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ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT
OF ENDESA, S.A. FOR FISCAL YEAR 2019



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.

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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

		31 December 2019						
	Note	Capital and reserves					Value adjustments	Total Equity
		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)		
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

Millions of Euros

		31 December 2018						
		Capital and reserves						
	Note	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.

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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.

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ENDESA, S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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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 by 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

Company ⁽¹⁾			Profit/(loss) for the year					Grants, donations and bequests received	Value adjustments	Non-controlling interests	Total equity	Carrying amount		Dividends Received	
	Activity	% Direct Ownership	Share capital	Reserves	Interim dividend	EBIT	Net profit/(loss)	Total equity				Cost	Impairment in the period	Accumulated impairment	(Notes 16.1 and 18.1)
Registered office															
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

Company		Activity	% direct ownership	Millions of Euros							Carrying amount			Dividends received <small>(Notes 16.1 and 18.1)</small>		
				Share capital	Reserves	Interim dividend	Profit/(loss) for the year		Total equity	Grants, donations and bequests received	Value adjustments	Non-controlling interests	Total equity		Cost	Impairment in the period
Registered office							EBIT	Net profit/(loss)								
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 31 December 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			Total
		Financial assets held for trading	Available-for-sale Financial Assets	Loans and receivables	
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			Total
		Financial Assets Held for Trading	Available-for-sale Financial Assets	Loans and receivables	
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			Total
		Debts and payables	Financial liabilities held for trading	Hedging derivatives	
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			Total
		Debts and payables	Financial liabilities held for trading	Hedging derivatives	
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

		31 December 2019		31 December 2018	
	Basis points change	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	Total
HEDGING OF PHYSICAL TRANSACTIONS							
Cash flow hedges:	(17)	-	-	-	-	-	835
Interest Rate	(17)	-	-	-	-	-	835
Swaps	(17)	-	-	-	-	-	835
TOTAL	(17)	-	-	-	-	-	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	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	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		
		Assets	Liabilities	Total
		Temporary differences	Other credits	
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		
		Assets	Liabilities	Total
		Temporary differences	Other credits	
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					Total
		Significant shareholders	Directors and executives (Note 18.3)	Group Companies	Associates	Other related parties	
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					Total
		Significant shareholders	Directors and Executives (Note 18.3)	Group Companies	Associates	Other related parties	
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					Total
		Significant shareholders	Directors and Executives (Note 18.3)	Group Companies	Associates	Other related parties	
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					Total
		Significant shareholders	Directors and executives (Note 18.3)	Group Companies	Associates	Other related parties	
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 M ^a 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
Maria 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 M ^a 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 M ^a 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 EBIT² to average Net Capital Invested (Average NCI)³ accumulated during the period.
 - c) Starting with the 2018 Plan, an objective of reducing carbon dioxide (CO₂) emissions is included. This indicator measures ENDESA's CO₂ emissions in Spain and Portugal, understood as the ratio of absolute CO₂ 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)

ENDESA, S.A.
MANAGEMENT REPORT FOR THE
YEAR ENDED
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.
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 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 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 (SCIIGR) 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	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
	a.2 and a.3			
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 (CO₂) 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 CO₂ 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 CO₂ 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 CO₂ 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 m³ 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 $\pm 28\%$, wind by $\pm 5\%$ and photovoltaic by $\pm 1\%$. 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 km² 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