

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

**Consolidated Management Report
for the three-month period
ended 31 March 2019**

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

Madrid, 7 May 2019

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED MANAGEMENT REPORT FOR
THE THREE-MONTH PERIOD ENDED
31 MARCH 2019

Contents

1. Business Trends and Results in the first quarter of 2019.....	3
1.1. Consolidated results	3
1.2. Changes in accounting principles.....	3
1.3. Analysis of results.....	5
1.4. Segment Information.	12
2. Other information.....	16
2.1. Risk management policy.	16
2.2. Consolidation scope.	16
2.3. Dividends.....	16
3. Regulatory framework.....	17
4. Liquidity and capital resources.	20
4.1. Financial management.	20
4.2. Cash flows.....	23
4.3. Investments.....	26
APPENDIX I - Statistical appendix	27
APPENDIX II - Alternative Performance Measures (APMs).....	33
APPENDIX III - Effect on the Consolidated Statement of Financial Position at 1 January 2019 due to Changes in Accounting Principles	35

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED MANAGEMENT REPORT FOR
THE THREE-MONTH PERIOD ENDED
31 MARCH 2019

1. Business Trends and Results in the first quarter of 2019.

1.1. Consolidated results.

ENDESA reported net income of Euros 363 million (-2.4%) in the first quarter of 2019.

ENDESA reported net income of Euros 363 million in the first quarter of 2019, a decrease of 2.4% compared to the Euros 372 million reported in the same period of the previous year.

The table below shows the breakdown of net income and net ordinary income in the first quarter of 2019 between ENDESA's businesses and the percentage change from the same period of the previous year (see Section 1.4 Segment Information in this Consolidated Management Report):

Millions of Euros

	Net income				Net ordinary income ⁽²⁾			
	January-March 2019	January-March 2018	% Var.	% of total	January-March 2019	January-March 2018	% Var.	% of total
Generation and Supply	128	122	4.9	35.3	128	122	4.9	35.3
Distribution	242	241	0.4	66.7	242	241	0.4	66.7
Structure and other ⁽¹⁾	(7)	9	N/A	(2.0)	(7)	9	N/A	(2.0)
TOTAL	363	372	(2.4)	100.0	363	372	(2.4)	100.0

(1) Structure, services and adjustments.

(2) Net ordinary income = Net income of the Parent - Net gain/(loss) on disposal of non-financial assets (of over Euros 10 million) - Net impairment losses on non-financial assets (of over Euros 10 million).

1.2. Changes in accounting principles.

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

Standards, amendments and interpretations	Mandatory application: annual periods beginning on
IFRS 16 Leases	1 January 2019
Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments.	1 January 2019

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

IFRS 16 Leases.

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

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

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

Based on the foregoing, and taking into the consideration the practical solutions that have been adopted, the impact on ENDESA's Consolidated Financial Statement on the date of first application of IFRS 16 Leases, is as follows (see Appendix III to this Consolidated Management Report):

Millions of Euros

Consolidated Statement of Financial Position	1 January 2019
Non-current assets	186
Property, plant and equipment	186
TOTAL ASSETS	186
Equity	-
Of the Parent	-
Of non-controlling interests	-
Non-current liabilities	159
Non-current borrowings	159
Current liabilities	27
Current borrowings	27
Trade payables and other current liabilities	-
TOTAL EQUITY AND LIABILITIES	186

In the first quarter of 2019, the impact of the application of IFRS 16 Leases was as follows:

Millions of Euros

Consolidated Income Statement	Sections	January - March 2019
INCOME		-
PROCUREMENTS AND SERVICES		-
CONTRIBUTION MARGIN		-
Other fixed operating expenses	1.3.2	(7)
EBITDA		(7)
Depreciation and amortisation, and impairment losses	1.3.2	7
PROFIT FROM OPERATIONS		-
NET FINANCIAL PROFIT/(LOSS)	1.3.3	(1)
PROFIT/(LOSS) BEFORE TAX		(1)
Income tax		-
PROFIT FOR THE PERIOD		(1)
Parent		(1)
Non-controlling interests		-

At 31 March 2019, due to the application of IFRS 16 Leases, net financial debt was recognised for the payment obligation deriving from right-of-use contracts for the amount of Euros 177 million (see Section 4.1. Financial Management of this Consolidated Management Report).

As a result of the entry into force of IFRS 16 Leases, from 1 January 2019, payments derived from operating lease agreements, that were previously considered cash flow from operating activities are now recognised as

cash flows from financing activities. ENDESA recognised Euros 8 million for this concept in the first quarter of 2019 (see Section 4.2. Cash Flows of this Consolidated Management Report).

Appendix III of this Consolidated Management Report includes the effect on the Consolidated Statement of Financial Position at 1 January 2019, by segments, due to changes in accounting principles resulting from the application of IFRS 16 Leases.

1.3. Analysis of results.

The table below presents the detail of the most relevant figures in ENDESA's Consolidated Income Statement in the first quarter of 2019 and its variation compared with the same period in the previous year:

Millions of Euros

	Main figures of the Consolidated Income Statement			
	January-March 2019	January-March 2018	Difference	% Var.
Income	5,085	5,169	(84)	(1.6)
Contribution margin	1,453	1,415	38	2.7
EBITDA ⁽¹⁾	928	880	48	5.5
EBIT ⁽²⁾	522	508	14	2.8
Net financial profit/(loss) ⁽³⁾	(53)	(28)	(25)	89.3
Profit/(loss) before tax	473	485	(12)	(2.5)
Net income	363	372	(9)	(2.4)
Net ordinary income ⁽⁴⁾	363	372	(9)	(2.4)

(1) EBITDA = Income - Procurements and services + Work carried out by the Group for its assets - Personnel expenses - Other fixed operating expenses.

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

(3) Net financial profit/(loss) = Financial income - Financial expense + Net exchange differences.

(4) Net ordinary income = Net income of the Parent - Net gain/(loss) on disposal of non-financial assets (of over Euros 10 million) - Net impairment losses on non-financial assets (of over Euros 10 million).

EBITDA amounted to Euros 928 million (+5.5%) in the first quarter of 2019.

EBIT rose by 2.8% in the first quarter of 2019 compared to the same period in the previous year, standing at Euros 522 million.

1.3.1. Income.

Income in the first quarter of 2019 totalled Euros 5,085 million, Euros 84 million (-1.6%) lower than income posted in the first quarter of 2018.

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

Millions of Euros

	Income			
	January-March 2019 ⁽¹⁾	January-March 2018 ⁽¹⁾	Difference	% Var.
Revenue from sales	5,001	5,023	(22)	(0.4)
Other operating income	84	146	(62)	(42.5)
TOTAL	5,085	5,169	(84)	(1.6)

(1) See the Consolidated Income Statements for January-March 2019 and 2018.

Market situation.

In the first quarter of 2019, electricity demand trends were as follows:

- Accumulated mainland electricity demand dropped by 2.8% year on year (-2.1% adjusted for working days and temperature).
- The accumulated electricity demand in non-mainland territories (TNP for its acronym in Spanish) closed out the first quarter of 2019 with a 1.7% decrease in the Balearic Islands and a 0.2% decrease in the Canary Islands compared with the same period the previous year (+0.3% and -1.0% respectively, adjusted for the effect of working days and temperature).

January-March 2019 saw higher prices, where the cumulative arithmetic price on the wholesale electricity market was Euros 55.0/MWh (+14.3%) mainly due to lower hydroelectric production (-27.7%) and renewables output (-5.6%) and the increase in the price of carbon dioxide (CO₂) emission rights and changes in commodity prices.

The contribution of renewable energies to total mainland production in the first quarter of 2019 was 42.1% (43.2% in the first quarter of 2018).

In this environment:

- ENDESA's mainland electricity production during the first quarter of 2019 was 14,139 GWh, i.e., 8.2% lower than the first quarter of the previous year, as detailed below: hydroelectric plants (1,450 GWh, -27.7%), coal-fired power plants (3,527 GWh, -24.7%), renewable and co-generation plants (1,122 GWh, -5.2%), nuclear plants (7,084 GWh, +6.5%) and combined cycle plants (956 GWh, +9.4%).
- The company's output in non-mainland territories (TNP) in the first quarter of 2019 was 2,893 GWh (-7.1%).
- Nuclear and renewable energies, including hydroelectric output, accounted for 56.8% of ENDESA's mainland generation mix in the first quarter of 2019, compared with 79.8% for the rest of the sector (53.3% and 84.2% respectively in January-March 2018).

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

- 22.5% in mainland electricity generation.
- 43.2% in electricity distribution.
- 32.9% in electricity supply.

In the first quarter of 2019, conventional gas demand fell by 1.8% year on year, and at 31 March 2019, ENDESA had a market share of 16.0% in gas sales to customers in the deregulated market.

Sales.

The table below presents the detail of ENDESA sales in the first quarter 2019 and its variation compared with the same period in the previous year:

Millions of Euros

	Sales			
	January-March 2019 ⁽¹⁾	January-March 2018 ⁽¹⁾	Difference	% Var.
Electricity sales	3,526	3,517	9	0.3
Sales to the deregulated market	2,335	2,355	(20)	(0.8)
Sales to the Spanish deregulated market	2,075	2,124	(49)	(2.3)
Sales to customers in deregulated markets outside Spain	260	231	29	12.6
Sales at regulated prices	595	641	(46)	(7.2)
Wholesale market sales	299	223	76	34.1
Compensation for non-mainland territories (TNP)	272	271	1	0.4
Remuneration for investment in Renewable Energies	20	23	(3)	(13.0)
Other electricity sales	5	4	1	25.0
Gas sales	769	798	(29)	(3.6)
Sales to the deregulated market	734	762	(28)	(3.7)
Sales at regulated prices	35	36	(1)	(2.8)
Regulated revenue from electricity distribution	550	543	7	1.3
Other sales and services rendered	156	165	(9)	(5.5)
TOTAL	5,001	5,023	(22)	(0.4)

(1) See the Consolidated Income Statements for January-March 2019 and 2018.

