribution 35% and the remaining 27% were in the corporate area.

5.6.2. Impacts caused by activities or operations in protected areas.

As a process included in the environmental management systems implemented in ENDESA's business lines, and in accordance with the provisions of the environmental authorisations and environmental monitoring plans applicable in each case, ENDESA monitors all significant environmental aspects and ensures that in each case its environmental impact is minimised and offset. This includes in particular those facilities that are within a protected natural space.

It was considered of interest to obtain, as a measure of the impact caused by the mere presence of ENDESA facilities in protected natural areas, the area occupied by the Company's centres and infrastructure within spaces belonging to the Natura 2000 Network (ZEC, LIC and ZEPA). These data have been obtained as part of the Biodiversity Indicator System launched during the last two years. In addition to the occupied area, in the case of hydroelectric production, data on the volume of reservoir water and number of kilometres of regulated river within Natura Network spaces are included. These data are presented below:

Thermal generation	
Surface (km^2) occupied by facilities in Natura 2000 Network spaces	1.57
Renewable generation	
Surface (km^2) occupied by facilities in Natura 2000 Network spaces (wind and solar)	0.73
Surface (km^2) occupied by facilities in Natura 2000 Network spaces (reservoirs)	110.76

During the year 2019, renewable energy facilities were also incorporated into the Biodiversity Indicator System, meaning 100% of ENDESA's facilities were covered.

PEOPLE

1. Material Aspects and Objectives.

1.1. List of Material Aspects.

The well-being of workers has become, in recent years, a priority issue for the Company. In the 2019 materiality study conducted by ENDESA, the stakeholders consider it necessary for Companies to invest in the development of people (training and education, recognition and meritocracy or improvement in hiring and remuneration policies), which foster respect of the rights of employees and that promote a quality corporate life.

Particularly, the stakeholders point out that, if decent working conditions are established, both they and the Companies for which they work will be favoured: on the one hand, the former will be satisfied, which will be reflected in a positive attitude at work, and, on the other hand, the Companies will achieve the desired talent retention.

The digital transformation is also another objective in which ENDESA works to achieve an organisation fully connected to the digital environment by applying the “Agile” methodology in both projects and operational models.

For ENDESA, its people constitute the main asset of the company for the creation of value in a sustainable way. In an environment of change towards a new energy model, having a human capital that has the best capabilities, is as diverse as possible and shows a strong commitment to the business project, is essential to lead such change. For this reason, ENDESA establishes among its labour priorities the management of diversity (especially of gender and age), the management of cultural change, the availability of adequate working conditions, labour flexibility and meritocracy.

1.2. How the Organisation manages the material aspects - ENDESA Sustainability Plan (PES).

ENDESA incorporates these priorities in its sustainability plans and establishes quantitative objectives aimed at promoting excellence in the management of human capital, thus allowing the level of commitment and performance achieved to be assessed.

In this regard, the level of compliance achieved in the most relevant objectives of the 2019-2021 ENDESA Sustainability Plan (PES) linked to the priorities in the workplace described above, as well as the new objectives established in the framework of the new 2020-2022 ENDESA Sustainability Plan (PES) are summarised below.

The full detail of all the objectives in the labour field included in the Sustainability Plans will be collected in the 2019 Sustainability Report, which can be accessed at www.ENDESA.com

Compliance with the main objectives in the field of promotion of human capital from the 2019-2021 ENDESA Sustainability Plan (PES).

SCOPE 2019-2021 PES	DESCRIPTION OF THE OBJECTIVE	OBJECTIVE 2019	RESULT 2019	LEVEL OF COMPLIANCE
Promotion of human capital	Overall additions of women	35%	38%	100%
	Women in management positions	18%	18.7%	100%
	Promotion of in-person training to employees (hours/employee/year)	38	40.5	100%
	Promotion of online training for employees (hours/employee/year)	15	10.1	67%
	Promotion of smartworking (number of employees)	1,300	2,399	100%
	Promotion of services that favour the reconciliation of employees[1] (number of services)	76	74	97%

New objectives in the field of human capital promotion for the 2020-2022 ENDESA Sustainability Plan (PES).

SCOPE 2020-2022 PES	MAIN OBJECTIVES	OBJECTIVE 2020	OBJECTIVE 2022
Promotion of human capital	Overall additions of women	38%	39%
	Women in management positions	18.5%	19%
	Promotion of employee training (hours/employee/year) (in-person and online)	54.1	51.3
	Promotion of smartworking (number of employees)	2,410	2,420
	Promotion of services that favour the work-life balance of employees (number of services)	78	80
	Capacity improvement and recycling programmes for employees affected by the energy transition	118	118

2. Policies on Human Capital issues.

ENDESA considers its people to be its most important asset, therefore it works on the identification and development of their potential, so that their performance contributes to making the Company a benchmark in the sector. Under this perspective, the performance evaluation and development processes guarantee professional growth based on merit and the contribution itself. In addition, a more transversal management model has been implemented that seeks to increase the commitment of professionals to the Company.

The digital transformation and changes in the ways of working have made the Company adapt its value proposition to the new digital customer. As a result, ENDESA continues with the implementation of an Agile organisational model with which it is desired that each person take responsibility for the Company's objectives as their own. Similarly, ENDESA works to be an agile organisation and a customer-driven data-driven company.

The training of its people is a priority at ENDESA. For this reason, its people management model establishes an annual plan that ensures the professional development of the workforce. To do this, it provides them with permanent access to the training catalogue.

The ENDESA Human Rights Policy, approved by the Board of Directors in 2013, establishes its rejection of all forms of discrimination and undertakes to guarantee and promote diversity, inclusion and equal opportunities. In addition, ENDESA has a set of robust management mechanisms and systems that allow it to guarantee respect for human rights and properly manage existing risks.

ENDESA encourages and maintains a climate of respect for the dignity, honour and individuality of people, and ensures the highest standards of confidentiality with respect to any information related to employee privacy of which it may become aware.

In compliance with the values included in the ENDESA Code of Ethics, and as part of it, ENDESA adopts the following fundamental principles:

1. Non-discrimination.
2. Equality of opportunity and dignity for all forms of diversity.
3. Inclusion.
4. Balancing of personal, family and professional life.

Based on the above principles, ENDESA undertakes to implement specific actions to promote non-discrimination and inclusion in the following areas of diversity, each of which has a defined action plan:

Gender	Nationality	Disability	Age
• Gender equality in internal and external selection processes • Parental programme	• Expat tutoring programme	• Identification of an internal reference (focal point)	• Tutoring programme for new hires Knowledge • transfer between seniors and juniors

ENDESA promotes gender equality in all areas of the Company, especially with regard to positions of responsibility and the hiring of personnel.

The freedom of association of workers is guaranteed in ENDESA and in all contractor companies and suppliers with which it maintains a relationship.

2.1. Leadership and Talent Development.

ENDESA has talent management tools that contribute to the growth of its people, both personally and professionally, and thus achieve success at the organisational level. The development actions, directed both for people and for teams, are carried out considering the different businesses and territories, adapting to the existing needs at all times.

During the year 2019 more than 1,100 people have participated in the different actions that are carried out in ENDESA to enhance their capabilities.

These actions include skills workshops (such as the “Manager *Coach” course* or its continuity “Manager *Coach* +”), knowledge transfer actions such as *Mentoring or Job Shadowing,* as well as *coaching* processes (individual or team), and other development actions designed to fit the needs of different businesses.

2.2. Diversity. Policy against all types of discrimination: Elimination of discrimination in employment and occupation, forced labour and child labour.

ENDESA, through its Code of Ethics, expressly condemns child labour, as well as forced labour, committing itself to rigorous compliance with international standards, such as the United Nations Global Compact. The objective is to promote a work environment that respects Human Rights. The condemnation of child labour and forced labour have also been expressly reflected in the ENDESA Human Rights Policy approved by its Board of Directors on 24 June 2013. Likewise, it should be noted that ENDESA operates in an environment where there are regulatory frameworks with the necessary guarantees so that there are no violations regarding child labour or forced labour.

ENDESA has advanced control mechanisms that guarantee strict compliance with current legislation, as well as international standards and ILO principles in this area. Additionally, this issue has been reviewed in the due diligence of Human Rights carried out by ENDESA, the details of which can be found in section 2 of the chapter on Human Rights. This year there were 2 complaints, but neither of them was verified as a non-compliance.

This approach is extended to all contractor companies and suppliers with which ENDESA maintains a relationship. To this end, it incorporates Human Rights clauses in the general hiring terms and conditions. Likewise, it evaluates aspects of Human Rights in the supplier qualification system and performs social audits to verify compliance. For more information, please see the “supply chain” chapter.

2.3. Labour Disconnection Policies.

ENDESA recognises the right to labour disconnection, given the risk that the impact of technology on the Company and its influence on new forms of existing flexible work may interfere with the work-life balance of people. That is why we are working on the development of a more detailed digital disconnection policy.

In that sense, after the approval at the end of 2018 of Organic Law 3/1028, of 5 December, of “Protection of Personal Data and guarantee of digital rights”, ENDESA identified the need to move forward in the preventive field and address new measures that reduce or mitigate possible cases of computer stress or fatigue in line with the provisions of said regulations.

3. Key Performance Indicators.

3.1. Employees.

3.1.1. Number of employees.

WORKFORCE			
	2017	2018	2019
Spain	9,668	9,723	9,916
Portugal	38	40	36
Total*	**9,706**	**9,763**	**9,952**

*31 December 2019

3.1.2. Workforce distribution by gender, age, country and professional classification.

ENDESA considers diversity an enriching element for the Company. The figures presented below show the progressive increase of women in the workforce, which increase their proportion over total workers, which is important and demonstrates the firm commitment of the Company to gender diversity, even with all the difficulties that this entails in the energy sector, due to the shortage of women in technical profiles. This increase in diversity has a special importance, taking into account the size of the workforce, its historical composition and the stable nature of labour relations.

Regarding age, the data reflects a solid and secure company, which combines both veteran staff and a gradual renewal.

Workforce distribution by gender

DISTRIBUTION OF THE WORKFORCE						
	Number			%		
	2017	2018	2019	2017	2018	2019
Women	2,248	2,279	2,379	23.2	23.3	23.9
Men	7,458	7,484	7,573	76.8	76.7	76.1

*31 December 2019

Workforce distribution by age

COMPOSITION OF THE WORKFORCE BY AGE			
	2017	**2018**	**2019**
<30	336	384	375
30-50	5,524	5,509	5,454
>50	3,846	3,870	4,123

NOTE: The data on the composition of the workforce by age, have been updated following the new criteria established for the age groups, in which any employee whose age exceeds 50 years and one day is assumed as >50.

Workforce distribution according to professional classification

DISTRIBUTION OF THE WORKFORCE IN SPAIN AND PORTUGAL BY GENDER AND PROFESSIONAL CLASSIFICATION												
	Executives			Middle Management			Admin staff Management			Operators		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Men	234	234	221	2,117	2,165	2,319	2,789	2,768	3,633	2,319	2,317	1,400
Women	46	50	53	990	1,043	1,123	1,146	1,119	1,154	65	67	49

3.1.3. Employees with disabilities.

ENDESA expresses its commitment to the labour integration of people with different abilities. In 2019, the Family Plan, developed by the Adecco Foundation, continues to be made available to its people. Through this plan, 76 family members with disabilities of active employees received personalised counselling and welfare therapy.

In collaboration with Randstad Foundation: in 2019 a specialised service for consultation and advice on disability was provided. Cases that can be considered within the scope of disability are treated in a personal and confidential manner.

ENDESA develops actions for the integration of people with disabilities, the details of which can be found in section 3.6.2 of this document.

The Company has provided support service to the 79 employees with disabilities that we have this year on staff.

PERSONS HIRED WITH DISABILITIES		
2017	2018	2019
80	76	79

3.1.4. Hiring; Impact of the Company's activity on employment: New hires/staff turnover.

The new hires constitute an indicator that shows ENDESA as a generator of employment. These figures are important because they represent a thermometer of the renewal of the Company and its adaptation to new trends.

NEW HIRES		
2017	2018	2019
256	393	426

ENDESA, with the aim of being an excellent company to work for, pays attention to the low staff turnover as an indicator of satisfaction of the people working in the Company. The turnover rate in Spain in 2019 was 2.6%, data within the values expected by the Company.

