ENDESA, S.A.

and Subsidiaries

Consolidated Management Report for the six-month period ended 30 June 2020

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

Madrid, 27 July 2020

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ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

Contents.

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

ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT REPORT

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

1. Business trends and results in the first half of 2020.

1.1. Consolidated results.

ENDESA reported net income of €1,128 million (+45.4%) in the first half of 2020.

ENDESA obtained net income of €1,128 million in the first quarter of 2020, an increase of 45.4% on the €776 million obtained in the same period of the previous year.

The increase in ENDESA's net income in the January-June 2020 period was due mainly to the coming into force of the “5th ENDESA Framework Collective Agreement” and the “Agreement on Voluntary Measures for the Suspension or Termination of Employment Contracts” which generated a net positive impact of €267 million (see Section 1.3.2. Operating Expenses in this Consolidated Management Report).

Isolating the impacts described in the previous paragraph, net income and net ordinary income attributed to the Parent in the first half of 2020 would have increased by 11.0% with respect to the same period in the previous year.

The breakdown of net income and net ordinary income for the first quarter of 2020 among ENDESA's businesses and their variation relative to the same period of the previous year is presented hereunder (see Section 1.4. Results by Segment in this Consolidated Management Report):

Millions of euros

	Net Income (2)				Net Ordinary Income (3)			
	January - June 2020	January - June 2019	% Var.	% Contribution to Total	January - June 2020	January - June 2019	% Var.	% Contribution to Total
Generation and Supply	527	287	83.6	46.7	527	287	83.6	46.7
Distribution	633	523	21.0	56.1	633	523	21.0	56.1
Structure and Others (1)	(32)	(34)	(5.9)	(2.8)	(32)	(34)	(5.9)	(2.8)
TOTAL	**1,128**	**776**	**45.4**	**100.0**	**1,128**	**776**	**45.4**	**100.0**

(1) Structure, Services and Adjustments.
(2) Net Income = Net Income of the Parent Company.
(3) Net Ordinary Income = Net Income of the Parent Company - Net Gains and Losses on Disposals of Non-Financial Assets (over €10 million) - Net Losses due to Impairment of Non-Financial Assets (over €10 million).

The net income and the net ordinary income for the first half of 2020 include an expense for the amount of €10 million, net of tax effect, corresponding to the Public Responsibility Plan and purchases of supplies related to the COVID-19 health crisis (see Section 5. COVID-19 Health Crisis).

1.2. Changes in Accounting Principles.

The accounting policies used in the preparation of this Consolidated Management Report are the same as those applied to the Consolidated Financial Statements for the year ended 31 December 2019, with the exception of the following new standards, amendments and interpretations adopted by the European Union and applied for the first time in the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2020:

Standards, Amendments to Standards and Interpretations	Mandatory Application: Financial Years Starting on or
Improvements to the references in the conceptual framework of International Financial Reporting Standards.	1 January 2020
Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.	1 January 2020
Amendments to IFRS 3 “Business Combinations”.	1 January 2020
Reform of the Reference Interest Rate - Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Valuation” and IFRS 7 “Financial Instruments: Disclosures.”	1 January 2020

The application of these standards, interpretations and amendments had no significant impact on the Interim Condensed Consolidated Financial Statements for the first half of 2020.

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 half of 2020 and its variation compared with the same period in the previous year:

Millions of euros

	Reference (1)	Most Significant Figures		
		January - June 2020	January - June 2019	% Var.
Income	19.3	**8,883**	**9,791**	**(9.3)**
Procurements and Services		**(5,961)**	**(6,901)**	**(13.6)**
Contribution Margin (2)		**2,922**	**2,890**	**1.1**
Self-constructed Assets		97	99	(2.0)
Personnel Expenses		(95)	(505)	(81.2)
Other Fixed Operating Expenses		(609)	(590)	3.2
Gross Operating Profit (EBITDA) (3)		**2,315**	**1,894**	**22.2**
Depreciation, Amortisation and Impairment Losses		(760)	(794)	(4.3)
Operating Profit (EBIT) (4)		**1,555**	**1,100**	**41.4**
Net Financial Income/(Expense) (5)		**(48)**	**(96)**	**(50.0)**
Income before Tax		**1,513**	**1,014**	**49.2**
Net Income (6)		**1,128**	**776**	**45.4**
Net Ordinary Income (7)		**1,128**	**776**	**45.4**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.
(2) Contribution margin = Income - Procurements and Services.
(3) EBITDA = Income - Procurements and Services + Self-constructed Assets - Personnel expenses - Other fixed operating expenses.
(4) EBIT = EBITDA - Depreciation and Amortisation and Impairment Losses.
(5) Net Financial Income/(Expense) = Financial Income - Financial Expense + Net Exchange Differences.
(6) Net Income = Net Income of the Parent Company.
(7) Net Ordinary Income = Net Income of the Parent Company - Net Gains/Losses on Disposals of Non-Financial Assets (over €10 million) - Net Impairment Losses on Non-Financial Assets (over €10 million).