Electricity sales on the deregulated market.

At 31 March 2019, ENDESA had 5,782,726 electricity customers in the deregulated market, a 1.0% increase on numbers at 31 December 2018, as per the following breakdown:

- 4,649,764 (+0.5%) in the Spanish mainland market.
- 839,552 (+1.8%) in the non-mainland territories (TNP) market.
- 293,410 (+7.3%) in deregulated markets outside Spain.

ENDESA sold a net total of 19,057 GWh to these customers in the first quarter of 2019, a 4.1% decrease on the same period in 2018.

In economic terms, sales on the deregulated market in the first quarter of 2019 totalled Euros 2,335 million (-0.8%), with the following breakdown:

- Sales in the Spanish deregulated market totalled Euros 2,075 million, Euros 49 million down on the figure for the previous year (-2.3%) due mainly to the lower number of physical units sold.
- Revenues from sales to customers in deregulated markets outside Spain totalled Euros 260 million, up by Euros 29 million (+12.6%) year on year, due mainly to the higher price for electricity sold in Germany, the Netherlands and Portugal.

Electricity sales at a regulated price.

During the first quarter of 2019, ENDESA sold 3,187 GWh to customers via its Supplier of Reference under the regulated price, which is down 11.0% on January-March 2018.

These sales entailed an income of Euros 595 million, which is 7.2% lower than the figure in the first quarter of 2018, as a result of the decrease in physical units sold.

Gas sales.

At 31 March 2019, ENDESA had 1,618,695 gas customers, with a 0.9% increase on numbers at 31 December 2018, as shown in the following breakdown:

- 231,909 (-0.4%) in the regulated market.
- 1,386,786 (+1.2%) in the deregulated market.

ENDESA sold 22,754 GWh to customers in the natural gas market in the first quarter of 2019, which represents a 10.6% decrease on the first quarter 2018 figure.

In economic terms, revenue from gas sales totalled Euros 769 million in the first quarter of 2019, down Euros 29 million (-3.6%) on the figure for the first quarter of 2018, as follows:

- Gas sales in the deregulated market totalled Euros 734 million, which is Euros 28 million (-3.7%) less than the figure for the first quarter of 2018, due mainly to the decrease in the number of physical units sold.
- Revenue from gas sales at the regulated price totalled Euros 35 million, in line with the figure seen in the first quarter of 2018.

Compensation in non-mainland territories (TNP).

In the first quarter of 2019, compensation for the extra-costs in non-mainland territories (TNP) stood at Euros 272 million, in line with the same period of the previous year (+0.4%).

Electricity distribution.

During the first quarter of 2019, ENDESA distributed 29,166 GWh in the Spanish market, which is a 2.4% decrease compared with the first quarter of 2018.

Regulated revenue from distribution activity during the first quarter of 2019 rose to Euros 550 million, which is Euros 7 million higher (+1.3%) than the amount posted for the first quarter of 2018.

Other operating income.

The table below presents the detail of other operating income in the first quarter of 2019 and its variation compared with the same period in the previous year:

Millions of Euros

	Other operating income			
	January-March 2019 ⁽¹⁾	January-March 2018 ⁽¹⁾	Difference	% Var.
Changes in energy stock derivatives	-	64	(64)	(100.0)
Grants released to income	5	5	-	-
Recognition of contract liabilities from contracts with customers in profit or loss	38	38	-	-
Rendering of services at plants	-	1	(1)	(100.0)
Trading Rights	14	9	5	55.6
Third Party Compensations	7	4	3	75.0
Other	20	25	(5)	(20.0)
TOTAL	84	146	(62)	(42.5)

(1) See the Consolidated Income Statements for January-March 2019 and 2018.

In January-March 2019, Other operating income totalled Euros 84 million, down Euros 62 million (-42.5%), compared to the first quarter of 2018; this can be attributed, in large part, to the Euros 64 million (-100.0%) decrease in revenue from the valuation and settlement of energy derivatives due to changes in the valuation and settlement of gas derivatives and CO₂ emission rights.

1.3.2. Operating expenses.

Operating expenses totalled Euros 4,601 million in the January-March 2019 period, 2.0% less than in the same period the previous year.

The table below presents the detail of operating expenses in the first quarter of 2019 and its variation compared with the same period in the previous year:

Millions of Euros

	Operating expenses			
	January-March 2019 ⁽¹⁾	January - March 2018 ⁽¹⁾	Difference	% Var.
Procurements and services	3,632	3,754	(122)	(3.2)
Power purchases	1,284	1,257	27	2.1
Fuel consumption	490	492	(2)	(0.4)
Transport costs	1,419	1,514	(95)	(6.3)
Other variable procurements and services	439	491	(52)	(10.6)
Personnel expenses	258	213	45	21.1
Other fixed operating expenses	305	354	(49)	(13.8)
Depreciation and amortisation, and impairment losses	406	372	34	9.1
TOTAL	4,601	4,693	(92)	(2.0)

(1) See the Consolidated Income Statements for January-March 2019 and 2018.

Procurements and services (variable costs).

Procurements and services (variable costs) totalled Euros 3,632 million in the first quarter of 2019, 3.2% less than in the same period the previous year.

The performance of these costs for the first quarter of 2019 was:

- Power purchases and fuel consumption increased by Euros 25 million (+1.4%) to Euros 1,774 million, due to the rise in the cumulative arithmetic price in the wholesale electricity market (Euros 55.0/MWh; +14.3%) despite the drop in thermal generation (-14.9%).
- Other variable procurements and services in the Consolidated Income Statement totalled Euros 439 million, down Euros 52 million (-10.6%) year on year.

Personnel and other fixed operating expenses (fixed costs).

Fixed costs in the first quarter of 2019 totalled Euros 563 million, Euros 4 million (-0.7%) lower compared to the first quarter of 2018.

The table below presents the detail of fixed costs in the first quarter of 2019 and its variation compared with the same period in the previous year:

Millions of Euros

	Fixed costs			
	January-March 2019 ⁽¹⁾	January-March 2018 ⁽¹⁾	Difference	% Var.
Personnel expenses	258	213	45	21.1
Other fixed operating expenses	305	354	(49)	(13.8)
TOTAL	563	567	(4)	(0.7)

(1) See the Consolidated Income Statements for January-March 2019 and 2018.

Personnel expenses.

Personnel expenses for the first quarter of 2019 amounted to Euros 258 million, with an increase of Euros 45 million (+21.1%) compared to the first quarter of 2018.

Personnel expenses include changes in the update of provisions for the current workforce restructuring plans (Euros 12 million, negative, in the first quarter of 2019 and Euros 7 million, positive, in the first quarter of 2018), and the provision for indemnities and other labour risks (Euros 1 million, negative, in the first quarter of 2019 and Euros 7 million, positive, in the first quarter of 2018).

Other fixed operating expenses.

Other fixed operating expenses in the first quarter of 2019 stood at Euros 305 million, down Euros 49 million (-13.8%) compared to the first quarter of 2018.

This amount reflects the decrease of Euros 7 million under Other fixed operating expenses on the Consolidated income statement arising from the activation, from 1 January 2019, of the right to use the assets under lease following the application of IFRS 16 Leases (see Section 1.2. Changes in accounting principles of this Consolidated Management Report).

Depreciation and amortisation, and impairment losses.

The table below presents the detail of depreciation and amortisation, and impairment losses at ENDESA in the first quarter of 2019 and its variation compared with the same period in the previous year:

Millions of Euros

	Depreciation and amortisation, and impairment losses			
	January-March 2019 ⁽¹⁾	January-March 2018 ⁽¹⁾	Difference	% Var.
DEPRECIATION AND AMORTISATION	383	351	32	9.1
Provision for the depreciation of property, plant and equipment	327	304	23	7.6
Provision for amortisation of intangible assets	56	47	9	19.1
IMPAIRMENT LOSSES	23	21	2	9.5
Non-financial assets	(1)	(1)	-	-
Provision for impairment losses on property, plant and equipment and investment property	(1)	-	(1)	N/A
Other property, plant and equipment and investment property	(1)	-	(1)	N/A
Provision for impairment losses on intangible assets	-	(1)	1	(100.0)
Other intangible assets	-	(1)	1	(100.0)
Financial assets	24	22	2	9.1
Provision for impairment losses on receivables from contracts with customers	23	24	(1)	(4.2)
Provision for impairment losses on other financial assets	1	(2)	3	N/A
TOTAL	406	372	34	9.1

(1) See the Consolidated Income Statements for January-March 2019 and 2018.

Depreciation and amortisation, and impairment losses in the first quarter of 2019 totalled Euros 406 million, up Euros 34 million (+9.1%) on the same period of the previous year.

As a result of the application of IFRS 16 Leases in the first quarter of 2019 an increase of Euros 7 million is recognised under Depreciation and amortisation, and impairment losses on the Consolidated Income Statement for expenses relating to this concept (see Section 1.2. Changes in accounting principles of this Consolidated Management Report).

Without considering the effects described in the paragraph above, depreciation and amortisation, and impairment losses in the first quarter of 2019 would have increased by Euros 27 million (+7.3%) compared to the same period in the previous year, due mainly to the investment efforts made.

1.3.3. Net financial profit/(loss).

Net financial profit/(loss) in the first quarter of 2019 and 2018 was negative for the amount of Euros 53 million and Euros 28 million, respectively.

The table below presents the detail of net financial profit/(loss) in the first quarter 2019 and its variation compared with the same period in the previous year:

Millions of Euros

	Net financial profit/(loss) ⁽¹⁾			
	January-March 2019 ⁽²⁾	January-March 2018 ⁽²⁾	Difference	% Var.
Financial income	5	9	(4)	(44.4)
Financial expense	(60)	(42)	(18)	42.9
Net exchange differences	2	5	(3)	(60.0)
TOTAL	(53)	(28)	(25)	89.3

(1) Net financial profit/(loss) = Financial income - Financial expense + Net exchange differences.