3.1.5. Distribution of hiring.

Employees by type of contract						
	Full time		Part time		Total	
	2018	2019	2018	2019	2018	2019
Permanent	9,425	9,561	1	1	**9,426**	**9,562**
Temporary	337	390			**337**	**390**
Total	**9,762**	**9,951**	**1**	**1**	**9,763**	**9,952**

Average contracts by gender												
	Permanent contract						Temporary contract					
	Full time		Part time		Total		Full time		Part time		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Women	2,181	2,201			2,181	**2,201**	68	87	1		69	**87**
Men	7,239	7,194	1	1	7,240	**7,195**	205	277			205	**277**

Average contracts by age												
	Permanent contract						Temporary contract					
	Full time		Part time		Total		Full time		Part time		Total	
	2018	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**
<30	344	328			344	**328**	105	120			105	**120**
30-50	5,248	5,423			5,248	**5,423**	159	231	1		160	**231**
>50	3,828	3,645	1	1	3,829	**3,646**	9	12			9	**12**

Average contracts by professional category												
	Permanent contract						Temporary contract					
	Full time		Part time		Total		Full time		Part time		Total	
	2018	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**
Executives	283	286			283	286						
Middle Management	3,077	3,202			3,077	3,202	70	86			70	86
Admin Management	3,778	3,766	1		3,779	3,766	120	158	1		121	158
Operators	2,282	2,141		1	2,282	2,142	83	120			83	120

3.1.6 Layoffs

In 2019 there were 21 layoffs in ENDESA, 3 women and 18 men, which represents 0.21% of the total workforce at the end of the year.

	Layoffs in 2019								
	Gender		Age			Professional category			
	Women	Men	<30	30-50	>50	Executives	Middle Management	Admin and Management	Operators
2018	4	3		3	4		3	3	1
2019	3	18	2	10	9	4	3	7	7

3.1.7. Measures taken to promote employment.

ENDESA promotes vacancy coverage first through internal mobility, but due to the complexity of the profiles and the growth in some business lines, external hiring is also carried out.

The greatest recruitment of resources is taking place in areas related to the new energy model, in line with ENDESA's strategic commitment. In this sense, profiles that are going to develop renewable energies, electric mobility, as well as technological profiles are being incorporated to face the important business challenges the Company is experiencing.

ENDESA promotes employment mainly among young people, through internship plans and scholarships that are a source of talent attraction and places a special focus on the incorporation of women according to the Diversity and Inclusion Policy.

In line with the Diversity and Inclusion Policy, ENDESA has agreements with Special Employment Centres and uses specialised recruitment web portals for people with disabilities, so that they can join the Company.

3.2. Remuneration of Directors, Managers and Employees.

3.2.1. Remuneration of Directors.

See section 1.4. Remuneration of the Directors of the Corporate Governance chapter of this document.

3.2.2. Remuneration of Managers and Employees.

Next, the average salaries and their evolution are disaggregated by gender, age and professional classification. Fixed salaries, variables and social benefits have been considered following the general practice of Ibex 35 companies.

Average remuneration by age (€) FIXED + VARIABLE SALARY			
SPAIN and PORTUGAL			
	2017	2018	2019
<30	33,630.97	34,671.10	34,785.01
30-50	57,668.97	59,452.55	57,070.49
>50	73,491.12	75,764.04	74,767.60

NOTE: Due to the new criteria established in the age groups and due to lack of availability of disaggregated values for the recalculation of previous years, the remuneration data for the years 2017 and 2018 have not been updated to said criterion, although since their difference is based on average values, it is not significant.

Average remuneration by professional category and gender (€) FIXED + VARIABLE SALARY															
SPAIN and PORTUGAL															
	Executives			Middle Management			Administrative and office staff			Operators			Medium		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Men	192,707.45	193,017	200,544	78,119.62	77,805	76,721	60,448.43	61,970	57,857	57,640.24	57,695	54,407	68,839.53	69,300	67,240
Women	155,034.47	156,028	171,476	69,671.93	67,474	67,913	50,727.67	50,958	50,646	51,677.82	54,562	57,838	61,150.47	60,937	61,565
Average	186,719.28	186,517	195,189	75,461.19	74,450	73,864	57,640.24	58,830	56,134	57,452.22	57,607	54,518	67,080.51	67,362	65,901

3.2.3. Wage gap

In 2019, a detailed study on the salaries of employees and the differences between men and women was carried out, and two types of indicators, the average and the median, were analysed to come to a deeper understanding of their causes.

On the one hand, the average salary between men and women of ENDESA was analysed, which showed an improvement over 2018 of 3.7 percentage points (from 12.1% to 8.4%). This result is a consequence of the action through the salary review processes, in which meritocracy has been combined with gender review monitoring, to avoid possible biases.

Even so, the 8.4% salary difference data has been studied in depth. A disaggregated analysis has been carried out to compare the positions of the same value, and from this study it was concluded that there are no significant differences in the average salaries of men and women. In the cases with the greatest differences it can be observed that they are caused by the effect of the number of years of permanence in the company, the incorporation under different collective agreements and by a lower presence of women in certain positions of high technical content.

We can therefore conclude that, in ENDESA, wage discrimination is not primarily responsible for the wage gap, being the composition of the workforce, with a much larger number of men in positions of greater responsibility, and the effect of the time of incorporation into the company, the main origin of the wage gap.

To understand the existence of this inequality in the composition of the ENDESA staff, several factors have to be taken into account: The industrial nature of the Company, the low turnover rate of the workforce and the historical gender composition of the Company, due to historical cultural and sociodemographic factors (fewer women historically accessing university studies, lower female presence in technical careers, etc.), which translates into a greater average seniority of men versus women. To this, other variables are added, including historical ones, such as the conditions of agreements of origin.

On the other hand, the median was analysed as an indicator of the wage gap in ENDESA. This indicator avoids the effect of the most extreme values and throws specific information on the salary discrimination data since it is not affected by the number of people that make up each group. From the above, we understand that the median is a more adequate indicator to measure the wage gap caused by gender pay discrimination. With this analysis, the values located in the middle zone show a 2.5% gap in 2019, thus confirming the absence of wage discrimination.

For greater transparency and in order to allow comparability with last year's data, this year we exceptionally also include the data calculated using the average, according to the same criteria as last year.

	FIXED + VARIABLE SALARY (SPAIN and PORTUGAL)		
	Salary gap (1) Women vs Men 2018	**Salary gap (1) Women vs Men 2019**	**Salary gap (2) Women vs Men 2019**
Executives	19.2%	14.5%	4.9%
Middle Management	13.3%	11.5%	11.7%
Administrative staff	17.8%	12.5%	15.4%
Operators	5.4%	-6.3%	1.7%
Average (1) or Median (2)	(1) 12.1%	(1) 8.4%	(2) 2.5%

(1) The difference between the **average salary** of men and women, as a percentage of **the average salary** of men, considering fixed, variable salary and social benefits, in accordance with Law 11/2018, of 28 December ENDESA, S.A.

(2) The difference between the **median salary** of men and women, as a percentage of the **median salary** of men, considering fixed, variable salary and social benefits, in accordance with Law 11/2018, of 28 December ENDESA, S.A.

	MEDIUM FIXED SALARY + VARIABLE 2019 (SPAIN and PORTUGAL)		
	MEN	**WOMEN**	**Median by professional category**
Executives	€160,231	€152,337	€159,609
Middle Management	€72,567	€64,064	€69,627
Administrative staff	€55,785	€47,173	€53,995
Operators	€51,021	€50,171	€51,006
Total median	€58,721	€57,231	€58,356

3.3. Work organisation

3.3.1. Organisation of working time

The annual working day is established in accordance with the terms set forth in the ENDESA regulations.

The Management of the Company and the Labour Representatives agree on the need to minimise overtime, through the establishment of work organisation tools and systems that enable a permanent improvement of the Organisation's efficiency, respecting in In any case, the legislation in force and especially, the provisions of Royal Decree 1561/1995, of 21 September 1995. ENDESA envisages the possibility that, in case of need for overtime, employees can choose between economic remuneration mechanisms or mixed remuneration mechanisms (economic and rest hours).

3.3.2. Number of hours of absenteeism

Hours of absenteeism during the year			
	2017	**2018**	**2019**
Spain (1)	**2,291,283**	**2,220,379.005**	**1,849,043.125**

(1) Hours lost due to absence do not include vacations, holidays, or authorised absences for family reasons (maternity leave, paternity leave, etc.), or absence due to training.
Note: ANAV is not included in these hours since such information is not available

3.3.3. Measures to facilitate work-life balance

ENDESA makes available to its people a wide range of work-life balance measures in order to increase their commitment and satisfaction with the Company. At the same time, these measures actively promote and strengthen corporate values of responsibility, trust, proactivity and innovation. In this sense, ENDESA continues to favour initiatives that constitute a non-monetary remuneration supplement, which favour flexible work and allow the personal, family and professional balance of its professionals.

ENDESA develops measures to facilitate the reconciliation of work and personal life that fall into five large groups: quality of employment (indefinite contract, pension plans, health and welfare, support for expatriates, etc.), temporary and spatial flexibility (reductions in working hours, leave of absence, paid leave and breastfeeding rooms (offices in Madrid, Barcelona, Seville and Palma de Mallorca) etc.), support for the family (leave, leave and flexibility for family care, assistance to dependent elderly~~)~~ , etc.), equal opportunities (professional assistance for victims of gender-based violence, medical advice, etc.) and professional development (professional / technical / skills / language training, volunteer programmes, coaching, etc.).

In 2019, 6,825 people (2,019 women and 4,086 men) benefited from some form of action aimed at reconciling professional, personal and family life at ENDESA. The modality of “Work Outside the Office”, started in 2017 continues having great success. This initiative, aligned with the promotion of reconciliation and digitalisation of the Company, contributes to building trust between the manager and the collaborator, as well as enhancing skills such as flexibility, autonomy and responsibility for results. In total, 2,399 employees (1,183 women and 1,216 men) took part in this initiative in 2019.

The number of ENDESA members adhering to the Flexible Remuneration plan has also continued to increase. In 2019, an adhesion percentage of 44.8% (4,462 employees) was reached. It is a remuneration system through which each employee voluntarily decides how to receive part of their monetary remuneration to suit their personal and family needs at all times. By contracting certain products and services through the Company, employees can increase their net availability due to the tax advantages granted by the Personal Income Tax Law to certain products and services. ENDESA’s plan includes the products Health Insurance, Childcare Ticket, Food Card, Transportation and Training Card.

Likewise, ENDESA, during 2019 has worked on the consolidation and progressive expansion of the catalogue of services that favour the work-life balance of employees in areas such as personal management, health, sports and advice in certain areas.

3.4. Social relationships

3.4.1. Management by the company of the right of workers to be informed and consulted

ENDESA maintains a permanent dialogue with workers’ representatives, through which it seeks to maintain a collaborative space that benefits both the company and its employees, thereby respecting the information and consultation rights of the Labour Representatives and negotiating, if necessary, the conditions of the workers.

ENDESA complies with the existing regulations, and communicates organisational and corporate changes to the Labour Representatives at least 30 days in advance.

ENDESA makes available to its employees continuous updated information on the projects it carries out, as well as all the Company’s policies, through the corporate intranet. In addition, the informative contents are published on a regular basis through newsletters, two days a week, as well as an audiovisual summary of the Company’s news one day a week. 100% of employees have access to these channels.

3.4.2. Principle of inclusion. How the organisation has responded to the reasonable expectations and interests of employees

ENDESA carries out actions to respond to the areas of improvement identified through the climate survey.

As noted above, the Company maintains a permanent dialogue with the workers’ representatives, through which it seeks to maintain a collaborative space from which both the Company and its employees benefit.

There are different bodies in the Company through which it is possible to address the negotiation processes that are necessary to adapt to the needs of the Company. Likewise, and in accordance with current labour regulations, ENDESA complies with the information and consultation rights of the Labour Representatives, providing the information and consultation that is necessary, so that it can carry out its union activity.

The area of "People and Organisation" (Human Resources) has the figure of the "*People Business Partner*", in order to give close support and advice to employees.

3.4.3. Term of notice for operational changes

In accordance with the existing labour regulations, as well as the ENDESA labour regulations in Spain, the criteria that must operate in case of corporate reorganisations and business reorganisations are established. Thus, the regulations provide that they will be informed of the Labour Representatives, at least 30 days before the effectiveness of these operations.

3.4.4. Measures taken to apply international labour conventions in the Company (ILO; OECD)

ENDESA promotes respect for human rights based on all the Agreements established by the International Labor Organization (ILO), in all its commercial relations, adhesion of its contractors, suppliers and business partners to the same principles, paying particular attention to situations of conflict and high risk, as well as the rejection of forced or compulsory labour and child labour, respect for diversity and non-discrimination, freedom of association and collective bargaining, occupational health and safety, fair and favourable working conditions.

3.4.5. Percentage of employees covered by collective agreement

In ENDESA and the Companies that are part of the consolidation perimeter, the number of workers that in 2019 were affected by Collective Agreement, in different legal terms, whether in force or because they had the contractual conditions, came to 9,032 people, 90.75% of the workforce. With regard to contractor workers, 97.8% of ENDESA contractor employees were covered by a collective agreement.