(2) See the Consolidated Income Statements for January-March 2019 and 2018.

In the first quarter of 2019, net financial expense totalled Euros 55 million, up Euros 22 million (+66.7%) year on year.

Net exchange differences of Euros 2 million and Euros 5 million were recorded in the first quarter of 2019 and 2018, respectively (both positive).

The following effects should be considered when assessing the net financial expense during the first quarter of 2019:

	Millions of Euros			
	January-March 2019 ⁽²⁾	January-March 2018 ⁽²⁾	Difference	% Var.
	Net financial expense ⁽¹⁾			
Expenses for financial liabilities at amortised cost	(32)	(32)	-	-
Income from financial assets at amortised cost	1	1	-	-
Update of provisions for workforce restructuring plans, plant dismantling and impairment of financial assets in accordance with IFRS 9 Financial Instruments	(19)	1	(20)	N/A
Expenses for rights of use agreements (IFRS 16 Leases)	(1)	-	(1)	N/A
Other	(4)	(3)	(1)	33.3
TOTAL	(55)	(33)	(22)	66.7

(1) Net financial expense - Financial income - Financial expense.

(2) See the Consolidated Income Statements for January-March 2019 and 2018.

- In the first quarter of 2019 and 2018 there was an update in the provisions associated with the obligations derived from the current workforce restructuring plans, the dismantling of facilities, as well as the impairment of financial assets based on IFRS 9 Financial instruments, for the amount of Euros 19 million (negative) and Euros 1 million (positive), respectively.
- The Euros 1 million increase in Financial expense in the Consolidated income statement relating to the accrual of the financial liability for the lease resulting from the entry into force of IFRS 16 Leases on 1 January 2019 (see Section 1.2. Changes in accounting principles of this Consolidated Management Report).

Without considering the impacts described in the previous paragraphs, net financial expense in the first quarter of 2019 would have increased by Euros 1 million (+2.9%) due to the combination of the following factors (see Section 4.1. Financial Management of this Consolidated Management Report):

- The lower average cost of gross financial debt, which fell from 2.1% in the first quarter of 2018 to 1.8% in the first quarter of 2019.
- The increase in average gross financial debt in both periods, which went from Euros 6,201 million in January-March 2018 to Euros 7,438 million in January-March 2019.

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

In the first quarter of 2019 and 2018, net profit of companies accounted for using the equity method was Euros 12 million and Euros 13 million respectively, broken down as follows:

	Millions of Euros	
	January-March 2019 ⁽¹⁾	January-March 2018 ⁽¹⁾
	Net Profit of companies accounted for using the equity method	
Associates	5	4
Tecnatom, S.A.	2	-
Gorona del Viento El Hierro, S.A.	1	-
Other	2	4
Joint ventures	7	9
Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.	3	2
Suministradora Eléctrica de Cádiz, S.A.	-	3
Other	4	4
TOTAL	12	13

(1) See the Consolidated Income Statements for January-March 2019 and 2018.

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

In the first quarter of 2019 and 2018, gains/(losses) on disposal of assets totalled Euros 8 million (negative) and mainly included expenditure on commissions on factoring operations.

1.3.6. Income tax.

In the first quarter of 2019, the expense for Income Tax amounted to Euros 107 million, which is Euros 3 million (-2.7%) lower than the amount posted for the first quarter of 2018.

The effective rate in January-March 2019 was 22.6% (22.7% in January-March 2018).

1.3.7. Net income.

Net income attributable to the Parent in the first quarter of 2019 stood at Euros 363 million, a decrease of Euros 9 million year on year (-2.4%).

Net ordinary income attributable to the Parent was Euros 363 million in January-March 2019 (-2.4%).

1.4. Segment Information.

The table below presents the detail of the most relevant figures of ENDESA's business areas in the first quarter of 2019 and its variation compared with the same period in the previous year:

Millions of Euros

	January-March 2019				January-March 2018			
	Generation and Supply	Distribution	Structure and Other (5)	TOTAL (6)	Generation and Supply	Distribution	Structure and Other (5)	TOTAL (6)
Income	4,454	686	(55)	5,085	4,538	681	(50)	5,169
Contribution margin	824	643	(14)	1,453	815	630	(30)	1,415
EBITDA (1)	419	501	8	928	406	481	(7)	880
EBIT (2)	191	338	(7)	522	196	328	(16)	508
Net financial profit/(loss) (3)	(32)	(19)	(2)	(53)	(33)	(18)	23	(28)
Profit/(loss) before tax	163	319	(9)	473	161	314	10	485
Net income	128	242	(7)	363	122	241	9	372
Net ordinary income (4)	128	242	(7)	363	122	241	9	372

(1) EBITDA = Income - Procurements and services + Work carried out by the Group for its assets - Personnel expenses - Other fixed operating expenses.

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

(3) Net financial profit/(loss) = Financial income - Financial expense + Net exchange differences.

(4) Net ordinary income = Net income of the Parent - Net gain/(loss) on disposal of non-financial assets (of over Euros 10 million) - Net impairment losses on non-financial assets (of over Euros 10 million).

(5) Structure, services and adjustments.

(6) See the Consolidated Income Statements for January-March 2019 and 2018.

1.4.1. Contribution margin.

The table below presents the distribution of the sales and other operating income between ENDESA's businesses in the first quarter of 2019 and variations compared with the same period of the previous year:

Millions of Euros

	Sales				Other operating income			
	January-March 2019 (2)	January-March 2018 (2)	% Var.	% of total	January-March 2019 (2)	January-March 2018 (2)	% Var.	% of total
Generation and Supply	4,422	4,443	(0.5)	88.4	32	95	(66.3)	38.1
Non-mainland Territories generation (TNP)	455	468	(2.8)	9.1	4	1	300.0	4.8
Other generation and supply	4,198	4,191	0.2	83.9	28	94	(70.2)	33.3
Adjustments	(231)	(216)	6.9	(4.6)	-	-	-	-
Distribution	619	619	-	12.4	67	62	8.1	79.8
Structure and other (1)	(40)	(39)	2.6	(0.8)	(15)	(11)	36.4	(17.9)
TOTAL	5,001	5,023	(0.4)	100.0	84	146	(42.5)	100.0

(1) Structure, services and adjustments.

(2) See the Consolidated Income Statements for January-March 2019 and 2018.

The following table contains the breakdown of procurements and services between ENDESA's businesses in the first quarter of 2019 and variations compared with the same period of the previous year:

Millions of Euros

	Procurements and services ⁽²⁾			
	January-March 2019 ⁽³⁾	January-March 2018 ⁽³⁾	% Var.	% of total
Generation and Supply	3,630	3,723	(2.5)	99.9
Non-mainland Territories generation (TNP)	328	321	2.2	9.0
Other generation and supply	3,531	3,617	(2.4)	97.2
Adjustments	(229)	(215)	6.5	(6.3)
Distribution	43	51	(15.7)	1.2
Structure and Other ⁽¹⁾	(41)	(20)	105.0	(1.1)
TOTAL	3,632	3,754	(3.2)	100.0

(1) Structure, services and adjustments.

(2) Procurements and services = Power purchases + Fuel consumption + Transport costs + Other variable procurements and services.

(3) See the Consolidated Income Statements for January-March 2019 and 2018.

The following table contains the breakdown of the contribution margin between ENDESA's businesses in the first quarter of 2019 and variations compared with the same period of the previous year:

Millions of Euros

	Contribution margin ⁽²⁾			
	January-March 2019 ⁽³⁾	January-March 2018 ⁽³⁾	% Var.	% of total
Generation and Supply	824	815	1.1	56.7
Non-mainland Territories generation (TNP)	131	148	(11.5)	9.0
Other generation and supply	695	668	4.0	47.8
Adjustments	(2)	(1)	100.0	(0.1)
Distribution	643	630	2.1	44.3
Structure and Other ⁽¹⁾	(14)	(30)	(53.3)	(1.0)
TOTAL	1,453	1,415	2.7	100.0

(1) Structure, services and adjustments.

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

(3) See the Consolidated Income Statements for January-March 2019 and 2018.

Generation and Supply.

The contribution margin in the Generation and Supply segment in the first quarter of 2019 totalled Euros 824 million, up Euros 9 million year on year (+1.1%), mainly as a result of the increase in electricity prices, with a cumulative arithmetic price of Euros 55.0/MWh (+14.3%), despite the output reduction during the period (-8.0%).

Distribution.

The contribution margin in the Distribution segment in the first quarter of 2019 totalled Euros 643 million, up Euros 13 million (+2.1%) year on year, due mainly to the inclusion of Empresa de Alumbrado Eléctrico de Ceuta, S.A. in the consolidation scope.

Structure and Other.

The contribution margin of Structure and Other in the first quarter of 2019 improved Euros 16 million due mainly to changes in the Social Bonus (or Social Tariff) in the first quarter of 2019 and 2018, pursuant to Royal Decree 897/2017, of 6 October 2017.

1.4.2. EBITDA.

The table below presents the distribution of the EBITDA between ENDESA businesses in the first quarter of 2019 and variations compared with the same period of the previous year:

Millions of Euros

	EBITDA ⁽²⁾			
	January-March 2019 ⁽³⁾	January-March 2018 ⁽³⁾	% Var.	% of total
Generation and Supply	419	406	3.2	45.2
Non-mainland Territories generation (TNP)	62	80	(22.5)	6.7
Other generation and supply	357	326	9.5	38.5
Adjustments	-	-	-	-
Distribution	501	481	4.2	54.0
Structure and Other ⁽¹⁾	8	(7)	N/A	0.8
TOTAL	928	880	5.5	100.0

(1) Structure, services and adjustments.

(2) EBITDA = Income - Procurements and services + Work carried out by the Group for its assets - Personnel expenses - Other fixed operating expenses.

(3) See the Consolidated Income Statements for January-March 2019 and 2018.