ENDESA employees									
Spain	Employees		%		Portugal	Employees		%	
	2018	2019	2018	2019		2018	2019	2018	2019
Staff covered by agreement	8,915	9,029	91.69	91.05	Staff covered by agreement	4	3	10	8.33
Staff outside agreement	880	920	8.31	8.95	Staff outside agreement	36	33	90	91.67
Total Spain	9,723	9,916	100	100	Total Portugal	40	36	100	100

Within the scope of ENDESA in Spain, it should be noted that on 23 January 2020, the 5th Framework Collective Agreement of ENDESA was signed, as well as the Framework Agreement of Guarantees for ENDESA, S.A. and its electricity subsidiaries domiciled in Spain and the Voluntary Measures on Suspension or Termination of Employment Contracts (see Note 38 to the Consolidated Financial Statements for the year ended 31 December 2019).

3.5. Training

ENDESA offers its employees training in order to equip and improve the technical qualifications they need to perform their duties, and to encourage the growth of attitudes and skills for their personal development. This offer is aimed at achieving compliance with the Company's strategic objectives and at promoting its values.

In the training implementation policy, ENDESA places the person as the main promoter of their individual process of acquiring knowledge and improving their skills.

ENDESA promotes training as a way to develop the capabilities of its people. In addition, it promotes collaboration and knowledge sharing, which contribute to creating a work environment that fosters dialogue, creativity and personal initiative.

In 2019, ENDESA held 2,198 training sessions, in which 9,060 employees took part. 402,953 training hours were given, with an average of 40.5 hours per employee.

3.5.1. Hours of training by gender and professional category

ENDESA is committed to having a staff trained and capable of adapting to the new requirements demanded by the technological and cultural transformation in which the sector is immersed, forming part of its strategy to maintain leadership. This strategy is credited by the data on the average hours of training given per employee.

	Training Hours broken down by gender and professional category											
	Executives						Middle Management					
	Average			Total hours			Average			Total hours		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Men	36.2	34.1	62.7	8,459.50	7,976.80	14,390.10	43.3	37.2	46	91,639.50	80,583.90	106,202.00
Women	40.7	39.2	52.4	1,865.00	1,947.50	2,763.90	44.9	38.4	43	44,499.00	40,024.00	48,284.00
Total	36.9	35	60.8	10,324.50	9,924.30	17,154.00	43.8	37.6	45	136,138.50	120,607.90	154,486.00
	Administration and management staff						Operators					
	Average			Total hours			Average			Total hours		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Men	32.8	37.9	37.3	91,429.30	104,953.10	135,376.40	31.4	64,934.00	45	72,877.40	100,360.90	62,891.50
Women	26.6	29.2	26.9	30,524.50	32,661.40	31,002.90	22.3	28.3	42	1,450.50	1,908.10	2,042.50
Total	31	35.4	34.8	121,953.80	137,614.50	166,379.20	31.2	42.9	45	74,327.90	102,269.00	

3.5.2. Training of employees in Human Rights policies or procedures

Respect for Human Rights is one of the principles on which ENDESA bases its activity in all the countries and territories in which it is present. Its policy of respect for Human Rights strengthens and extends its commitment established in the Code of Ethics, the Zero Tolerance Plan with Corruption and the Compliance Programme 231.

With the aim of spreading this commitment, knowledge about human rights and the actions that ENDESA carries out to respect them, the Human Rights online course is available to all staff. The objective of this course is to show the crucial role that human rights play in the current business framework. This training also discloses the due diligence process that the Company implements to identify, prevent and mitigate potential risks and consequences arising from employee action.

Human Rights Training											
Employee training hours on policies and procedures related to human rights relevant to their activities			Number of employees who received human rights training			Total number of employees			Percentage of employees who received human rights training		
2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
1,200	335	423	6	1,014	1,280	9,706	9,763	9,952	0.06%	10.39%	13.00%

3.6. Equality

3.6.1. Explanation of the concepts of diversity and non-discrimination

The Diversity and Inclusion programmes are framed in the Human Rights Policy approved by the Board of Directors of ENDESA, S.A. on 24 June 2013. This policy incorporates among its principles respect for diversity and non-discrimination. ENDESA rejects all forms of discrimination and maintains the commitment to ensure that all its workers, both current and potential, are treated with respect for their diversity, also promoting equal opportunities, either when the employment relationship is established or at any stage of its development

The diversity and inclusion programmes have the following general principles:

- **Non-discrimination**: All employees are treated exclusively on the basis of their professional abilities and skills in all decisions that affect the employment relationship.

  All forms of discrimination, political, religious, national, ethical, racial, linguistic, gender or age, are prohibited. Likewise, ENDESA rejects any form of personal discrimination based on beliefs, sexual orientation, affiliation and union activity, and any other form of social discrimination. Under the same principles, harassment or intimidation is not tolerated.

- **Equality of opportunity and dignity for all forms of diversity**: Diversity is a value that must be promoted and equal treatment and opportunities are guaranteed for any type of diversity. The personal factors related to the reconciliation of personal, family and professional life do not provide any basis for less favourable treatment.
- **Inclusion**: ENDESA undertakes to establish actions, practices, processes and services of inclusion without limiting its access to any of the parties involved, be they employees, customers or contractors. All people have the opportunity to participate in the processes of the Company, and there should be no explicit or implicit barrier with respect to any unit, function, country, gender, religion, culture, beliefs, sexual orientation, disability, age or another kind of diversity.
- **Balancing of personal, family and professional life**: ENDESA promotes work-life balance solutions that support the real and daily needs of employees, in order to foster respect for all types of situations that a person could encounter during their working life.

3.6.2. Explanation of how the organisation manages diversity and non-discrimination

As part of its policy of Diversion and Inclusion, ENDESA rejects all forms of discrimination and undertakes to guarantee and promote diversity, inclusion and equal opportunities in all dimensions covered by the policy (gender, age, disability and nationality, etc.).

- **Gender**: ENDESA promotes gender equality in all areas of the company and to this end has defined a gender action plan with different objectives: to increase the presence of women in the Company, increase the presence of women in positions of responsibility and ensure equality in salary matters. To achieve these goals, various short, medium and long term initiatives are developed.

  One of these main short-term actions is to reach 50% of women in the selection processes and the commitment to include at least one woman in the final list of the selection processes. When this is not possible, the reason is specified and recorded.

  To improve the female quota in traditionally male positions ENDESA works on long-term initiatives, such as the promotion of technological vocations or specifically in technical studies also called *STEM* (acronym in English for science, technology, engineering and mathematics) among female students. To this end, programmes and collaborations with schools and institutes are established: in 2019 about 600 girls have participated in these initiatives.

  Another of the lines of action of the Gender Plan is aimed at making women's talent visible and fostering the development and incorporation of women at levels of responsibility within the Company. In this sense, different development programmes have been carried out, such as *Women Mentoring* and the *Take the Lead* project. Both programmes are aimed at making visible and empowering female talent in the company.

  In addition, ENDESA annually carries out the exercise of designing the Succession Plan for those positions with strategic responsibility in the organisation. Among the established criteria that must be met for the identification of possible successors is gender diversity. This means that at least one of the proposed successors for each position must be female.

  As a sign of its commitment, ENDESA signed a new protocol with the Ministry of Equality to increase the participation of women in positions of responsibility during the period of validity of the protocol (from 2019 to 2023). Additionally, ENDESA has voluntary agreements with the Ministry of Equality, notably the "More women, better companies" and "For a society free of gender-based violence" initiatives, that have allowed it to be awarded the "Equality in the Company" distinction.

  In addition, in ENDESA there are parental programmes aimed at balancing the needs of employees as parents and professionals. They consist of a series of structured interviews between employees, their managers and Business Partners (figure intended to close support and advice for employees on different matters), before and after the experience of maternity, to leverage that experience both for the worker and for the Company.

  This year ENDESA joined the "Alliance for diversity" promoted by the Adecco Foundation and the CEOE Foundation. This Alliance is formed by a group of sixty CEOs of the main companies in the country. This initiative, a first at European level, aims to bring together the commitment of the top representatives of companies with the aim of promoting the implementation of diversity and inclusion policies.

- **Age:** ENDESA aims to recognise, respect and manage differences between generations, ensuring integration, motivation and knowledge transfer. For this, the following actions have been carried out:

  Tutoring programme aimed at young people who have just joined the Company. The objective of the programme is to accompany young talent in its initial months. This programme can be requested voluntarily and with a variable duration depending on the needs of each specific situation.

Programmes aimed at valuing senior talent through knowledge transfer initiatives and recognition of their experience such as: “Our highest values”, an initiative aimed at employees over 55 years of age with an exceptional contribution in their professional career, who receive recognition from the organisation, their direct manager and their peers, in the form of participation in experiential or business activities.

In order to value the senior talent of the Company, taking advantage of their expertise and Know How with their participation in knowledge transfer initiatives, as well as acting as internal trainers.

- **Nationality**: Another of the objectives of the ENDESA Diversity and Inclusion Policy is to seek recognition, respect and integration of people with different nationalities working in the Company. Therefore, those expatriates are assigned a tutor from the country of destination, who helps them during their period of expatriation.

- **Disability**: ENDESA develops actions in the field of integration of people with disabilities, collaborating with foundations working to this end. These actions are specified both in projects that favour the work placement of this group, as well as in services that support employees with disabilities and family members with employees’ disabilities:

Actions aimed at the internal public:

- With Adecco Foundation: the Family Plan continues to be made available to people in active employment. Through this plan, 76 family members with disabilities received personalised counselling and welfare therapy. In addition, beneficiaries of the Family Plan are offered a summer camp for their children.

- With Randstad Foundation: a specialised service for consultation and advice on disability is provided.

In addition to collaboration with foundations, ENDESA has identified a reference person who is responsible for centralising all issues and serving both managers and employees on this subject.

Actions aimed at the external public:

In 2019, in order to collaborate on the integration of people with disabilities, collaboration was maintained with the Adecco, Randstad, Prevent and Universia Foundations. In collaboration with these entities, various actions were performed such as:

- With Fundación Adecco and Fundación Randstad: training volunteer activities aimed at people at risk of social exclusion, among which people with disabilities, victims of gender-based violence and long-term unemployed.
- In collaboration with the Prevent Foundation and the Universia Foundation: the scholarship programme for university education and higher-level cycles aimed at students with disabilities was supported, with the aim of promoting equal opportunities in higher education and contributing to the training of qualified professionals for their work placement.

During 2019, the Diversity and Inclusion Days have continued to be held. The activities scheduled during these days seek to increase awareness-raising in the four areas of the

ENDESA Diversity and Inclusion Policy. A total of 5 participatory activities were carried out in the cities of Barcelona, Madrid, Seville and Zaragoza.

ENDESA, in application of the alternative measures established in the framework of the General Disability Law, continues to commit itself to indirect contracting, through the purchase of goods and services from special employment centres. These purchases in 2019 reached the value of €2,375,854.50.

3.6.3. Protocols against sexual harassment

ENDESA has developed an action protocol against sexual harassment, which guarantees its activation whenever there is a complaint of sexual or labour harassment.

3.6.4. Integration and universal accessibility of people with disabilities

ENDESA complies with all local regulations and building codes applicable in the countries where it operates in terms of accessibility to its facilities for people with disabilities. In this regard, ENDESA has Operational Instruction 715 of the Comprehensive Office Improvement Project, in whose Manual of Construction Standards for ENDESA offices, it is established that “It is essential that in all buildings access, a non-discriminatory, independent and safe use for people with disabilities is facilitated”, defining the parameters of accessibility that, apart from current legislation, must be mandatory in all company buildings.

ENDESA develops actions in the field of integration of people with disabilities, collaborating with foundations working to this end, as described in section 3.6.2.

3.6.5. Cases of discrimination and corrective actions taken

In 2019 there were no incidents of discrimination at ENDESA, a figure that the Company periodically reports to the Workers’ Representatives.

OCCUPATIONAL HEALTH & SAFETY

1. Material Aspects and Objectives

1.1. List of material aspects

Despite the fact that in 2019 the material issue of occupational health and safety was identified with the highest level of satisfaction for our stakeholders, ENDESA continues to commit and move forward with the aim of meeting the expectations expressed in the framework of the materiality study for 2019.

The optimal management of occupational health and safety has a direct impact on the economic performance of companies as it allows the increase of productivity and the reduction of the associated labour costs. It also contributes significantly to fostering employee loyalty and commitment to ENDESA and the work they perform. Consequently, this aspect is configured as a fundamental pillar of sustainability at ENDESA and contributes to the operational excellence of the Company.

1.2. How the organisation manages the material aspects. Results of ENDESA Sustainability Plan (PES)

ENDESA incorporates these priorities into its sustainability plans and establishes quantitative objectives aimed at improving occupational health and safety, thus allowing the level of commitment and performance achieved to be assessed.

In this regard, the level of compliance achieved in the most relevant objectives of the 2019-2021 ENDESA Sustainability Plan (PES) linked to the priorities in the workplace described above, as well as the new objectives established in the framework of the new 2020-2022 ENDESA Sustainability Plan (PES) are summarised below.