The following table contains the breakdown of personnel expenses and other fixed operating expenses for ENDESA's businesses in the first quarter of 2019 and variations compared with the same period of the previous year:

Millions of Euros

	Personnel expenses				Other fixed operating expenses			
	January-March 2019 ⁽²⁾	January-March 2018 ⁽²⁾	% Var.	% of total	January-March 2019 ⁽²⁾	January-March 2018 ⁽²⁾	% Var.	% of total
Generation and Supply	133	121	9.9	51.5	279	293	(4.8)	91.5
Non-mainland Territories generation (TNP)	23	21	9.5	8.9	47	47	-	15.4
Other generation and supply	110	100	10.0	42.6	234	247	(5.3)	76.7
Adjustments	-	-	-	-	(2)	(1)	100.0	(0.6)
Distribution	75	64	17.2	29.1	96	110	(12.7)	31.5
Structure and Other ⁽¹⁾	50	28	78.6	19.4	(70)	(49)	42.9	(23.0)
TOTAL	258	213	21.1	100.0	305	354	(13.8)	100.0

(1) Structure, services and adjustments.

(2) See the Consolidated Income Statements for January-March 2019 and 2018.

Generation and Supply.

EBITDA for this segment amounted to Euros 419 million, (+3.2%) in the first quarter of 2019. The following factors must be taken into account when looking at EBITDA for the first quarter of 2019:

- The 1.1% increase in the contribution margin.
- The updates of the provisions for current workforce restructuring costs for the amount of Euros 6 million (negative) in the first quarter of 2019 and Euros 0 million in the first quarter of 2018.
- The Euros 14 million (-4.8%) decrease in other fixed operating expenses due mainly to lower repair and maintenance costs of Euros 15 million.

Distribution.

For the first quarter of 2019, EBITDA for this segment was Euros 501 million (+4.2%), including, among others:

- The positive performance of the contribution margin (+2.1%).
- The updates of the provisions for current workforce restructuring costs for the amount of Euros 4 million (negative) in the first quarter of 2019 and Euros 3 million (positive) in the first quarter of 2018.
- The Euros 14 million (-12.7%) reduction in other fixed operating expenses due mainly to investments in grid digitalisation.

Structure and Other.

EBITDA for the first quarter of 2019 in Structure and Other was Euros 8 million, an increase of Euros 15 million compared to the same period in the previous year (Euros 7 million, negative), including a Euros 16 million increase in the contribution margin, among others.

1.4.3. EBIT.

The table below presents the distribution of the EBIT between ENDESA businesses in the first quarter of 2019 and variations compared with the same period of the previous year:

Millions of Euros

	EBIT ⁽²⁾			
	January-March 2019 ⁽³⁾	January-March 2018 ⁽³⁾	% Var.	% of total
Generation and Supply	191	196	(2.6)	36.6
Non-mainland Territories generation (TNP)	27	39	(30.8)	5.2
Other generation and supply	164	157	4.5	31.4
Adjustments	-	-	-	-
Distribution	338	328	3.0	64.8
Structure and Other ⁽¹⁾	(7)	(16)	(56.3)	(1.4)
TOTAL	522	508	2.8	100.0

(1) Structure, services and adjustments.

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

(3) See the Consolidated Income Statements for January-March 2019 and 2018.

The following table contains the distribution of depreciation and amortisation, and impairment losses, between ENDESA businesses in the first quarter of 2019 and variations compared with the same period of the previous year:

Millions of Euros

	Depreciation and amortisation, and impairment losses			
	January-March 2019 ⁽²⁾	January-March 2018 ⁽²⁾	% Var.	% Contribution to the total
Generation and Supply	228	210	8.6	56.2
Non-mainland Territories generation (TNP)	35	41	(14.6)	8.6
Other generation and supply	193	169	14.2	47.6
Adjustments	-	-	-	-
Distribution	163	153	6.5	40.1
Structure and other ⁽¹⁾	15	9	66.7	3.7
TOTAL	406	372	9.1	100.0

(1) Structure, services and adjustments.

(2) See the Consolidated Income Statements for January-March 2019 and 2018.

Generation and Supply.

EBIT for the Generation and Supply segment in the first quarter of 2019 stood at Euros 191 million (-2.6%), due, inter alia, to the increase in Depreciation and amortisation, and impairment losses in the Consolidated Income Statement as a result, mainly, of the investment effort made.

Distribution.

EBIT for the Distribution segment in the first quarter of 2019 increased by Euros 10 million year on year (+3.0%), mainly as a result of the 4.2% rise in EBITDA.

Structure and Other.

EBIT for Structure and other in the first quarter of 2019 improved by Euros 9 million, mainly due to the positive evolution in EBITDA.

2. Other information.

2.1. Risk management policy.

During the first quarter of 2019, ENDESA followed the same general risk management policy described in its Consolidated Financial Statements for the year ended 31 December 2018.

In this context, the financial instruments and types of hedges are the same as those described in these Consolidated Financial Statements.

The risks that could affect ENDESA's operations are also the same as those described in the Consolidated Management report for the year ended 31 December 2018.

2.2. Consolidation scope.

In the first quarter of 2019, the following transactions were carried out:

Transaction	Date	Activity	% Ownership at 31 March 2019		% Ownership at 31 December 2018		
			Control	Economic	Control	Economic	
Eólica del Noroeste, S.L. (1)	Sale	5 February 2019	Wind	-	-	51.00	51.00
Energía Neta Sa Caseta Lluçmajor, S.L.U. (2)	Acquisition	5 March 2019	Photovoltaic	100.00	100.00	-	-
ENDESA Energía Renovable, S.L.U. (3)	Formed	11 March 2019	Supply	100.00	100.00	-	-
ENEL Green Power Granadilla, S.L.U. (4)	Acquisition	25 March 2019	Wind	100.00	100.00	65.00	65.00

(1) The gross gain on the sale was less than Euros 1 million.

(2) Company acquired by ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 2 million, of which Euros 1 million are pending payment at 31 March 2019 (see Section 4.2. Cash flows of this Consolidated Management Report).

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

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

ENDESA recognised the acquisition of Energía Neta Sa Caseta Lluçmajor, S.L.U. as a business combination and, on application of the acquisition method, the assets acquired and liabilities assumed (Net Assets Acquired) of this company were definitively recognised at fair value on the acquisition date in the following headings of the Consolidated Financial Statements:

Millions of Euros

	Energía Neta Sa Caseta Lluçmajor, S.L.U.
	Fair value
Non-current assets	2
Property, plant and equipment	2
TOTAL ASSETS	2
Non-current liabilities	-
TOTAL LIABILITIES	-
Fair value of net assets acquired	2

This company is currently applying for permits and licences to carry out its projects. Therefore, construction work has not yet started on the renewable power facilities, and therefore, no revenue from contracts with customers has been generated since the acquisition date.

2.3. Dividends.

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

- 2018 to 2020: the ordinary dividend per share agreed to be distributed with charge to those years shall be equal to 100% of the net ordinary profit attributable to the Parent in the Consolidated Financial Statements of the Group headed by it, with a minimum equal to Euros 1.33, gross, per share for 2018.
- 2021: the ordinary dividend per share to be distributed in this year will be the equivalent to 80% of net ordinary profit attributable to the Parent in the Consolidated Financial Statements of the Group headed by it.

- The intention of the Board of Directors of ENDESA, S.A. is that the ordinary dividend will be paid solely in cash in two payments (January and July) on a given date to be determined in each case, which will be duly notified.

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

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

Including the interim dividend of Euros 0.7, gross (Euros 741 million), paid on 2 January 2019 (see Section 4.2. Cash Flows of this Consolidated Management Report), the final dividend paid against 2018 profit amounts to Euros 0.727, gross, per share (Euros 770 million) and will be paid on 2 July 2019.

3. Regulatory framework.

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

2019 electricity tariff.

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

Natural gas tariff for 2019.

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

On 30 March 2019, the Official State Gazette published the Resolution of the Directorate General of Energy Policy and Mines of 22 March 2019, establishing the Last Resort Tariff (LRT) for natural gas applicable from 1 April 2019. Depending on whether this is Last Resort Tariff 1 (LRT1) or Last Resort Tariff 2 (LRT2), it will decrease by an average of 5.2% and 6.6% respectively compared to the previous quarter due to lower raw material costs.

Energy efficiency.

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

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

Royal Decree regulating self-consumption.

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

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

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

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

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

On 27 December 2018, the Institute for Energy Diversification and Savings (IDAE for its acronym in Spanish) passed a resolution, convening auctions of subsidies for investment in wind facilities in the Canary Islands, with an allocation of Euros 80 million and maximum power of 217 MW. The deadline for the presentation of bids was 2 April 2019.

Further, on 27 March 2019, the Institute for Energy Diversification and Savings (IDAE) passed a resolution, convening auctions of subsidies for investment in photovoltaic facilities in the Balearic Islands, with an allocation of Euros 40 million. The deadline for the presentation of bids is 4 July 2019.

Strategic energy and climate framework.

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

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

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

National Strategy to Combat Energy Poverty.

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

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

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

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

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

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

- Raise awareness of energy poverty through a detailed study of the energy expenditure of consumers according to the climate zone they live in, considering, among other factors, the presence of minors in the household. The indicators will be updated by the government on an annual basis.

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

4. Liquidity and capital resources.

4.1. Financial management.

Financial debt.

At 31 March 2019, ENDESA had net financial debt of Euros 6,897 million, an increase of Euros 1,127 million (+19.5%) compared to the debt at 31 December 2018.

The reconciliation of ENDESA's gross and net financial debt at 31 March 2019 and 31 December 2018, with a breakdown of the impact of IFRS 16 Leases, is as follows:

Millions of Euros

	Reconciliation of Financial debt			
	31 March 2019	31 December 2018	Difference	% Var.
Non-current borrowings	5,283	4,975	308	6.2
Non-current borrowings due to application of IFRS 16 Leases	151	-	151	N/A
Other non-current borrowings	5,132	4,975	157	3.2
Current borrowings	1,856	1,046	810	77.4
Current borrowings due to application of IFRS 16 Leases	26	-	26	N/A
Other current borrowings	1,830	1,046	784	75.0
Gross financial debt (1)	7,139	6,021	1,118	18.6
Gross financial debt due to application of IFRS 16 Leases	177	-	177	N/A
Other gross financial debt	6,962	6,021	941	15.6
Cash and cash equivalents	(235)	(244)	9	(3.7)
Financial derivatives recognised under financial assets	(7)	(7)	-	-
Net financial debt	6,897	5,770	1,127	19.5
Net financial debt due to application of IFRS 16 Leases	177	-	177	N/A
Other net financial debt	6,720	5,770	950	16.5

(1) At 31 March 2019, this includes Euros 13 million corresponding to financial derivatives recognised under financial liabilities (Euros 6 million at 31 December 2018).

When analysing net financial debt, the following factors should be taken into account:

- On 2 January 2019, ENDESA paid shareholders an interim dividend against 2018 results of Euros 0.7 per share (gross), for a pay-out of Euros 741 million (see Sections 2.3. Dividends and 4.2. Cash Flows of this Consolidated Management Report).
- At 31 March 2019, due to the entry into force of IFRS 16 Leases, net financial debt of Euros 177 million was recognised for this concept (see Section 1.2. Changes in accounting principles of this Consolidated Management Report).

The table below presents the structure of ENDESA's gross financial debt at 31 March 2019, with a breakdown of the impact of the application of IFRS 16 Leases, and at 31 December 2018:

Millions of Euros

	Structure of gross financial debt					Difference	% Var.
	31 March 2019			31 December 2018			
	Gross financial debt excl. the impact of application of IFRS 16 Leases	Gross financial debt for the impact of application of IFRS 16 Leases	Total gross financial debt				
Euro	6,962	177	7,139	6,021	1,118	18.6	
TOTAL	6,962	177	7,139	6,021	1,118	18.6	
Fixed rate	4,379	177	4,556	3,550	1,006	28.3	
Floating rate	2,583	-	2,583	2,471	112	4.5	
TOTAL	6,962	177	7,139	6,021	1,118	18.6	
Average life (Number of years) ⁽¹⁾	5.2	5.8	5.2	5.3	-	-	
Average cost (%) ⁽²⁾	1.8	2.2	1.8	1.9	-	-	

(1) Average life of gross financial debt (Number of years) = (Principal * Number of valid days) / (Valid principal at the end of the period * Number of days in the period).

(2) Average cost of gross financial debt (%) = (cost of gross financial debt) / average gross financial debt.

At 31 March 2019, the gross financial debt at fixed interest rates accounted for 64% while 36% was at floating rates. At this date, 100% of the Company's gross financial debt is denominated in Euros.

Main financial transactions.

In the first quarter of 2019, ENDESA extended the credit lines arranged with various financial institutions maturing in March 2022, and increased the limit of several of these, reaching a total amount of Euros 2,125 million. In the same period, ENDESA maintained the Euro Commercial Paper (ECP) emissions programme through International ENDESA, B.V., and the active balance thereof at 31 March 2019 is Euros 1,705 million, and its renewal is backed by irrevocable bank credit lines.

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

Following the entry into force of IFRS 16 Leases on 1 January 2019, at 31 March 2019 ENDESA recognised a liability of Euros 177 million (see Section 1.2. Changes in accounting principles of this Consolidated Management Report), as part of its obligation to make payments corresponding to the operating lease agreement to which it is party as lessee. The main agreements are as follows:

- Lease agreements corresponding to the right of use of land on which some of the generation facilities of ENEL Green Power España, S.L.U. (EGPE) are located. These are long-term agreements, with automatic renewal clauses and expiry dates between 2019 and 2065. The prices in these agreements are calculated in accordance with the capacity installed (MW) and the production (GWh).
- Certain buildings housing different offices, including the building in which its headquarters is located.
- Agreements for technical equipment to cover one-off services according to operating requirements.

Liquidity.

At 31 March 2019, ENDESA had liquidity of Euros 3,340 million (Euros 3,040 million at 31 December 2018), as detailed below:

Millions of Euros

	Liquidity			
	31 March 2019	31 December 2018	Difference	% Var.
Cash and cash equivalents	235	244	(9)	(3.7)
Unconditional availability in credit lines ⁽¹⁾	3,105	2,796	309	11.1
TOTAL	3,340	3,040	300	9.9
Coverage of debt maturities (Number of months) ⁽²⁾	35	26	9	34.6

(1) At 31 March 2019 and 31 December 2018, Euros 1.000 million correspond to the committed and irrevocable credit line available with ENEL Finance International, N.V.

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

Treasury investments considered as “Cash and Cash Equivalents” are high liquidity and entail no risk of changes in value, mature within 3 months from their contract date and accrue interest at the market rates for such instruments.

At 31 March 2019, the breakdown of the nominal value of borrowings without derivatives by maturity was as follows:

Millions of Euros

	Carrying amount at 31 March 2019 ⁽¹⁾	Nominal value		Maturity				
		Current	Non-current	2019	2020	2021	2022	Subsequent
Bonds and other marketable securities	1,740	1,720	12	1,720	-	-	-	12
Bank borrowings	1,706	54	1,654	52	57	91	197	1,311
Other borrowings	3,680	80	3,600	49	72	60	50	3,449
Financial debt associated with right of use on application of IFRS 16 Leases	177	26	151	20	25	25	25	82
Other	3,503	54	3,449	29	47	35	25	3,367
TOTAL	7,126	1,854	5,266	1,821	129	151	247	4,772

(1) Excludes Euros 13 million corresponding to financial derivatives.

Leverage.

The consolidated leverage ratio at 31 March 2019 and 31 December 2018 is as follows:

Millions of Euros

	Leverage ⁽¹⁾			
	31 March 2019			31 December 2018
	Excluding the impact of application of IFRS 16 Leases	Impact of application of IFRS 16 Leases	Total	
Net financial debt:	6,720	177	6,897	5,770
Non-current borrowings	5,132	151	5,283	4,975
Current borrowings	1,830	26	1,856	1,046
Cash and cash equivalents	(235)	-	(235)	(244)
Financial derivatives recognised under financial assets	(7)	-	(7)	(7)
Equity:	9,679	(1)	9,678	9,181
Of the Parent	9,532	(1)	9,531	9,037
Of non-controlling interests	147	-	147	144
Leverage (%)	69.43	N/A	71.26	62.85

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

Credit rating.

ENDESA's credit ratings are as follows:

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

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

ENDESA's credit rating is conditioned by the rating of its parent company ENEL according to the methods employed by rating agencies, and, on the date of approval of this Consolidated Management Report, has been classified as "investment grade" by all the rating agencies.

ENDESA works to maintain its credit rating at investment grade levels in order to gain efficient access to money markets and bank financing, as well as to obtain preferential terms from its main suppliers.

4.2. Cash flows.

At 31 March 2019, cash and cash equivalents stood at Euros 235 million (Euros 244 million at 31 December 2018) (see Section 4.1. Financial Management of this Consolidated Management Report).

ENDESA's net cash flows in the first quarters of 2019 and 2018, classified by activities (operation, investment and financing) were:

Millions of Euros

	Statement of Cash Flows			
	January-March 2019 ⁽¹⁾	January-March 2018 ⁽¹⁾	Difference	% Var.
Net cash flows from operating activities	335	24	311	1,295.8
Net cash flows from investing activities	(527)	(354)	(173)	48.9
Net cash flows from financing activities	183	171	12	7.0

(1) See the Consolidated Statements of Cash Flows for January-March 2019 and 2018.

In the first quarter of 2019, net cash flows from operating activities (Euros 335 million), net cash flows used in financing activities (Euros 183 million) and the Euros 9 million decline in cash and cash equivalents helped cover the net investment required to cover net cash flows used in investing activities (Euros 527 million).

Net cash flows from operating activities.

In the first quarter of 2019, net cash flows from operating activities amounted to Euros 335 million (Euros 24 million in the first quarter of 2018), as presented below:

Millions of Euros

	January-March 2019 ⁽²⁾	January-March 2018 ⁽²⁾	Difference	% Var.
Profit before tax and non-controlling interests	473	485	(12)	(2.5)
Adjustments for:	522	385	137	35.6
Depreciation and amortisation, and impairment losses	406	372	34	9.1
Other adjustments (net)	116	13	103	792.3
Changes in working capital:	(611)	(893)	282	(31.6)
Trade and other receivables	(168)	(219)	51	(23.3)
Inventories	(94)	(8)	(86)	1,075.0
Current financial assets	(71)	(106)	35	(33.0)
Trade payables and other current liabilities	(278)	(560)	282	(50.4)
Other cash flows from/(used in) operating activities:	(49)	47	(96)	(204.3)
Interest received	5	3	2	66.7
Dividends received	-	5	(5)	(100.0)
Interest paid	(8)	(16)	8	(50.0)
Income tax paid	36	119	(83)	(69.7)
Other receipts from and payments for operating activities ⁽¹⁾	(82)	(64)	(18)	28.1
NET CASH FLOWS FROM OPERATING ACTIVITIES	335	24	311	1,295.8

(1) Includes provision payments.

(2) See the Consolidated Statements of Cash Flows for January-March 2019 and 2018.

The variations in the different items determining the net cash flows from operating activities include:

- Higher profit before tax and non-controlling interests net of depreciation and amortisation and other adjustments for the period (Euros 125 million).
- Changes in working capital between the two periods amounting to Euros 282 million, mainly as a result of the decrease in payments to trade creditors for Euros 282 million, of the positive performance of trade and other receivables for an amount of Euros 51 million and the higher collections for compensations for the extra-costs in non-mainland territories generation (TNP) for Euros 23 million and the increased payments for inventories for the amount of Euros 86 million.