The full details of all the objectives in the field of occupational health and safety included in the Sustainability Plans will be included in the 2019 Sustainability Report, which can be accessed at www.ENDESA.com

Compliance with the main objectives in the field of health and safety at the 2019-2021 ENDESA Sustainability Plan (PES)

SCOPE 2019-2021 PES	DESCRIPTION OF THE OBJECTIVE	OBJECTIVE 2019	RESULT 2019	LEVEL OF COMPLIANCE
Occupational Health & Safety	Fatal accidents	0	1	0%
	Combined accident frequency index	0.80	0.68	100%
	Safety inspections at own and contractors' facilities	70,000	81,728	100%
	Performance of ECoS (Extra Checking on Site)	24	21	87.5%
	Performance of medical examinations	6,500	6,526	100%

New objectives in the field of health and safety at work for the 2020-2022 ENDESA Sustainability Plan (PES)

SCOPE 2020-2022 PES	MAIN OBJECTIVES	OBJECTIVE 2020	OBJECTIVE 2022
Occupational Health & Safety	Fatal accidents	0	0
	Combined accident frequency index	0.67	0.66
	Safety inspections at own and contractors' facilities	70,000	70,000
	Performance of ECoS (Extra Checking on Site)	24	24
	Performance of medical examinations	5,600	5,600

2. Occupational Health and Safety Policy

ENDESA considers Occupational Health and Safety (OHS) a priority and a fundamental value to preserve at all times for all who work for the Company, without distinction between its own personnel and that of its partner companies.

This objective is integrated into ENDESA's strategy through the implementation of Occupational Health and Safety Policies (OHS) in all the group's companies and the implementation of specific work plans, emphasising not only the physical environment but also the emotional one and the promotion of safe and healthy habits.

In this way, the Company develops different initiatives for continuous improvement under a broad conception of the concepts of Safety, Health and Welfare, to eradicate any accident at work and continue persevering in a field where it would not be permissible to succumb to any complacency or overconfidence.

As a result of the correct integration of all the agents involved that constitute our security system, the main actions developed in 2019, both in the business areas and in the staff units, focused on basic pillars of preventive activity, among others:

- surveillance and control through activity inspections;
- adequate identification and management of all risks, with special attention to psychosocial risks;
- the detection of improvable aspects in our activity or in our equipment/facilities;
- the analysis and dissemination of any incident, even if it does not cause personal damage, through increasingly digital channels;
- technological development, innovation and the application of improvements in equipment, and work procedures;
- the promotion among workers in the culture of health and safety, developing and integrating messages and preventive content through periodic campaigns, workshops and awareness-raising workshops.
- the continuity in the work already started with our collaborating companies through periodic evaluations;
- the investment in the improvement of preventive training applying the latest available methodologies;

The Board of Directors also participates in the supervision and control of Occupational Health and Safety management. In this way, the Board at each monthly meeting receives a report with the summary of the most relevant events that have occurred in the area of Occupational Health and Safety in order to carry out continuous monitoring. Likewise, the CEO of ENDESA directs safety meetings on a periodic basis to carry out detailed monitoring of accident indicators.

On the other hand, the participation of the company and its workers, through their union representatives, in the planning, programming, organisation and management control related to the improvement of working conditions and the protection of health and safety of workers, is a basic principle of prevention policy in the company and is considered an important lever for improvement.

3. Key Performance Indicators

3.1. Work accidents, their frequency and severity, and occupational diseases by gender

During this year there were no occupational diseases.

The indicators presented below are monitored monthly, offering a reflection of the management developed by the company in this regard.

	NO. WORK ACCIDENTS (1)			FREQUENCY INDEX (2)			SEVERITY RATE (3)		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
ENDESA	**37.42**	**39.27**	**35.98**	**0.75**	**0.72**	**0.68**	**0.09**	**0.06**	**0.06**
Own	4.85	5.85	6	0.30	0.37	0.37	0.01	0.03	0.03
Contractors	32.56	33.42	29.98	0.97	0.87	0.82	0.14	0.07	0.08

(1) Includes serious and fatal accidents. The numbers with decimals are due to the fact that Ascó-Vandellós accidents are weighted with the consolidation % which is 85.41%
(2) Total number of computable accidents according to ENEL Policy 106 with respect to the total hours worked, multiplied by 1,000,000.
(3) Total number of days lost due to accident due to computable accident, with respect to the total hours worked multiplied by 1,000

	NO. OF WORK ACCIDENTS BY GENDER (1)					
	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
ENDESA	35.45	2	36.27	3	34.98	1
Own	4.85	0	4.85	1	6	0
Contractors	30.60	2	31.42	2	28.98	1

1) Includes serious and fatal accidents. The numbers with decimals are due to the fact that Ascó-Vandellós accidents are weighted with the consolidation % which is 85.41%

	FREQUENCY INDEX BY GENDER (2)					
	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
ENDESA	0.94	0.17	0.87	0.24	0.86	0.08
Own	0.40	0.00	0.40	0.27	0.48	0
Contractors	1.19	0.25	1.06	0.22	1.03	0.12

(2) Total number of computable accidents according to ENEL Policy 106, with respect to the total hours worked, multiplied by 1,000,000.

	SEVERITY RATE BY GENDER (3)					
	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
ENDESA	0.12	0.01	0.07	0.01	0.08	0.01
Own	0.01	0.00	0.03	0.01	0.03	0
Contractors	0.17	0.02	0.09	0.01	0.10	0.01

(3)Total number of days lost due to computable accident according to ENEL Policy 106, with respect to the total hours worked multiplied by 1,000.

	FATAL ACCIDENTS			SERIOUS ACCIDENTS			NON-SERIOUS ACCIDENTS		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
ENDESA	1	0	1	2	2	2	34.42	37.27	32.98
Own	1	0	1	0	0	0	3.85	5.85	5
Contractors	0	0	0	2	2	2	30.56	31.42	27.98

	NO. OF FATAL ACCIDENTS					
	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
ENDESA	1	0	0	0	1	0
Own	1	0	0	0	1	0
Contractors	0	0	0	0	0	0

	NO. OF SERIOUS ACCIDENTS					
	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
ENDESA	2	2	2	0	2	0
Own	0	0	0	0	0	0
Contractors	2	2	2	0	2	0

	NO. OF NON-SERIOUS ACCIDENTS					
	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
ENDESA	31.42	3	34.27	3	31.98	1
Own	3.85	0	4.85	1	5	0
Contractors	27.56	3	29.42	2	26.98	1

CUSTOMERS

1. Material Aspects and Objectives

1.1. List of material aspects

ENDESA, based on the importance of the material issue in its materiality study for 2019 and aware of the need to move towards products and services adapted to the needs of each customer, is working on the development of the digital experience of the customer, with new value propositions, new relationship modes and channels, and new business models.

These new models and digital experiences involve new habits and customs on the part of consumers in their personal and professional life, and of course, in their relationships with companies. The vast majority of them are already or will be digital, connected and social customers.

Considering that the digital transformation means that the company has to adapt its value proposition to the new digital customer and adopt new technologies in its value chain, one of the great challenges for the company is the development of a digital culture that allows development of the necessary skills to successfully lead the transformation.

1.2. How the organisation manages the material aspects. ENDESA Sustainability Plan (PES)

ENDESA incorporates these priorities in its sustainability plans and establishes quantitative objectives oriented to the customer, thus allowing to evaluate the level of commitment and the performance achieved.

In this regard, the level of compliance achieved in the most relevant objectives of the 2019-2021 ENDESA Sustainability Plan (PES) linked to the priorities with the customer is summarised below, as well as the new objectives established in the framework of the new 2020-2022 ENDESA Sustainability Plan (PES).

The complete detail of all the objectives in the customer scope included in the Sustainability Plans will be collected in the 2019 Sustainability Report, which can be accessed at www.ENDESA.com

Compliance with the main objectives regarding customers of the 2019-2021 ENDESA Sustainability Plan (PES)

SCOPE 2019-2021 PES	DESCRIPTION OF THE OBJECTIVE	OBJECTIVE 2019	RESULT 2019	LEVEL OF COMPLIANCE
Customer orientation	Investment in customer digitalisation (millions of euros)	22.5	38	100%
	Number of digital contracts (millions of euros)	4.2	4.8	100%
	Number of contracts with e-invoice (millions of euros)	3.5	3.7	100%
	Number of CNG service stations open to the public associated with fuel changes	18	13	72%
	Quality: Improvement of global customer satisfaction (1 to 10)	7.4	7.4	100%
	Efficient and sustainable products to solve everyday needs through online store	1,400	1,361	97%

New objectives in the field of health and safety at work for the 2020-2022 ENDESA Sustainability Plan (PES)

SCOPE 2020-2022 PES	MAIN OBJECTIVES	OBJECTIVE 2020	OBJECTIVE 2022
Customer orientation	Number of digital contracts (millions of euros)	4.8	5
	Number of contracts with e-invoice (millions of euros)	4.1	4.5
	Growth in digital sales (% sales from digital catchment)	10.5	14
	Quality: Improvement of global customer satisfaction (1 to 10)	7.4	7.45
	Promotion of the Virtual Assistant in care via CAT (% of interactions)	6	9

2.- Claims and Resolution System

Claims attention in ENDESA is managed from the Claims Attention Unit (UAR from its Spanish initials) centrally and through people working in the six existing Territorial Units (UTR from its Spanish initials). Its main duties consist of:

- Ensure customer satisfaction in the management of their claims.
- Detect the causes that negatively affect the usual commercial activity.
- Define the measures to solve them and specify the improvements in the management systems.
- Look for cost efficiencies in the resolution of claims.
- Resolve claims in the shortest possible time.
- Act as interlocutors with public or private consumer defence entities.
- Intervene in social networks when faced with joint claims filed therein.
- Respond to the requests that the CNMC presents to ENDESA including the quarterly reports on claims made.

The year 2019 is the beginning of a new form of claims management with an "end to end" vision of the process and with a customer vision, so that regardless of the Departments that act in the management of claims, there is a global vision of the customer effect. This entails more efficient management in costs and in customer quality since it simplifies the management and results in a shorter management time and a positive valuation by the customer. Also in 2019, the digitalisation management of resolution has continued with the second phase of the claims classifier and studying alternatives for automation and artificial intelligence in management.

The volume of claims generated in 2019 was 255,154, a volume that fell by 42% compared to the previous year. The number of requests also decreased in volume by 18% to 346,237.

The global generation of both requests and claims was 601,391, of which 101% were resolved. Thus, more claims and requests have been resolved than have been generated and may reduce part of the number outstanding.

The measures taken throughout 2019 and the decrease in volume have led to an improvement in the claims management deadlines from 11 days of 2018 to 7.03 days for 2019, which is 36% lower.

At the process level, all show a reduction compared to the year 2019, but the reduction of 64% in the claims related to the readings and their billing, and also a 38% reduction in contracting due to the lower effect of the Bono Social discount rate in the year 2019. Finally, the claims of Customer Service and Sales decreased by 30% and 31% respectively, due to the reduction of customer claims on contracts made by door-to-door commercials. The claims have a higher resolution in the Customer Service Channels that resolve in the first instance with the customers themselves, and the procedures that cannot be resolved in the first instance pass to the teams that can resolve them, including the Commercial Cycle teams which also deal with claims. In 2019, more than 80% of the claims of the reseller (Residential) have been resolved within a period of less than 5 days.

3. Measures to Protect Consumers in Health and Safety Issues

ENDESA's own facilities that it has for its customers comply with all the legal requirements and for each one of them the mandatory revisions are planned with the periodicity that it applies in each case: weekly, monthly, quarterly, annual, etc.

In the works that we carry out at our customers' facilities, the Coordination of Business Activities is fundamental and we always have figures such as Health and Safety Coordinator or Prevention Officers, who ensure the proper development of the works from the Safety point of view, as well as conducting Safety and Health Inspections in the field for verification.

This effort will be rewarded with the OHSAS certification to our Health and Safety Management System for the sale, installation and maintenance of products and services related to the supply of electrical energy, thermal installations, gas and/or sanitary hot water, recharge facilities of electric vehicles, maintenance and repair of in-person technical services linked to the supply of electricity and gas, and the sale of energy products and value-added services to customers.

ENDESA complies with the provisions of current legislation regarding safety for people, whether employees or citizens in general, for all facilities:

- High and medium voltage facilities are subject to three-year safety and suitability inspections.
- Facilities connected to the HV/HV and HV/MV distribution substations have protective devices that isolate any defects that may occur.
- The MV lines have intermediate protections such as lightning rods and self-valves, in prevention of surges caused by atmospheric discharges.
- MV/LV transformation centres and LV lines have similar safety measures.
- Regarding the connections of the supplies to the grid, the link facilities have their corresponding protective devices, in accordance with current regulations.

Regarding the health of the population, ENDESA shares with the rest of the operators in the electricity sector and with society in general the concern about the potential impact that the electromagnetic fields generated by its facilities could cause. Therefore, different technical actions are carried out of verification and, where appropriate, adaptation, so that it is ensured that their operation does not generate incidents hazardous to public health. ENDESA is constantly updated with the latest studies in this area and actively participates in the forums of the electricity sector to contribute our knowledge and initiatives (technical, constructive, operational, etc.) in the field of prevention of health risks related to these causes.