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

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

Millions of Euros

	Working capital		
	31 March 2019	31 December 2018	31 March 2018
Current assets ⁽¹⁾	5,726	5,410	5,308
Inventories	1,450	1,473	1,283
Trade and other receivables	3,168	2,955	3,255
Current financial assets	1,108 ⁽²⁾	982 ⁽³⁾	770 ⁽⁴⁾
Current liabilities ⁽⁵⁾	5,709	6,648	5,294
Current provisions	670	571	474
Trade payables and other current liabilities	5,039	6,077 ⁽⁶⁾	4,820

(1) Excluding cash and cash equivalents and financial derivatives recognised as assets corresponding to borrowings.

(2) Includes Euros 239 million corresponding to collection rights for financing of the deficit from regulated activities, Euros 102 million linked to remuneration for the electricity distribution activity and Euros 688 million corresponding to compensations for the extra-costs in non-mainland territories (TNP) generation.

(3) Includes Euros 236 million corresponding to collection rights for financing of the deficit from regulated activities, Euros 83 million linked to remuneration for the electricity distribution activity and Euros 609 million corresponding to compensations for the extra-costs in non-mainland territories (TNP) generation.

(4) Includes Euros 228 million corresponding to collection rights for financing of the deficit from regulated activities, Euros 78 million linked to remuneration for the electricity distribution activity and Euros 400 million corresponding to compensations for the extra-costs in non-mainland territories (TNP) generation.

(5) Excluding current borrowings and financial derivatives recognised as liabilities corresponding to borrowings.

(6) Includes the interim dividend charged against 2018 profits of Euros 741 million paid on 2 January 2019 (see Section 2.3. Dividends and 4.1. Financial Management of this Consolidated Management Report).

Net cash flows in investment activities.

In the first quarter of 2019 net cash flows used in investing activities totalled Euros 527 million (Euros 354 million in the first quarter of 2018) and include, among other aspects:

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

Millions of Euros

	Sections	January-March 2019	January-March 2018
Acquisitions of property, plant and equipment and intangible assets		(451)	(358)
Acquisitions of property, plant and equipment	4.3	(347)	(157)
Acquisitions of intangible assets	4.3	(29)	(24)
Facilities transferred from customers		9	17
Suppliers of property, plant and equipment		(84)	(194)
Proceeds from sales of property, plant and equipment and intangible assets		5	1
Grants and other deferred income		10	15
TOTAL		(436)	(342)

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

Millions of Euros

	Sections	January-March 2019	January-March 2018
Investments in Group Companies		(1)	-
Companies acquired by ENEL Green Power España, S.L.U. (EGPE)	2.2	(1)	-
Proceeds from the sale of investments in group companies		-	20
Nueva Marina Real Estate, S.L. ⁽¹⁾		-	20
TOTAL		(1)	20

(1) Sale formalised in 2017.

Net cash flows from financing activities.

In the first quarter of 2019, the cash flows used in financing activities came to Euros 183 million (positive) (Euros 171 million, positive, in the first quarter of 2018), mainly including the following aspects:

– Cash flows from equity instruments

Millions of Euros

	January-March 2019	January-March 2018
Capital reduction at Eólica Valle del Ebro, S.A.	-	(1)
TOTAL	-	(1)

– Proceeds from non-current borrowings:

Millions of Euros

	Sections	January-March 2019	January-March 2018
Drawdowns from the European Investment Bank (EIB)	4.1	335	-
Drawdowns from credit lines		-	251
Other		-	23
TOTAL		335	274

– Repayments of non-current borrowings:

Millions of Euros

	January-March 2019	January-March 2018
Repayment of bank loan for Productor Regional de Energía Renovable, S.A.U.	-	(44)
Repayment of credit lines	(171)	-
Other	(9)	(9)
TOTAL	(180)	(53)

– Repayments and proceeds from current borrowings:

Millions of Euros

	Sections	January-March 2019	January-March 2018
Repayments			
Repayments of ECP issued by International ENDESA B.V.		(2,044)	(850)
Repayment of credit lines with ENEL Finance International, N.V.		-	(1,545)
Payments for rights of use agreements (IFRS 16 Leases)	1.2	(8)	-
Other		(49)	(53)
Proceeds			
ECP emissions issued by International ENDESA B.V.		2,844	1,856
Drawdowns on credit lines with ENEL Finance International, N.V.		-	1,250
Other		26	34
TOTAL		769	692

– Dividends paid:

Millions of Euros

	Sections	January-March 2019	January-March 2018
Parent dividends paid	2.3 and 4.1	(741)	(741)
TOTAL		(741)	(741)

4.3. Investments.

In the first quarter of 2019, ENDESA made gross investments of Euros 395 million. Of this amount, Euros 376 million were related to investments in property, plant and equipment and intangible assets, and the remaining Euros 19 million to financial investments, as follows:

Millions of Euros

Sections	Investments ⁽¹⁾		% Var.
	January-March 2019 ⁽²⁾	January-March 2018	
Generation and Supply	233	33	606.1
Distribution	113	124	(8.9)
Other	1	-	N/A
TOTAL Property, Plant and Equipment	347	157	121.0
Generation and Supply	22	17	29.4
Distribution	4	6	(33.3)
Other	3	1	200.0
TOTAL INTANGIBLE ASSETS	29	24	20.8
FINANCIAL INVESTMENTS	19	16	18.8
TOTAL GROSS INVESTMENTS	395	197	100.5
TOTAL NET INVESTMENTS ⁽³⁾	376	165	127.9

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

(2) Does not include additions for rights of use agreements under IFRS 16 Leases.

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

Investments in property, plant and equipment

Gross investments in generation in the first quarter of 2019 relate largely to investments for the construction of the wind and photovoltaic power capacity awarded in the auctions held in 2017, for the amount of Euros 184 million.

Investments have also been made in plants that were already operational on 31 December 2018, including the Euros 6 million investment made in the As Pontes coal-fired plant, to bring it into line with the Industrial Emissions Directive (IED).

Gross supply investments mainly related to the development of the activities related to new products and services for the amount of Euros 5 million.

Gross distribution investments are related to network extensions and expenditure aimed at optimising the network in order for greater efficiency and quality of service.

Investment in intangible assets.

Gross investments in intangible assets in the first quarter of 2019 mainly correspond to IT applications and ongoing investments in ICT activities for the sum of Euros 10 million, including those associated with the strategic digitalisation target, and the capitalisation of incremental costs incurred corresponding to the acquisition of customer contracts for the sum of Euros 17 million.

Financial investments.

Gross investments in the first quarter of 2019 include, primarily, guarantees and deposits for Euros 16 million.

APPENDIX I

Statistical appendix

Industrial data.

GWh

Electricity generation ⁽¹⁾	January-March 2019	January-March 2018	% Var.
Mainland	14,139	15,397	(8.2)
Nuclear	7,084	6,650	6.5
Coal	3,527	4,683	(24.7)
Hydroelectric	1,450	2,006	(27.7)
Combined cycle (CCGT)	956	874	9.4
Renewables and cogeneration	1,122	1,184	(5.2)
Non-mainland Territories (TNP)	2,893	3,115	(7.1)
Coal	532	590	(9.8)
Fuel-gas	1,449	1,645	(11.9)
Combined cycle (CCGT)	888	850	4.5
Renewables and cogeneration	24	30	(20.0)
TOTAL	17,032	18,512	(8.0)

(1) At busbar cost.

MW

Gross installed capacity	31 March 2019	31 December 2018	% Var.
Hydroelectric	4,753	4,753	-
Conventional thermal	7,956	8,077	(1.5)
Nuclear	3,443	3,443	-
Combined cycle	5,682	5,678	0.1
Renewables and cogeneration	1,818	1,815	0.2
TOTAL	23,652	23,766	(0.5)

MW

Net installed capacity	31 March 2019	31 December 2018	% Var.
Hydroelectric	4,710	4,712	(0.0)
Conventional thermal	7,429	7,428	0.0
Nuclear	3,318	3,318	-
Combined cycle	5,480	5,445	0.6
Renewables and cogeneration	1,818	1,815	0.2
TOTAL	22,755	22,718	0.2

GWh

Gross electricity sales ⁽¹⁾	January-March 2019	January-March 2018	% Var.
Regulated Price	3,806	4,267	(10.8)
Deregulated market	21,087	21,968	(4.0)
Deregulated market in Spain	18,480	19,398	(4.7)
Deregulated market outside Spain	2,607	2,570	1.4
TOTAL	24,893	26,235	(5.1)

(1) At busbar cost.

GWh

Net electricity sales ⁽¹⁾	January-March 2019	January-March 2018	% Var.
Regulated Price	3,187	3,582	(11.0)
Deregulated market	19,057	19,880	(4.1)
Deregulated market in Spain	16,586	17,438	(4.9)
Deregulated market outside Spain	2,471	2,442	1.2
TOTAL	22,244	23,462	(5.2)

(1) Sales to end customers.

Thousands

Number of customers (electricity) ⁽¹⁾	31 March 2019	31 December 2018	% Var.
Regulated market	4,949	5,029	(1.6)
Mainland Spain	4,183	4,246	(1.5)
Non-mainland Territories (TNP)	766	783	(2.2)
Deregulated market	5,783	5,725	1.0
Mainland Spain	4,650	4,627	0.5
Non-mainland Territories (TNP)	840	825	1.8
Outside Spain	293	273	7.3
TOTAL	10,732	10,754	(0.2)

(1) Supply points.

Percentage (%)

Trends in electricity demand ⁽¹⁾	January-March 2019	January-March 2018	
Mainland ⁽²⁾		(2.8)	2.9
Non-mainland territories (TNP) ⁽³⁾		(0.9)	3.1

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

(2) Adjusted for working days and temperature: -2.1% in the first quarter of 2019 and +2.0% in the first quarter of 2018.

(3) Adjusted for working days and temperature: +3.3% in the first quarter of 2019 and +5.7% in the first quarter of 2018.

GWh

Energy distributed ⁽¹⁾	January-March 2019	January-March 2018	% Var.
Spain and Portugal	29,166	29,890	(2.4)

(1) At busbar cost.

km

Distribution and transport networks	31 March 2019	31 December 2018	% Var.
Spain and Portugal	319,659	319,613	0.0

Percentage (%)

Energy losses ⁽¹⁾	January-March 2019	January-March 2018	
Spain		12.2	12.4

(1) Source: In-house.

Minutes

Installed Capacity Equivalent Interruption Time (ICEIT)	January-March 2019	January-March 2018	
Spain (Average) ⁽¹⁾		10.1	18.8

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

Percentage (%)

Market share (electricity) ⁽¹⁾	31 March 2019	31 December 2018	
Mainland generation		22.5	22.5
Distribution		43.2	43.6
Supply		32.9	33.4

(1) Source: In-house.

GWh

Gas sales ⁽¹⁾	January-March 2019	January-March 2018	% Var.
Deregulated market	13,970	14,010	(0.3)
Regulated market	612	683	(10.4)
International market	6,334	7,813	(18.9)
Wholesale business	1,838	2,951	(37.7)
TOTAL	22,754	25,457	(10.6)

(1) Excluding own generation consumption.

Thousands

Number of customers (Gas) ⁽¹⁾	31 March 2019	31 December 2018	% Var.
Regulated market	232	233	(0.4)
Mainland Spain	207	208	(0.5)
Non-mainland Territories (TNP)	25	25	-
Deregulated market	1,387	1,371	1.2
Mainland Spain	1,239	1,230	0.7
Non-mainland Territories (TNP)	70	68	2.9
Outside Spain	78	73	6.8
TOTAL	1,619	1,604	0.9

(1) Supply points.

Percentage (%)

Trends in gas demand ⁽¹⁾	January-March 2019	January-March 2018	
Domestic Market		2.4	5.2
Domestic conventional		(1.8)	6.5
Electricity sector		31.4	(2.9)

(1) Source: Enagás, S.A.

Percentage (%)

Market share (Gas) ⁽¹⁾	31 March 2019	31 December 2018
Deregulated market	16.0	16.3

(1) Source: In-house.

Workforce.

Number of employees

	Final Headcount						% Var.
	31 March 2019			31 December 2018			
	Male	Female	Total	Male	Female	Total	
Generation and Supply	4,117	1,084	5,201	4,082	1,073	5,155	0.9
Distribution	2,526	443	2,969	2,535	443	2,978	(0.3)
Structure and Other ⁽¹⁾	874	780	1,654	867	763	1,630	1.5
TOTAL	7,517	2,307	9,824	7,484	2,279	9,763	0.6

(1) Structure and services

Number of employees

	Average headcount						% Var.
	January-March 2019			January-March 2018			
	Male	Female	Total ⁽¹⁾	Male	Female	Total	
Generation and Supply	4,063	1,046	5,109	4,076	1,031	5,107	0.0
Distribution	2,508	437	2,945	2,482	427	2,909	1.2
Structure and Other ⁽²⁾	862	759	1,621	873	785	1,658	(2.2)
TOTAL	7,433	2,242	9,675	7,431	2,243	9,674	0.0

(1) Includes the average headcount at Empresa de Alumbrado Eléctrico de Ceuta, S.A. (65 employees).

(2) Structure and services

Financial Data.

Millions of Euros

	Consolidated Income Statement		
	January-March 2019 ⁽⁶⁾	January-March 2018 ⁽⁶⁾	% Var.
Revenue from Sales	5,001	5,023	(0.4)
Contribution Margin ⁽¹⁾	1,453	1,415	2.7
EBITDA ⁽²⁾	928	880	5.5
EBIT ⁽³⁾	522	508	2.8
Net income ⁽⁴⁾	363	372	(2.4)
Net ordinary income ⁽⁵⁾	363	372	(2.4)

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

(2) EBITDA = Income - Procurements and services + Work carried out by the Group for its assets - Personnel expenses - Other fixed operating expenses.

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

(4) Net income: Profit/(loss) of the Parent.

(5) Net ordinary income = Net income of the Parent - Net gain/(loss) on disposal of non-financial assets (of over Euros 10 million) - Net impairment losses on non-financial assets (of over Euros 10 million).

(6) See the Consolidated Income Statements for January-March 2019 and 2018.

Euros

Valuation key figures	January-March 2019	January-March 2018	% Var.
Net earnings per share ⁽¹⁾	0.343	0.351	(2.4)
Net ordinary earnings per share ⁽²⁾	0.343	0.351	(2.4)
Cash flow per share ⁽³⁾	0.316	0.023	1,295.8
Book value per share ⁽⁴⁾	9.002 ⁽⁵⁾	8.536 ⁽⁶⁾	5.5

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

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

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

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

(5) At 31 March 2019.

(6) At 31 December 2018

Millions of Euros

	Consolidated Statement of Financial Position		
	31 March 2019 ⁽²⁾	31 December 2018 ⁽²⁾	% Var.
Total assets	32,211	31,656	1.8
Equity	9,678	9,181	5.4
Net financial debt ⁽¹⁾	6,897	5,770	19.5

(1) Net financial debt = Non-current borrowings + Current borrowings – Cash and cash equivalents – Financial Derivatives recognised as financial assets.

(2) See the Statements of Financial Position at 31 March 2019 and 31 December 2018.

Profitability indicators (%)	31 March 2019	31 December 2018
Return on equity ⁽¹⁾	15.64	15.63
Return on assets ⁽²⁾	4.55	4.52
Economic profitability ⁽³⁾	9.52	8.81
Return on capital employed (ROCE) ⁽⁴⁾	5.06	4.80

- (1) Return on equity = Profit/(loss) of the Parent / Average equity of the Parent.
(2) Return on assets = Profit/(loss) of the Parent / Average total assets.
(3) Economic profitability = Profit from operations (EBIT) / Average property, plant and equipment.
(4) Return on capital employed (ROCE) = Operating profit after tax / (Average non-current assets + Average current assets).

Financial indicators	31 March 2019	31 December 2018
Liquidity ratio ⁽¹⁾	0.79	0.73
Solvency ratio ⁽²⁾	0.94	0.92
Debt ratio ⁽³⁾	41.61	38.59
Debt coverage ratio ⁽⁴⁾	1.86	1.59

- (1) Liquidity = Current assets / Current liabilities.
(2) Solvency = (Equity + Non-current liabilities) / Non-current assets.
(3) Debt = Net financial debt / (Equity + Net financial debt) (%).
(4) Debt coverage = Net financial debt / EBITDA.

Rating.

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

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

Stock market information.

Percentage (%)

Share price trend ⁽¹⁾	January-March 2019	January-March 2018
ENDESA, S.A.	13.0	0.2
Ibex-35	8.2	(4.4)
Euro Stoxx 50	11.7	(4.1)
Euro Stoxx Utilities	10.2	(2.8)

- (1) Source: Madrid Stock Exchange.

Euros

ENDESA share price ⁽¹⁾	January-March 2019	2018	% Var.
High	23.140	21.270	8.8
Low	20.070	16.600	20.9
Average in the period	21.760	18.938	14.9
End of the reporting period	22.740	20.130	13.0

- (1) Source: Madrid Stock Exchange.

Stock Market Data		31 March 2019	31 December 2018	% Var.
Market capitalisation ⁽¹⁾	Millions of Euros	24,076	21,313	13.0
Number of shares outstanding		1,058,752,117	1,058,752,117	-
Nominal share value	Euros	1.2	1.2	-
Cash ⁽²⁾	Millions of Euros	2,043	10,355	(80.3)
Continuous market	Shares			
Trading volume ⁽³⁾		94,856,498	547,343,953	(82.7)
Average daily trading volume ⁽⁴⁾		1,505,659	2,146,447	(29.9)
Price to earnings ratio (PER) ⁽⁵⁾		16.58	15.03	-
Price / Carrying amount ⁽⁶⁾		2.53	2.36	-

- (1) Market Capitalisation = No. of shares at the end of the period * Share price at the end of the period.
(2) Cash = Sum of all the transactions made on the shares during the period (Source: Madrid Stock Exchange).
(3) Trading volume = Total volume of ENDESA, S.A. shares traded in the period (Source: Madrid Stock Exchange).
(4) Average daily trading volume = Arithmetic mean of ENDESA, S.A. shares traded per session during the period (Source: Madrid Stock Exchange).
(5) Price to earnings ratio (PER) = Share price at the end of the period / Net earnings per share.
(6) Price / Carrying amount = Market capitalisation / Equity of the Parent.

Dividends.

		2018	2017	% Var.
Share capital	Millions of Euros	1,270.50	1,270.50	-
Number of shares		1,058,752,117	1,058,752,117	-
Consolidated net income	Millions of Euros	1,417	1,463	(3.1)
Consolidated net ordinary income	Millions of Euros	1,511	1,452	4.1
Individual net income	Millions of Euros	1,511	1,491	1.3
Net earnings per share ⁽¹⁾	Euros	1.338	1.382	(3.2)
Net ordinary earnings per share ⁽²⁾	Euros	1.427	1.371	4.1
Gross dividend per share	Euros	1.427 ⁽³⁾	1.382 ⁽⁴⁾	3.3
Consolidated pay-out ⁽⁵⁾	%	106.6	100.0	-
Consolidated ordinary pay-out ⁽⁶⁾	%	100.0	100.8	-
Individual pay-out ⁽⁷⁾	%	100.0	98.1	-

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

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

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

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

(5) Consolidated pay-out (%) = (Gross dividend per share * No. of shares at the end of the period) / Profit/(loss) for the year of the Parent.

(6) Consolidated ordinary pay-out (%) = (Gross dividend per share * No. of shares at the end of the period) / Net ordinary income of the Parent.

(7) Individual pay-out (%) = (Gross dividend per share * No. of shares at the end of the period) / Profit/(loss) for the year of ENDESA, S.A.