RESPONSIBLE RELATIONSHIP WITH COMMUNITIES

1. Material Aspects and Objectives

1.1. List of material aspects

ENDESA's commitment to involve local communities in its activities and the development of communication technologies have contributed to the increased willingness of local communities to actively participate in those issues that may impact them positively or negatively.

In addition, social opposition to certain projects may entail costs associated with the delay in the execution of the projects undertaken by investee companies or even their own stoppage and, in any case, a loss of trust and social legitimacy towards the Company.

Therefore, in order to guarantee the sustainability of business projects that are developed, minimise risks and maximise business opportunities, ENDESA continues to integrate the expectations of local stakeholders from the beginning, encouraging the development of dialogue and responsible relationships with local communities, applying at all times a shared value creation approach through which it generates value for the company and society.

In this regard, in the consultations ENDESA conducted in 2019 among its stakeholders, the following aspects related to the management of local communities were identified, being among the most relevant facilitating access to electricity, promoting economic development and social community with a focus on employment as the main resource for empowerment and support for local communities both socially and environmentally.

1.2. Explanation of how the organisation manages the material aspects. ENDESA Sustainability Plan (PES)

ENDESA, in order to involve the local communities where it carries out its activity and following the implementation of its Shared Value Creation approach, responds to these expectations and establishes objectives and actions in its sustainability plan oriented towards this end.

The following is a summary of the level of compliance achieved in the most relevant objectives of the 2019-2021 ENDESA Sustainability Plan (PES) linked to the social priorities described, as well as the new objectives established in the framework of the new 2020-2022 ENDESA Sustainability Plan (PES).

The full detail of all the objectives in the workplace included in the Sustainability Plans will be included in the 2019 Sustainability Report, which can be accessed at www.ENDESA.com

Fulfilment of the main objectives in the social scope of the 2019-2021 ENDESA Sustainability Plan (PES)

SCOPE 2019-2021 PES	DESCRIPTION OF THE OBJECTIVE	OBJECTIVE 2019	RESULT 2019	LEVEL OF COMPLIANCE
Local communities	Access to energy (number of beneficiaries)	300,000	423,468	100%
	Socio-economic development (number of beneficiaries)	130,000	133,052	100%
	Education (number of beneficiaries)	52,000	73,267	100%
	Extension of the shared value creation model along the value chain	Renewables: CSV support to renewable projects (estimated about 26 facilities). Application of the sustainable plant model in 9 parks (7 hydraulic and 2 wind).	Renewables: CSV support to 27 renewable construction projects. Application of the sustainable plant model to 12 parks (9 hydraulic and 3 wind)	100%

Note: consider the activities of ENDESA and its Foundation, specifically:
Access to energy: It includes energy-related projects that minimise economic barriers to vulnerable groups, offer education and training in the field of energy, ensure technological or infrastructure accessibility and promote energy efficiency and raise awareness of their use.
Socioeconomic Development: It includes non-energy related projects that provide employment development, infrastructure development, skills transfer and training and support to local business activities
Education: Includes projects to support training activities that involve students, families, schools and universities and the promotion of academic training, in general, not only related to energy, through scholarships, chairs, etc.

New objectives in the social field for the 2020-2022 ENDESA Sustainability Plan (PES)

SCOPE 2020-2022 PES	MAIN OBJECTIVES	OBJECTIVE 2030
Local communities	Access to energy	4,800,000 beneficiaries until 2030
	Socioeconomic development	1,700,000 beneficiaries until 2030
	Education	700,000 beneficiaries until 2030
	Implementation of projects to create shared value for local communities (number of CSV plans under management)	More than 75 plans in 2022

Note: They consider the activities of ENDESA and its Foundation detailed in the previous table. The data consider the period 2015-2030 (accumulated)

2. Relationship Policy with Local Communities

ENDESA's commitment to the development of the communities in which it operates is part of the company's Creating Shared Value Policy (CSV), which establishes the general principles, roles, responsibilities and procedures to be used for the definition, implementation, financing, monitoring and reporting of actions, processes and projects of a social nature, throughout the entire value chain of the company and in all business lines. Its objective is to legitimise the business and strengthen its sustainability, increasing the competitive advantages of the same, through the contribution of a perspective that combines the objectives of the company with the priorities of the stakeholders, creating roots in the communities and encouraging progress in the local environment where it operates.

The application of the Creating Shared Value Model (CSV) has five phases that are:

- Proactive implementation of concrete analyses, which allow obtaining a deep understanding of the local context, identifying key priorities, risks, impacts and main stakeholders related to the project/business asset.
- Consultation and contact process with the social agents representative of the community, which allows identifying priorities and needs of the community, as well as the perceived risks and impacts of the business project/asset in which they are working.
- Together with these stakeholders, identification of actions and projects that can build long-term relationships with the local environment, which are collected and specified in a Creating Shared Value Plan (CSV Plan).

- Execution of the CSV Plan, implementing the actions reflected in it through an internal cross-sectional team and, where appropriate, with the participation of local partners (NGOs, social enterprises, etc.).
- Supervision, evaluation and reporting to verify the value contribution and ensure the key information through monitoring indicators and results.

The actions and projects that make up the CSV Plan must be aligned with ENDESA's general strategy, as well as with the United Nations Sustainable Development Goals (SDGs), with an inclusive social approach, taking advantage of and optimising capacities effectively and efficiently and competencies that the Company has from an integrated perspective, which generates measurable benefits in society by giving a response to its present and future requirements.

3. Operations with Local Community Participation, Impact Assessments and Development Programmes

3.1. Creating Shared Value model

ENDESA continues its process of implementing the Creating Shared Value model as a tool for integrating sustainability into business strategy and operations. Currently, this Model has been implemented, with varying degrees of progress, in 100% of the facilities that are in the Operation phase of both thermal generation and renewable generation, as well as in the 33 new wind and solar park construction projects which cover the power awarded in auctions held since 2017.

At the end of 2019, the CSV Model had been applied in 293 thermal and renewable generation facilities.

As part of these actions, in 2019 a total of 167 meetings were held with city councils, public entities, social agents, etc., in order to integrate, contrast and prioritise local needs and generate channels of dialogue and participation for the creation of shared value and more than 35 social development projects had been carried out or are under management in these environments. In addition, other information meetings were held with local stakeholders on specific topics (energy efficiency, new Bono Social discount rate, etc.).

3.2. Futur-e plans linked to decarbonisation projects

ENDESA maintains a firm commitment to the decarbonisation of the Company, as indicated in the 2020-2022 ENDESA Strategic Plan

Based on its commitment to local communities, in order to manage responsibly the closure of the thermal power plants associated with this transformation, together with the request for closure, ENDESA has voluntarily submitted Future Plans (called Futur-e) aimed at promoting development of economic activities and employment generation in the areas of the plants in closing.

The Futur-e Plans have 4 main pillar of action that seek to contribute to the mitigation of the impact of closures on the local community:

1. Proactive job search for directly affected staff members. ENDESA will respect the jobs of all plant employees, trying to minimise their geographical mobility. Likewise, the Company will prioritise the hiring of personnel from the surrounding area to undertake the dismantling of the plants, as well as the development of new renewable facilities.

2. Promotion of economic activity and employment Commitment to the development of the local community with a focus on attracting investment and generating employment in the vicinity of the closures, through own investment in renewable generation in those locations where it is viable and/or the search for alternative uses to placement in those locations where the above is not feasible. The latter is managed through an ideas competition, so that companies,

institutions and other public and private agents can present viable alternatives, through a participatory, transparent and open process, in order to seek investment and job creation projects on the site of the plants or in their surrounding areas.

Specifically in Andorra the Company has presented a plan that provides for the installation of 1,884 MW of renewable generation (pending granting of evacuation rights), which would involve an investment of €1,427 million and is estimated to generate 4,000 jobs in the construction phase and 130 in the operation and maintenance phase. In the case of Compostilla, ENDESA has planned the installation of 390 MW of renewable generation in the area of Villameca, which would involve an investment of €340 million and is estimated to generate 1,100 jobs in the construction phase and 30 in the operation and maintenance phase. Likewise, the Compostilla ideas competition is in the process of receiving proposals on possible new uses of the site, which will be assessed throughout 2020.

3. Education and training for the improvement of employability, aimed at the population of the environment of influence and focused on training in skills necessary for the dismantling of the plants and construction and operation of the new renewable parks.

4. Sustainability in the municipality. Destined to mitigate the impact derived from the closure in the municipality where the plant is located.

4. Key Performance Indicators

4.1. Evaluation of the management approach. Results of our social objectives

ENDESA wants to be an actor that contributes positively to the Companies in which it is located, going beyond what constitutes its business activity. This is attested through the Company's social investment data which, according to the London Benchmarking Group (LBG) methodology, rises €12.5 million. This final result of ENDESA's social contribution in 2019 represents a decrease of 11% compared to the previous year, as the approach to optimise and improve management, take advantage of synergies, involve employees and minimise accessory costs is still being developed.

Therefore, in 2019, 203 social projects were carried out (163 in 2018) that have generated 1,070,620 direct beneficiaries, assuming a slight decrease compared to the result obtained in 2018 (1,148,888 beneficiaries). However, the level of positive impact on them was raised as a result of the projects since about 290,000 people (213,000 in 2018) achieved a positive and relevant transformation in their lives as a result of these actions, which entails a rise in 8 percentage points with respect to the level of achievement of the previous year.

The projects are classified into four categories, the first three being (Access to energy, Socioeconomic Development and Education) those where we have publicly committed commitments to the United Nations Sustainable Development Goals.

Main figures	2017	2018	2019
Social Investment according to LBG (millions of euros)	13.8	14.0	12.5
Energy access projects (*)	34%	25%	37%
Community socio-economic development projects (*)	25%	35%	20%
Education Projects (*)	Integrated in the "Support to local communities" section	10%	15%
Support projects for local communities	41%	30%	28%

(*) Achievement commitments publicly acquired with the United Nations Sustainable Development Goals

4.2. Energy access projects

ENDESA is committed to the development and well-being of the Company, which cannot occur without having access to a basic commodity such as energy. In this sense, the company promotes initiatives, aligned with its core business, that minimise economic barriers to vulnerable groups, offer training and training in the field of energy, ensure technological or infrastructure accessibility and promote energy efficiency and Aware about its use. In this way ENDESA contributes to the Sustainable Development Goal 7, establishing a public commitment of 4.8 million beneficiaries in this type of projects for the period 2015-2030.

The beneficiaries of this type of projects developed by ENDESA have increased by 5% compared to the previous year, from 403,390 in 2018 to 423,468 beneficiaries in 2019.

Access to energy	2017	2018	2019
Number of beneficiaries	401,141	403,390	423,468

As an example of a project in this category, we highlight the “Training of social services technicians and/or third sector entities in efficient energy consumption habits and invoice optimisation”. Since 2016 and in collaboration with the Association of Environmental Sciences (ACA) and the European Network for the Fight against Poverty and Social Exclusion of the Spanish State (EAPN-ES), a programme of training courses is being taught aimed at workers in social entities on issues such as energy saving and efficiency measures, the new Bono Social discount rate, optimisation of the electricity bill and protection against service cut-offs due to non-payment so that, in this way, they can better develop their advisory and support work for families in vulnerable situations. Through these course cycles, attendees acquire practical and useful training so that they can better develop their advisory and support work. In the sessions given in 2019, some 77 institutions that they estimate provide advice to about 9,000 people a year in energy poverty.

4.3. Socio-economic development and job creation projects

ENDESA is committed to the socioeconomic development of the communities in which it is present, promoting initiatives that boost its progress through the support, generation and creation of local economic fabric and programmes that promote employability and job creation. In this way ENDESA contributes to the Sustainable Development Goal 8, establishing a public commitment of 1.7 million beneficiaries in this type of project for the period 2015-2030.

This area encompasses projects unrelated to energy that contribute to employment development, infrastructure development, skills transfer and training and support to local business activities.

In 2019 the Company has invested about €2.5 million according to LBG methodology in this type of initiative, representing 20% of the total investment, with the management of 48 projects (36 in 2018) that have benefited more than 133,000 people.

Likewise, in the category of “Access to energy”, among other actions, employability and job creation in the energy sector are encouraged. In this sense, there is the subcategory of “Training and training in the field of energy”, which frames courses, practices and creation of professional opportunities in the sector, for people in unemployment. In 2019, more than €600,000 was invested in 8 projects of this type that benefited 734 people. As an example, we highlight the courses for the operation of renewables plants whose objective has been to promote the hiring of local labour, promote employment and create an economic fabric in the area, through the improvement of the employability of people who have some training technical and who live in the surrounding areas of the new renewable plants under construction. In 2019, 16 courses on renewable energies distributed by Zaragoza, Andorra, Motilla del Palancar, Totana, Paradela, Cogollos, Almargen, Logrosán and Casas de Don Pedro were given, in which the 183 people attending them received training in the operation and maintenance of solar and wind farms.

As an example of an initiative not linked to the sector, since 2016 the ENDESA Foundation, in collaboration with Fundación Integra, has carried out the “Changing Lives” project, in order to improve the employability of people at risk of exclusion, offering them the necessary tools to become integrated in the world of work. Made in Barcelona, Seville and Madrid, during 2019, 360 people were trained and 192 of them found a job.

4.4. Education projects

ENDESA is committed to promoting access to inclusive and quality education, through support for training activities that involve students, families, colleges and universities and the promotion of academic training, in general, not related to energy. In this way ENDESA contributes to the Sustainable Development Goal 4, establishing a public commitment of 700,000 beneficiaries in this type of project for the period 2015-2030.

In 2019 and according to the LBG methodology, the Company has invested more than €1.8 million in this type of project, representing 15% of the social investment with the management of 28 actions that have benefited more than 73,000 people.

A significant initiative in this area is the ENDESA Red Chair in collaboration with the University of Seville, the University of the Balearic Islands, the University of Las Palmas and the UPC (Polytechnic University of Catalonia). The initiative frames different types of activities that serve as a bridge between the academic and business fields through the holding of seminars, conferences, final projects and doctoral theses, as well as research in the electricity sector.

4.5. Support projects for local communities

ENDESA supports local communities through various types of projects aimed at improving the well-being of individuals and communities, maintaining their cultural identity, preserving their heritage, improving the environment and local biodiversity, promoting sport, encouraging healthy habits and meeting basic needs.

When carrying out these actions, ENDESA is based on the knowledge and sensitivity of each local reality and collaborates with the main social organisations in the environment where it operates, relying on territorial units. This pillar of action has had an investment of 28% of the budget according to LBG methodology, which corresponds to almost €3.5 million, 75 projects managed and about 441,000 beneficiaries.

As examples we highlight the campaigns of food collection and household goods to alleviate critical situations of people in vulnerable situations, initiatives to support cultural activities such as the Teatro Real de Madrid or the Museo del Prado, projects to support people with health problems such as “Medical Smile” which sends clowns to hospitals in the Balearic Islands or the Pro Cnic Foundation for cardiovascular diseases or, finally, initiatives to protect birds and other species such as the European roller conservation project.

5. Measurement of Project Impact

It is estimated that the benefits obtained by the 1,693 institutions with which ENDESA has collaborated in 2019, for the management of the social projects that it has carried out, have translated in 92% of the cases, in an improvement of its services or an increase in their capacities, in 45% in an extension of the scope of their activities and in 43% in an increase in their recognition. 38% of institutions have undergone these three results simultaneously.

In 2019, a total of 1,070,620 beneficiaries derived from the management of the 203 social development projects carried out by ENDESA were obtained. It is estimated that, as a result, 40% of the beneficiaries had their awareness raised, 33% achieved an improvement in their circumstances and, finally, 27%, about 295,000 people, achieved a transformation, with this being understood as an enduring positive change. In 2018, this last impact was 19%. These estimated results imply an increase in the quality of the projects managed, as the percentages and the absolute value of the sections for both a transformation and an improvement as a result of the initiatives have risen.

On the other hand, of the total beneficiaries, 43% are people from local communities in the environment where the company operates and 28% are people from society in general. Thirdly, with 13% and 10% respectively, there are people in vulnerable situations and students and finally, with 2% each, children and adolescents and the elderly.

6. Association, Collaboration or Sponsorship Actions

In 2019, 100% of the projects were managed through strategic alliances with public and private organisations, a sign of ENDESA's commitment to contribute to projects with a lasting vocation. It collaborated with a total of 1,693 public and private institutions to develop the 203 projects that were carried out in the social field. 46% were primary and secondary schools, 36% public institutions and 7% were NGOs and social foundations. The remaining 10% is distributed among universities, social and environmental platforms, cultural entities and others.

An example of these alliances are the agreements signed against energy poverty. ENDESA, since 2015, has tackled a line of action that offers a response to the social problem of energy poverty. In fact, the Company pioneered the signing of agreements with town halls, councils, autonomous communities and public bodies to guarantee the supply to vulnerable families, conveniently accredited by social services, and that they were in default. Currently there are 272 agreements in force, of which 6 are with Autonomous Communities and 5 with Federations of Municipalities, and contact is maintained with 537 municipalities. As a result of these agreements, in 2019 ENDESA attended to 80,783 requests amounting to €27,390,108 from vulnerable customers with difficulties in paying their bills. Thanks to them, in 2019 they have benefited 36,723 families that are estimated to encompass more than 110,000 people.

SUPPLY CHAIN

1. Material Aspects and Objectives

1.1. List of material aspects

Long-term sustainable growth for any Company involves responsible management of the supply chain, based on the evaluation of environmental, social and ethical performance in a way that allows the evaluation of whether employees who intend to work with the Company comply with the requirements established and are aligned with the objectives and the strategy of sustainable growth.

Suppliers, as members of the ENDESA supply chain, can generate social, economic or environmental impacts derived from the performance of activities for the Companies. In this sense, ENDESA has considered this aspect in the consultation process carried out during 2019 to its stakeholders in order to identify the most relevant aspects and where it should prioritise.

1.2. How the organisation manages material aspects - ENDESA Sustainability Plan (PES)

ENDESA establishes in the ENDESA Sustainability Plan the objectives to promote the responsible management of its supply chain, incorporating objectives of occupational health and safety, environmental and respect for human rights in this regard. The following shows the level of compliance achieved in the main objectives in 2019 and the new objectives set for the coming years.

The full detail of all the objectives in the field of supply chain management will be included in the 2019 Sustainability Report, which can be accessed at www.ENDESA.com

Fulfilment of the main objectives in the scope of the supply chain of the 2019-2021 ENDESA Sustainability Plan (PES)

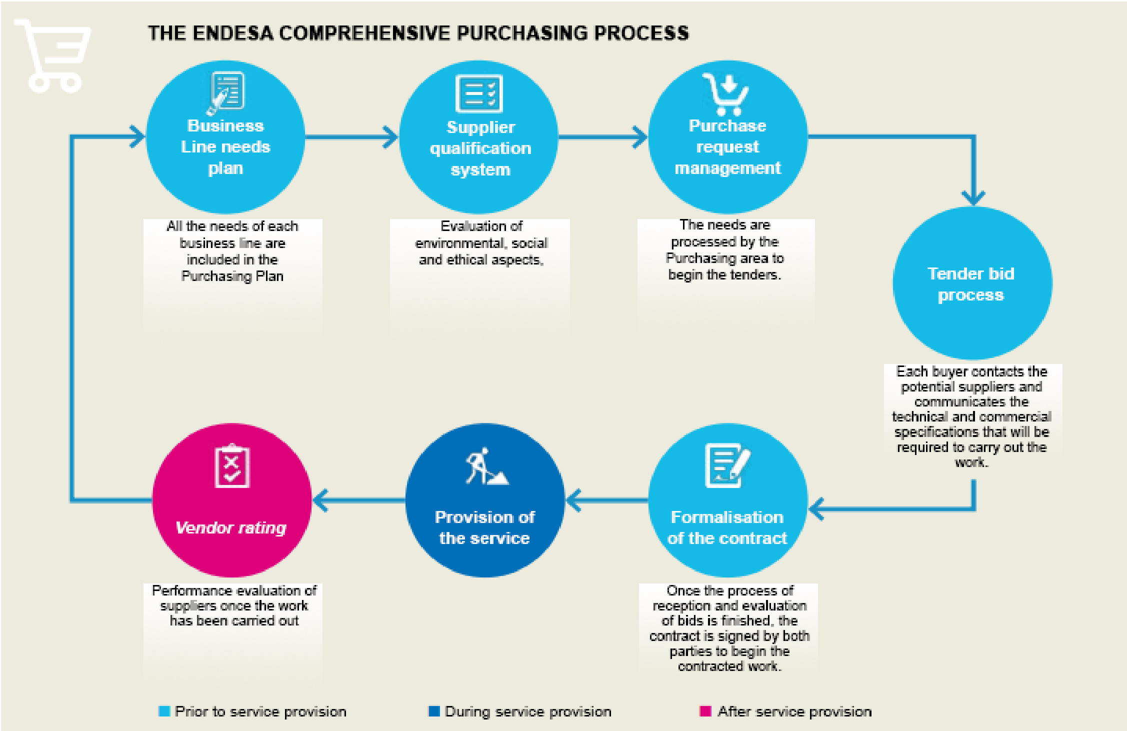
SCOPE 2019-2021 PES	DESCRIPTION OF THE OBJECTIVE	OBJECTIVE 2019	RESULT 2019	LEVEL OF COMPLIANCE
Supply chain	% of qualifications made to suppliers in which occupational health and safety aspects are verified	80%	89%	100%
	% of qualifications made to suppliers in which human rights aspects are verified	80%	89%	100%
	% of qualifications made to suppliers in which environmental aspects are verified	80%	89%	100%

New objectives in the scope of the supply chain for the 2020-2022 ENDESA Sustainability Plan (PES)

SCOPE 2020-2022 PES	MAIN OBJECTIVES	OBJECTIVE 2020	OBJECTIVE 2022
Supply chain	% of qualifications made to suppliers in which occupational health and safety aspects are verified	100%	100%
	% of qualifications made to suppliers in which human rights aspects are verified	100%	100%
	% of qualifications made to suppliers in which environmental aspects are verified	100%	100%

2. Description of the Supply Chain and Significant Changes in the Supply Chain

In order to promote responsible management in the supply chain, ENDESA has a comprehensive purchasing process, which requires suppliers to be qualified according to sustainability criteria (environmental, social, ethical, integrity, human rights) in addition to technical and economic, prior to the tender process and the formalisation of the contract. Finally, once the service has been provided, its level of compliance and performance in said provision is evaluated through the Suppliers Performance Management tool.



A significant change in this process has been the introduction, within the scope of the supplier qualification system, of the new Sustainability requirements related to compliance in human rights, environment and occupational health and safety for all suppliers requesting qualification in the families of materials/services/works subject to these controls. Additionally, and as an integration in the requirements of sustainability in occupational health and safety, since 2018, the completion of the SHE 365 safety questionnaires to suppliers was introduced as a mandatory requirement for qualification, which implies a more in-depth analysis related to Company standards in aspects related to safety and the environment.

3. Policy on the Qualification of Suppliers according to Social Criteria, Labour Relations, Human Rights, Gender Equality, as well as Environmental

ENDESA has a comprehensive purchasing process, in order to promote responsible management in the supply chain, which requires that, prior to the bidding process and the formalisation of the contract, suppliers are qualified according to criteria of sustainability (environmental, social, ethical, integrity and human rights), as well as technical, legal, economic and reputational criteria.

The current ENDESA supplier qualification system was reviewed and established in 2019. The new OP-162 procedure applies to the whole group of purchasing families, which have been catalogued at different levels of risk through a joint analysis between the supply departments, the business lines and those responsible for Safety, Health, Environment and Quality.

The Supplier Qualification System was started in 2009 to reinforce compliance with applicable regulations in legal, labour, safety and environmental protection matters. Through it, it is determined whether a supplier meets the requirements to work with ENDESA. This system specifically evaluates, in addition to compliance with legal requirements, economic-financial solvency and technical capacity, the level of compliance of the supplier in terms of sustainability, according to criteria previously defined according to the risk associated with the family of purchases to which the supplier belongs:

- Evaluation of compliance with human rights regulations.
- Evaluation of compliance with environmental regulations.
- Evaluation of compliance with labour safety regulations.

The requirements in this area of sustainability for new qualification files entered into force in April 2017, and are applicable to the entire base of qualified suppliers since the entry into force of the OP 162 procedure during 2019.

In addition, as part of the environmental and safety sustainability requirements, the need for possession of the corresponding management system certifications in such matters has been established in accordance with ISO 14.001 / ISO 45.001 and OHSAS 18001 standards for the activities to be carried out by the suppliers according to the family in which they need to be qualified.

At the end of 2019, the Supplier Qualification System had been implemented in 577 purchasing families, 241 global families (international qualification), and 336 locally in ENDESA.

In 2019, 100% of the new ENDESA qualified suppliers were examined on criteria related to human rights; in addition, 100% of contractors are also examined in this area as this requirement is included in the ENDESA General Contracting Terms and Conditions.

4. Policy in the Selection of Suppliers according to Social Criteria, Labour Relations, Human Rights, Gender Equality, as well as Environmental Criteria

In addition to the foregoing for the supplier qualification process, aware of the relevance of extending its commitment to sustainability to the supply chain, throughout 2019, since the implementation of the new OP 162 procedure, ENDESA has begun to apply sustainability criteria in all the qualifications carried out. Regarding the tenders carried out by ENDESA, a library of social, environmental and ethical indicators has been developed from which a selection is made for each tender of those best-adapted to the nature of the product or service tendered and the performance of potential suppliers of these indicators is taken into account and evaluated, together with the economic and technical proposal.