APPENDIX II

Alternative Performance Measures (APMs)

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs)		Relevance of use
			31 March 2019	31 March 2018	
EBITDA ⁽¹⁾	Millions of Euros	Income - Procurements and services + Work carried out by the Group for its assets - Personnel expenses - Other fixed operating expenses	928 MME = 5,085 MME - 3,632 MME + 38 MME - 258 MME - 305 MME	880 MME = 5,169 MME - 3,754 MME + 32 MME - 213 MME - 354 MME	Measure of operating return excluding interest, taxes, provisions and amortisation
EBIT ⁽¹⁾	Millions of Euros	EBITDA - Depreciation and amortisation, and impairment losses	522 MME = 928 MME - 406 MME	508 MME = 880 MME - 372 MME	Measure of operating return excluding interest and taxes
Net ordinary income	Millions of Euros	Profit/(loss) of the Parent - Net gains/(losses) on disposal of non-financial assets (of over Euros 10 million) - Net impairment losses on non-financial assets (of over Euros 10 million)	363 MME = 363 MME - 0 MME + 0 MME	372 MME = 372 MME - 0 MME - 0 MME	Measure of profit for the period stripping out extraordinary items in excess of Euros 10 million.
Contribution margin ⁽¹⁾	Millions of Euros	Income - Procurements and services	1,453 MME = 5,085 MME - 3,632 MME	1,415 MME = 5,169 MME - 3,754 MME	Measure of operating return including direct variable production costs
Procurements and services ⁽¹⁾	Millions of Euros	Power purchases + Fuel consumption + Transport costs + Other variable procurements and services	3,632 MME = 1,284 MME + 490 MME + 1,419 MME + 439 MME	3,754 MME = 1,257 MME + 492 MME + 1,514 MME + 491 MME	Goods and services for production
Net financial profit/(loss) ⁽¹⁾	Millions of Euros	Financial income - Financial expense +- Net exchange differences	(53) MME = 5 MME - 60 MME + 2 MME	(28) MME = 9 MME - 42 MME + 5 MME	Measure of financial cost
Net financial expense ⁽¹⁾	Millions of Euros	Financial income - Financial expense	(55) MME = 5 MME - 60 MME	(33) MME = 9 MME - 42 MME	Measure of financial cost
Net investment	Millions of Euros	Gross investments - Capital grants and transferred facilities	376 MME = 395 MME - 19 MME	165 MME = 197 MME - 32 MME	Measure of investment activity
Net financial debt ⁽²⁾	Millions of Euros	Non-current borrowings + Current borrowings - Cash and cash equivalents - Financial Derivatives recognised under financial assets	6,897 MME = 5,283 MME + 1,856 MME - 235 MME - 7 MME	5,770 MME = 4,975 MME + 1,046 MME - 244 MME - 7 MME ⁽⁴⁾	Current and non-current borrowings, less cash and financial investment cash equivalents
Leverage ⁽²⁾	%	Net financial debt / Equity	71.26% = 6,897 MME / 9,678 MME	62.85% = 5,770 MME / 9,181 MME ⁽⁴⁾	Measure of the weighting of external funds in the financing of business activities
Debt ⁽²⁾	%	Net financial debt / (Equity + Net financial debt)	41.61% = 6,897 MME / (9,678 MME + 6,897 MME)	38.59% = 5,770 MME / (9,181 MME + 5,770 MME) ⁽⁴⁾	Measure of the weighting of external funds in the financing of business activities
Average life of gross financial debt	Number of years	(Principal * Number of valid days) / (Valid principal at the end of the period * Number of days in the period)	5.2 years = 37,122 / 7,120	5.3 years = 32,163 / 6,015 ⁽⁴⁾	Measure of the duration of borrowings to maturity
Average cost of gross financial debt	%	(Cost of gross financial debt) / Gross average financial debt	1.8% = (33 MME * (12 months / 3 months) + 1 MME) / 7,438 MME	1.9% = 126 MME / 6,777 MME ⁽⁴⁾	Measure of the effective rate of borrowings
Debt coverage ratio	Number of months	Maturity period (months) for vegetative debt that could be covered with the liquidity available	35 months	26 months ⁽⁴⁾	Measure of the capacity to meet debt maturities
Return on equity	%	Profit/(loss) of the Parent / Equity of the Parent (n) + Equity of the Parent (n-1) / 2	15.64% = (363 MME * 12 months / 3 months) / ((9,531 + 9,037) / 2) MME	16.02% = (372 MME * 12 months / 3 months) / ((9,480 + 9,096) / 2) MME	Measure of the capacity to generate profits on shareholder investments
Return on assets	%	Profit/(loss) of the Parent / Total assets (n) + Total assets (n-1) / 2	4.55% = (363 MME * 12 months / 3 months) / ((32,211 + 31,656) / 2) MME	4.80% = (372 MME * 12 months / 3 months) / ((30,999 + 31,037) / 2) MME	Measure of business profitability
Economic profitability	%	EBIT / (PP&E (n) + PP&E (n-1) / 2)	9.52% = (522 MME * 12 months / 3 months) / ((22,038 + 21,840) / 2) MME	9.39% = (508 MME * 12 months / 3 months) / ((21,556 + 21,727) / 2) MME	Measure of the capacity to generate income from invested assets and capital
Return on capital employed (ROCE)	%	Profit from operations after tax / ((Non-current assets (n) + Non-current assets (n-1) / 2) + (Current assets (n) + Current assets (n-1) / 2))	5.06% = (403.9 MME * 12 months / 3 months) / ((26,250 + 26,001) / 2 + (5,961 + 5,655) / 2) MME	5.07% = (392.8 MME * 12 months / 3 months) / ((25,451 + 25,507) / 2 + (5,548 + 5,530) / 2) MME	Measure of the return on invested capital
Liquidity ⁽²⁾	N/A	Current assets / Current liabilities	0.79 = 5,961 MME / 7,565 MME	0.73 = 5,655 MME / 7,694 MME ⁽⁴⁾	Measure of the capacity to meet short term commitments
Solvency ⁽²⁾	N/A	(Equity + Non-current liabilities) / Non-current assets	0.94 = (9,678 MME + 14,968 MME) / 26,250 MME	0.92 = (9,181 MME + 14,781 MME) / 26,001 MME ⁽⁴⁾	Measure of the capacity to meet obligations
Debt coverage ^{(1) (2)}	N/A	Net financial debt / EBITDA	1.86 = 6,897 MME / (928 * 12 months / 3 months) MME	1.59 = 5,770 MME / 3,627 MME ⁽⁴⁾	Measure of the amount of available cash flow to meet payments of principal on borrowings
Net earnings per share ⁽¹⁾	Euros	Profit/(loss) of the period of the Parent / No. of shares at the end of the period	0.343 € = 363 MME / 1,058,752,117 shares	0.351 € = 372 MME / 1,058,752,117 shares.	Measure of the portion of net income corresponding to each share outstanding
Ordinary net earnings per share	Euros	Net ordinary income of the Parent / No. of shares at the end of the period	0.343 € = 363 MME / 1,058,752,117 shares	0.351 € = 372 MME / 1,058,752,117 shares.	Measure of the portion of net profit corresponding to each share outstanding
Cash flow per share ⁽³⁾	Euros	Net cash flow from operating activities / No. of shares at the end of the period	0.316 € = 335 MME / 1,058,752,117 shares	0.023 € = 24 MME / 1,058,752,117 shares.	Measure of the portion of funds corresponding to each share outstanding
Book Value per Share ⁽²⁾	Euros	Equity of the Parent / No. of shares at the end of the period	9.002 € = 9,531 MME / 1,058,752,117 shares	8.536 € = 9,037 MME / 1,058,752,117 shares ⁽⁴⁾	Measure of the portion of own funds corresponding to each share outstanding
Market capitalisation	Millions of Euros	No. of shares at the end of the period * Share price at the end of the period	24,076 MME = 1,058,752,117 shares * 22.740 €	21,313 MME = 1,058,752,117 shares * 20.130 € ⁽⁴⁾	Measure of the total enterprise value according to the share price
Price to earnings ratio (PER)	N/A	Share price at the end of the period / Net earnings per share	16.58 = 22.740 € / (0.343 * 12 months / 3 months) €	15.03 = 20.130 € / 1.339 € ⁽⁴⁾	Measure indicating the number of times earnings per share can be divided into the market price of the shares
Price / Carrying amount	N/A	Market capitalisation / Equity of the Parent	2.53 = 24,076 MME / 9,531 MME	2.36 = 21,313 MME / 9,037 MME ⁽⁴⁾	Measure comparing the total enterprise value according to the share price with the carrying amount
Consolidated pay-out	%	(Gross dividend per share * No. of shares at the end of the period) / Profit/(loss) for the year of the Parent	106.6% = (1.427 € * 1,058,752,117 shares) / 1,417 MME ⁽⁵⁾	100.0% = (1.382 € * 1,058,752,117 shares) / 1,463 MME ⁽⁶⁾	Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (Consolidated Group)
Consolidated ordinary pay-out	%	(Gross dividend per share * No. of shares at the end of the period) / Net ordinary income for the year of the Parent	100.0% = (1.427 € * 1,058,752,117 shares) / 1,511 MME ⁽⁵⁾	100.8% = (1.382 € * 1,058,752,117 shares) / 1,452 MME ⁽⁶⁾	Measure of the part of net ordinary income obtained used to remunerate shareholders through the payment of dividends (Consolidated Group)
Individual pay-out	%	(Gross dividend per share * No. shares at the end of the period) / Profit for the year of the ENDESA, S.A.	100.0% = (1.427 € * 1,058,752,117 shares) / 1,511 MME ⁽⁵⁾	98.1% = (1.382 € * 1,058,752,117 shares) / 1,491 MME ⁽⁶⁾	Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (individual company)

MME = millions of Euros; € = Euros.

n = 31 March of the year being calculated.

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

(1) See the Consolidated Income Statements for January-March 2019 and 2018.

(2) See the Statements of Financial Position at 31 March 2019 and 31 December 2018.

(3) See the Consolidated Statements of Cash Flow for the three-month period ended 31 March 2019 and 2018.

(4) At 31 December 2018.

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

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

APPENDIX III

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

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 1 JANUARY 2019

Millions of Euros

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

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