This methodology has already been used throughout the year 2019, including the two with the highest volume and will continue to be applied systematically in all new tenders as from 2019. At the end of the year, 260 contracts were signed including the K of sustainability.

5. ENDESA Local Suppliers

Local suppliers are suppliers of materials, products and services located in the same geographic market in which the organisation operates (that is, no international payment is made to the supplier).

Local suppliers			
	2017	2018	2019
Percentage of procurement	92.09%	84.07%	92.95%
Expense (thousands of €)	1,737,896	2,230,176	1,893,400

6. Measures Taken to Apply International Labour Conventions (ILO; OECD) in the Supply Chain

6.1. Operations and suppliers in which the right to freedom of association and collective bargaining, cases of child labour and forced or compulsory labour could be at risk

As mentioned in the previous section, ENDESA's comprehensive purchasing process determines that, prior to the bidding and contracting phase, the supplier is qualified, among other sustainability criteria, in accordance with human rights criteria and the compliance of the supplier is evaluated in a specific manner, depending on the risk associated with the purchasing family to which the supplier belongs, being able to perform, based on the results of that evaluation, specific audits to verify compliance in the area of Human Rights.

The results of this process have determined that, to date, no suppliers have been identified in which the right to freedom of association and collective bargaining is at risk nor have there been cases of child labour or forced or compulsory labour.

6.2. Operations subject to revisions or evaluations of impact on Human Rights

Significant suppliers are understood to be those whose sum of signed contracts is equal to or greater than €1.5 million.

In 2019, 189 new contractors were recognised whose sum of contracts exceeds the amount of €1.5 million (172 local and 17 foreign).

All these contracts include human rights clauses, related to the Global Compact and Ethical Regulations (clauses 26 and 27), which reflects the supplier's commitment to comply with the principles of the Global Compact, which includes those related to Human Rights, as well as the commitment to comply with legal regulations regarding the protection of child labour and women; equal opportunities; the prohibition of discrimination; abuse and harassment; freedom of association and representation; forced labour; safety and environmental protection; sanitary hygienic conditions; as well as compliance with current legislation regarding remuneration, pensions and social security contributions, insurance, taxes, etc., in relation to all workers employed for any purpose for the execution of the Contract.

With this criterion, based on contractual clauses, 100% of the operations would have been subject to review or evaluation of impact on human rights.

MAIN CONTRACTORS AND SUPPLIERS THAT HAVE BEEN THE SUBJECT OF EVALUATION IN THE FIELD OF HUMAN RIGHTS					
Suppliers and significant contractors evaluated on human rights issues			% of suppliers and significant contractors evaluated on human rights issues		
2017	2018	2019	2017	2018	2019
193	248	189	100%	100%	100%

On the other hand, within the process of qualification of suppliers of local families of ENDESA, during 2019 a total of 181 suppliers were analysed in the field of human rights (by analysing a questionnaire provided for this purpose in the qualification circuit), of which 14 were significant.

Expanding the base to qualified suppliers (at local level and in groups of merchandise of international interest), which amounted to 1118 suppliers, in 2019 a total of 997 suppliers were evaluated in the field of human rights, which meant evaluating 89% of suppliers qualified for ENDESA, exceeding the 85% set as a goal in the sustainability plan.

6.3. Operations subject to revisions or impact assessments on suppliers and subcontractors of their social and environmental responsibility

The Supplier Qualification System was started in 2009 to reinforce compliance with applicable regulations in legal, labour, safety and environmental protection matters. Through it, it is determined whether a supplier meets the requirements to work with ENDESA.

ENDESA, reinforced the controls related to the fulfilment of the requirements of integrity of the suppliers, in the groups of articles and contracts more sensitive to this aspect.

During the year 2019, 181 ratings were made (whether new or renewals due to the validity of the previous ones) in which the non-existence of critical data related to corruption has been verified through the use of check bases such as Word Check. For all of them, the suppliers also provided the mandatory Declaration of Trustworthiness.

ENDESA evaluates whether the contracting companies have the requested environmental requirements, examining the performance and organisational quality and management of the companies in terms of Environmental Responsibility, based on various information and documents sent by the company.

During the year 2019, 181 qualifications were made (in 2018, 195 were made), whether new or renewals for the purpose of validity of the previous ones, in which compliance with the environmental matter has been verified by means of the appropriate score in the questionnaires in this matter that are part of the qualification process in terms of sustainability. Of this total, 116 evaluations obtained an optimal score, 65 a sufficient score (corresponding to low or medium risk activities) and in 2 cases an environmental audit was performed.

7. Coal supply chain

7.1. Fuel supply

The selection of the suppliers of solid and liquid fuels is carried out through the Know Your Customer process with which, for each counterparty, reputational, economic-financial aspects and the possession of the appropriate commercial technical requirements are evaluated. In addition, the provider's non-membership of specific “blacklists” of the United Nations, the European Union and the Office of Foreign Assets Control (OFAC) of the United States is verified.

These are nominative lists that identify individuals or organisations associated with terrorist activities, organisations subject to economic sanctions by the EU and organisations called SDN (Specially Designated Nationals) subject to sanctions by the United States for accusations, including terrorism and drug trafficking.

Regarding the evaluation of the sustainability aspects of coal suppliers, an adequate internal process has been defined to verify that the supplier meets the requirements aligned with the ENDESA standard and the ENEL Group in terms of occupational safety, environment and human rights.

The purchase agreements established with each supplier apply the ENDESA principles regarding the Code of Ethics and Zero Tolerance Plan against corruption, to which the supplier must comply, the Company reserving the power, in serious cases of breach of such principles, to terminate the contract.

Additionally, to mitigate the risks arising from the maritime transport of fuels, the Company has been equipped with an evaluation and selection instrument for the carriers used (vetting). The activity of vetting is an industrial standard recognised by oil carriers, but for some years, the Company and a growing set of operators have begun to apply this methodology also for the transport of solid masses.

7.2. Coal supply chain

ENDESA has identified the coal supply chain as an area especially relevant for its potential environmental, social and human rights impact. Therefore, for years, it has been reporting in detail on the different initiatives it has launched to ensure that the company's sustainability standards are observed among its coal suppliers. Aware of the requirement of its stakeholders for a greater detail of information, it has been decided to include this specific section in the non-financial information statement regarding this matter.

As indicated throughout this document, the 2020-2022 Strategic Plan sets out determined decarbonisation objectives that include the cessation of mainland coal activity in 2022. In addition, in December 2018, the closure of coal groups 1 and 2 of the Alcudia plant was requested, which was authorised by the competent authorities in March 2019, these groups having been removed from the Register of Electrical Power Production Facilities in January 2020. Additionally, from 1 January 2020, coal groups 3 and 4 of the Alcudia plant will operate a maximum of 1,500 hours per year, which will be reduced by up to 500 hours per year from August 2021. These facts determine that future purchases of coal are not anticipated.

Purchases of coal for consumption by ENDESA thermal power plants already reflect this decrease in 2019, with a decrease of 80% compared to the previous year (974 kt in 2019 compared to 5,154 kt in 2018), being the main countries of origin in 2019 Indonesia, Colombia, South Africa and, to a lesser extent, Russia and the United States.

In any case, ENDESA is part, through its parent company, ENEL, together with other major European electricity companies, of the Bettercoal initiative, a global initiative to promote the continuous improvement of corporate responsibility among international coal suppliers. Bettercoal has published a code of conduct based on existing sustainability standards. It sets out in detail the guidelines that mining companies can follow to define their own social, environmental and ethical policy. The Bettercoal Code conveys to the suppliers the expectations of the members regarding their practices in relation to four macro categories: management, ethical commitment and transparency, human and labour rights and environmental management, promoting continuous improvement.

During the course of 2019, a revision of the Code has begun to be aligned with the most recent Best Sustainability Practices, gathering ideas and feedback from all interested stakeholders.

Suppliers adhering to the initiative, after signing a letter of commitment, begin a virtuous path represented by the insurance system, agreeing to undergo on-site verifications, carried out by independent third parties on the application of the principles listed in the Code and agreeing on a plan of continuous improvement to overcome possible deficiencies.

Bettercoal has been gaining an increasingly prominent presence in forums related to the sustainability of coal and the supply chain, becoming an example of collaboration aimed at improving socially responsible practices in the supply chain. In 2019, Bettercoal's evaluations covered 400 Mt of coal production, two working groups specifically dedicated to Russia and Colombia were reinforced with clear and transparent work plans. Four on-site checks were carried out at sites located in the United States, Colombia and Kazakhstan and 11 improvement plans were actively monitored. Additionally, to promote greater transparency, 4 reports have been published on the on-site assessments carried out that are publicly available on the Bettercoal website, a communication of commitment to the United Nations Global Compact is published and the Annual report with the contribution of an external NGO.

For more information please go to the website: www.bettercoal.org

Content index as required by Law 11/2018, of 28 December, amending the Commercial Code, the Consolidated Text of the Capital Corporations Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on the auditing of financial statements as regards non-financial and diversity information

General areas

Scope		Reporting framework	Reference	Comments / Reason for omission
Business model	Description of **the business model:** – Business environment – Organisation and structure – Markets in which it operates – Objectives and strategies – Main factors and trends that may affect your future evolution	GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-14, 102-15	Organisation 1- Business model for the management and organisation of company activities Organisation 3- Significant changes in the organisation Organisation 4 - Commitment to a Sustainable Energy Model Organisation 7 - The ENDESA Sustainability Plan	
Main risks and impacts identified	Internal Control and Risk Management System Risk and impact analysis related to key issues	GRI 102-15	Organisation 3- Significant changes in the organisation Organisation 4 - Commitment to a Sustainable Energy Model Organisation 7 - The ENDESA Sustainability Plan Internal Control and Risk Management System 5- Main sustainability risks - Impacts, risks and opportunities related to social and environmental issues	

Environmental issues

Scope		Reporting framework	Reference	Comments / Reason for omission
Management approach				
Environmental management	**Current and foreseeable effects** of the company's activities	GRI 103-1, 103-2, 307-1	Environmental sustainability 4.1 Current and foreseeable effects of the company's activities on the environment and safety	
	Environmental assessment or certification procedures	GRI 307-1	Environmental sustainability 4.2 Environmental assessment or certification process	
	Resources dedicated to the prevention of environmental risks	Internal framework: Resources for the prevention of environmental risks	Environmental sustainability 4.3 Resources dedicated to the prevention of environmental risks	
	Application of the **precautionary principle**	Internal framework: Application of the precautionary principle		

	Number of **provisions and guarantees** for environmental risks	Internal framework: Number of provisions and guarantees for environmental risks	Internal Control and Risk Management System 5- Main sustainability risks - Impacts, risks and opportunities related to social and environmental issues	
Pollution	**Measures** to prevent, reduce or repair carbon emissions (also includes noise and light pollution)	GRI 305-7	Organisation 3- Significant changes in the organisation Organisation 4 - Commitment to a Sustainable Energy Model Organisation 7 - The ENDESA Sustainability Plan Environmental sustainability 5.3 Noise and light pollution	
Circular economy and waste prevention and management	**Measures** for prevention, recycling, reuse, other forms of waste recovery and disposal	GRI 306-2, 303-1	Environmental sustainability 5.4 Circular economy. 5.4.1 Waste management: prevention, recycling, reuse and other forms of waste recovery and disposal	
	Actions to combat food waste			
Sustainable use of resources	Water **consumption** and water supply in accordance with local limitations	GRI 303-1, 303-3, 303-5, 306-5	Environmental sustainability 5.2.3 Water consumption	
	Consumption of raw materials and measures taken to improve the efficiency of its use	GRI 301-1	Environmental sustainability 5.2.1 Fuel consumption	
	Direct and indirect **consumption** of energy	GRI 302-1, 302-3	Environmental sustainability 5.2.2 Energy consumption	
	Measures taken to improve energy efficiency	GRI 302-4	Environmental sustainability 5.2.2 Energy consumption- Reduction of energy consumption- Energy saving	
	Use of Renewable Energy	Internal framework: Use of renewable energy	Environmental sustainability 5.5 Renewable energies	
Climate change	Important **elements** of greenhouse gas emissions generated	GRI 305-1, 305-2, 305-3, 305-4, 305-5	Environmental sustainability- Compliance with the environmental objectives of the 2019-2021 ENDESA Sustainability Plan (PES) Environmental sustainability 5.1.1. Emissions of greenhouse gases	
	Measures taken to adapt to the consequences of climate change	GRI 201-2	Environmental sustainability 3. Business model: Combating climate change	
	Reduction **goals** set voluntarily	GRI 305-5	Environmental sustainability 1.2 - How the organisation manages the material aspects of ENDESA Sustainability Plan Environmental sustainability 5.1.2 - Pollutant emissions to the atmosphere	
Biodiversity protection	**Measures** taken to preserve or restore biodiversity	GRI 304-3	Environmental sustainability 5.6.1 Measures taken to preserve or restore biodiversity	

	Impacts caused by activities or operations in protected areas	GRI 304-2, 303-2	Environmental sustainability 5.6.2 Impacts caused by activities or operations in protected areas Environmental sustainability 5.2.3. Water consumption: Water sources affected by catchment.	

Social and personnel issues

Scope		Reporting framework	Reference	Comments / Reason for omission
Management approach				
Employment	**Total** number and distribution of employees by gender, age, country and professional category	GRI 401-1	People 3.1 Employees	
	Total number and distribution of employment contract procedures	GRI 102-8	People 3.1.4 Hiring; impact of the Company's activity on employment People 3.1.5 Distribution of hiring	
	Annual **average** of permanent, temporary and part-time contracts by gender, age and professional category	GRI 102-8	People 3.1.5 Distribution of hiring	
	Number of layoffs by gender, age and professional category	Internal framework: Number of layoffs by gender, age and professional category	People 3.1. 6 Layoffs	
	Wage gap	Internal framework: Wage gap calculation	People 3.2.2 Remuneration of executives and employees People 3.2.3 - Salary Gap	
	Average **remuneration** by gender, age and professional category	GRI 405-2	People 3.2.2 Remuneration of executives and employees	
	Average **remuneration** of Directors by gender	GRI 405-2	People 3.2.1 Remuneration of Directors	
	Average **remuneration** of managers by gender	GRI 405-2	People 3.2.2 Remuneration of executives and employees	
	Implementation of labour disconnection **policies**	GRI 103-1, 103-2, 103-3	People 2.3 Labour disconnection policies	
	Employees with disabilities	GRI 405-1	People 3.1.3 Employees with disabilities	
Work organisation	**Organisation** of working time	Internal framework: Organisation of working time	People 3.3 Work organisation: 3.3.1 Organisation of working time	
	Number of hours of absenteeism	Internal framework: Number of hours of absenteeism	People 3.3.2 Number of hours of absenteeism	

	Measures aimed at facilitating the enjoyment of work-life balance and encouraging the co-responsible exercise of these by both parents	Internal framework: Measures aimed at work-life balance	People 3.3.3 Measures to facilitate work-life balance	
Health and safety	Health and safety **conditions** at work	GRI 414-1	Occupational health and safety 2- Occupational health and safety policies	
	Number of accidents at work and occupational diseases by gender, frequency and severity rate by gender	GRI 403-9, 403-10	Occupational health and safety 3- Key performance indicators	
Social relationships	**Organisation** of social dialogue, including procedures for informing and consulting staff and negotiating with them	GRI 102-43	Organisation 5- Dialogue with stakeholders	
	Percentage of employees covered by collective agreement by country	GRI 102-41	People 3.4.5 Percentage of employees covered by collective agreement	
	Balance of collective agreements, particularly in the field of health and safety at work	GRI 102-41	People 3.4 Social relations People 3.4.5 Percentage of employees covered by collective agreement	
Training	**Policies** implemented in the field of training	GRI 103-1, 103-2, 103-3	People 2.4 Policies implemented in the field of training People 3.5 - Training	
	Total number of hours of training by professional categories.	GRI 412-2	People 3.5.1 Hours of training People 3.5.2 - Employee training in human rights policies and procedures	
Universal accessibility of people with disabilities		Internal framework: Accessibility of people with disabilities	People 3.6.4. Integration and universal accessibility of people with disabilities	
Equality	**Measures** taken to promote equal treatment and opportunities between women and men	GRI 405-1, 405-2	People 3.6. Equality People 3.6.1. Explanation of the concepts of diversity and non-discrimination	
	Equality plans, measures taken to promote employment, protocols against sexual harassment and harassment due to gender	GRI 103-1, 103-2, 103-3	People 3.6. Equality People 3.6.2. Explanation of how the organisation manages diversity and non-discrimination	
	Integration and universal accessibility of people with disabilities	Internal framework: Integration and universal accessibility of people with disabilities	People 3.6.4. Integration and universal accessibility of people with disabilities	
	Policy against all types of discrimination and, where	GRI 103-1, 103-2, 103-3	People 2.2 Diversity. Policy against all types of discrimination	

	appropriate, diversity management			

Information on respect for human rights

Scope	Reporting framework	Reference	Comments / Reason for omission
Management approach			
Application of due diligence procedures in the field of human rights	GRI 102-16, 412-2	Respect for human rights 2- The due diligence procedure	
Prevention of risks of violation of human rights and, where appropriate, **measures** to mitigate, manage and repair possible abuses committed	GRI 102-16, 412-2	Respect for human rights 2.2- Evaluation of the impacts of the activity. Aspects and mechanisms for risk management	
Reports of cases of violation of human rights	GRI 102-17, 406-1	Respect for human rights 4- Complaints and complaints mechanisms	
Promotion and compliance with the provisions of the ILO fundamental agreements related to respect for freedom of association and the right to collective bargaining, the elimination of discrimination in employment and occupation, and the limitation of forced or compulsory labour and the effective abolition of child labour	GRI 402-1, 403-1, 403-4, 102-41	People 3.4.4 Measures taken to apply international labour conventions in the Company (ILO, OECD) Supply Chain 6. Measures Taken to Apply International Labour Conventions (ILO; OECD) in the Supply Chain	

Information regarding the fight against corruption and bribery

Scope	Reporting framework	Reference	Comments / Reason for omission
Management approach			
Measures taken to prevent corruption and bribery	GRI 102-16, 102-17, 405-1, 103-1, 103-2, 103-3, 205-3	Fight against corruption and bribery 2- Policies practiced by the company on corruption and bribery issues	
Measures to fight money laundering	GRI 102-16, 102-17	Fight against corruption and bribery 4- Measures to fight money laundering	
Contributions to foundations and non-profit organisations	Internal framework: Contributions to foundations and non-profit organisations	Organisation 2.1 ENDESA in figures	

Information about the Company

Scope		Reporting framework	Reference	Comments / Reason for omission
Management approach				
Commitments of the company with sustainable development	**Impact** of the Company's activity on employment and local development	GRI 413-1, 413-3	Responsible relationship with communities 4- Key performance indicators and 5- Measurement of project impact	
	Impact of the Company's activity on local populations and in the territory	GRI 413-1, 413-2	Responsible relationship with communities 3- Operations with local community participation, impact assessments and development programmes Supply Chain 5.- Local Suppliers	

	Relationships maintained with local community actors and the modalities of dialogue with these	GRI 102-43	Organisation. 5-Social dialogue	
	Partnership or sponsorship **actions**	Internal framework: Partnership or sponsorship actions	Responsible relationship with communities 6-Partnership, collaboration or sponsorship actions	
Subcontracting and suppliers	**Inclusion** in the purchasing policy of social, gender equality and environmental issues	Internal framework: Inclusion in the purchasing policy of social, gender equality and environmental issues	Supply chain 4- Policy in the selection of suppliers according to social criteria, labour relations, human rights and gender equality, as well as environmental	
	Consideration in the relations with suppliers and subcontractors of their social and environmental responsibility	GRI 102-9, 102-10	Supply chain 2- Description of the supply chain and significant changes in the supply chain	
	Supervision **systems** and audits and their results	Internal framework: Supervision systems and audits and their results	Supply chain 3- Policy on the qualification of suppliers according to social criteria, labour relations, human rights and gender equality, as well as environmental criteria	
Consumers	**Measures** for the health and safety of consumers	GRI 103-1, 103-2, 103-3	Customers 3- Measures to protect consumers in health and safety issues	
	Claim **systems**	Internal framework: Claim systems Internal framework: Complaints received and resolution thereof	Customers 2- Complaints and resolutions system	
	Complaints received and resolution thereof			
Tax information	**Benefits** obtained country by country	GRI 201-2, 201-4	Organisation 2.1 ENDESA in figures Organisation 2.2- Tax information by country	
	Taxes on benefits paid			
	Public **grants** received			

Independent verification report of the Non-Financial Information Statement

ENDESA, S.A. and Subsidiaries.

Independent Verification Report of the Non-Financial Information Statement of ENDESA, S.A. and Dependent Companies corresponding to the financial year ended 31 December 2019

Independent Limited Assurance Report of the consolidated Non-Financial Statement for the year ended December 31, 2019

ENDESA, S.A. and SUBSIDIARIES

Building a better
working world

Ernst & Young, S.L.
C/ Raimundo Fernández Villaverde, 65
28003 Madrid

Tel.: 902 365 456
Fax.: 915 727 300
ey.com

INDEPENDENT LIMITED ASSURANCE REPORT OF THE CONSOLIDATED NON-FINANCIAL STATEMENT

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the Shareholders of ENDESA, S.A.:

Pursuant to article 49 of the Code of Commerce we have performed a verification, with a limited assurance scope, of the accompanying Non-Financial Statement (hereinafter NFS) for the year ended December 31, 2019, of ENDESA, S.A. and subsidiaries (hereinafter, the Group), which is part of the Group's accompanying Consolidated Management Report.

Responsibility of the Board of Directors

The Board of Directors of the Group are responsible for the approval and content of the NFS included in the Group's accompanying Consolidated Management Report Consolidated of ENDESA, S.A. The NFS has been prepared in accordance with the content established in prevailing mercantile regulations and the criteria of the selected *Global Reporting Initiative Sustainability Reporting Standards*, as well as other criteria described in accordance with that indicated for each subject in section "*Index of content required by Law 11/2018 of 28 December on disclosure of non-financial and diversity information*" of the aforementioned Statement.

The directors are also responsible for the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

They are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFS is obtained.

Our independence and quality control procedures

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of professional integrity, objectivity, competence, diligence as well as confidentiality and professional behavior.

Our Firm complies with the International Standard on Quality Control No. 1 and thus maintains a global quality control system that includes documented policies and procedures related to compliance with ethical requirements, professional standards, as well as applicable legal provisions and regulations.

The engagement team consisted of experts in the review of Non-Financial Information and, specifically, in information about economic, social and environmental performance.

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid -Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Our responsibility

Our responsibility is to express our conclusions in an independent limited verification report based on the work performed, that refers exclusively to 2019. Our review has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the guidelines for verifying Non-Financial Statement, issued by the Spanish Official Register of Auditors of Accounts (ICJCE).

The procedures carried out in a limited assurance engagement vary in nature and execution timing and are smaller in scope than reasonable assurance engagements, and therefore, the level of assurance provided is likewise lower.

Our work consisted in requesting information from Management and the various Group units participating in the preparation of the NFS, reviewing the process for gathering and validating the information included in the NFS, and applying certain analytical procedures and sampling review tests as described below:

- Meeting with Group personnel to know the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.
- Analyzing the scope, relevance and integrity of the content included in the NFS for the year 2019 based on the materiality analysis made by the Group and described in section "*Materiality Study: Identification of Priorities from the Dialogue with Interest Groups*" at the beginning of the attached NFS, considering the content required by prevailing mercantile regulations.
- Analyzing the processes for gathering and validating the data included in the 2019 Non-Financial Statement.
- Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the 2019 NFS.
- Checking, through tests, based on a selection of a sample, the information related to the content of the 2019 NFS and its correct compilation from the data provided by the information sources.
- Obtaining a representation letter from the Directors and Management.

Conclusion

Based on the procedures performed in our verification and the evidence obtained, no matter came to our attention that would lead us to believe that the 2019 NFS of the Group for the year ended December 31, 2018 has not been prepared, in all material respects, in accordance with the content established in prevailing mercantile regulations and the criteria of the selected GRI standards, as well as other criteria described in accordance with that indicated for each subject in section "*Index of content required by Law 11/2018 of 28 December on disclosure of non-financial and diversity information*" of the aforementioned Statement.

Use and distribution

This report has been prepared as required by prevailing mercantile regulations in Spain and may not be suitable for any other purpose or jurisdiction.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

Alberto Castilla Vida

February 24, 2020

The Consolidated Management Report of ENDESA, Sociedad Anónima and its SUBSIDIARY COMPANIES for fiscal year ending December 31, 2019, as provided herein, was drafted by the Board of Directors of the company ENDESA, Sociedad Anónima at its meeting on February 24, 2020 and is hereinbelow signed by all of its Directors in compliance with Article 253 of the Spanish Capital Corporations Law (*Ley de Sociedades de Capital*).

D. Juan Sánchez-Calero Guilarte **Chairman**	**D. Francesco Starace** **Vice Chairman**
D. José Damián Bogas Gálvez **Chief Executive Officer**	**D. Antonio Cammisecra** **Director**
D. Alejandro Echevarría Busquet **Director**	**D. Ignacio Garralda Ruiz de Velasco** **Director**
Dña. Maria Patrizia Grieco **Director**	**D. Francisco de Lacerda** **Director**
D. Alberto de Paoli **Director**	**D. Miguel Roca Junyent** **Director**

Madrid, February 24, 2020