EBITDA amounted to €2,315 million (+22.2%) in the first quarter of 2020.

EBIT for the first quarter of 2020 was €1,555 million, representing an increase of 41.4% compared with the same period of the previous year.

Isolating the impacts registered in relation to the “5th Framework Collective Agreement of ENDESA” and certain provisions for staff restructuring related to the “Agreement on Voluntary Measures of Suspension or Termination of Employment Contracts”, for the amount of €356 million (see Section 1.3.2. Operating Costs of this Consolidated Management Report), gross operating profit (EBITDA) and operating profit (EBIT) for the first half of 2020 would have increased 3.4% and 9.0%, respectively, compared to same period of the previous year.

1.3.1. Income.

Income in the first half of 2020 totalled €8.883 million, €908 million (-9.3%) less than income posted in the first half of last year.

The table below presents the detail of income in the first half of 2020 and its variation compared with the same period in the previous year:

Millions of euros

	Reference (1)	Income			
		January - June 2020	January - June 2019	Difference	% Var.
Sales		8,265	9,473	(1,208)	(12.8)
Other Operating Income		618	318	300	94.3
TOTAL	19.3	**8,883**	**9,791**	**(908)**	**(9.3)**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.

Market situation.

The emergence of COVID-19 has caused a sharp decline in the demand for electricity (see Section 5. COVID-19 Health Crisis in this Consolidated Management Report). In the first half of 2020, electricity demand trends were as follows:

– Total mainland electricity demand fell by 7.8% year-on-year (-7.8% adjusted for working days and temperature).

– Cumulative electricity demand in Non-Mainland Territories ended the first quarter of 2020 with declines of 18.6% in the Balearic Islands and 10.1% in the Canary Islands compared with the same period of the previous year (-17.9% and -10.0% respectively when corrected for the effects of working days and temperature).

The first half of 2020 has been characterised by lower prices, with the arithmetic average price in the wholesale electricity market standing at €29.0/MWh (-44.0%), mainly as a consequence of the decrease in demand and the evolution of raw material prices.

The contribution of renewable energies to total mainland production in the first half of 2019 was 59.7% (52.1% in the first half of 2019).

In this context:

– ENDESA's electricity production during the first half of 2019 was 27,584 GWh, i.e., 9.2% lower than the first half of the previous year, as detailed below:

GWh

Electricity Generation (1)	January - June 2020	January - June 2019	% Var.
Mainland	**22,601**	**24,707**	**(8.5)**
Renewables	7,396	4,923	50.2
Hydroelectric	4,714	2,849	65.5
Wind (2)	2,424	2,059	17.7
Photovoltaic	258	14	1,742.9
Biomass	-	1	(100.0)
Nuclear	12,672	13,212	(4.1)
Coal	664	4,116	(83.9)
Combined Cycle (CCGT) (3)	1,869	2,456	(23.9)
Non-Mainland Territories	**4,974**	**5,668**	**(12.2)**
Coal	(9) (4)	871	(101.0)
Fuel-gas	2,042	2,890	(29.3)
Combined Cycle (CCGT) (3)	2,941	1,907	54.2
TOTAL	**27,575**	**30,375**	**(9.2)**

(1) In power plant busbars.
(2) In the period January-June 2020 it includes 28 GWh corresponding to Non-Mainland Territories (49 GWh in the period January-June 2019).
(3) Corresponding to natural gas.
(4) Own consumption.

– Non-emitting, renewable and nuclear technologies represented 72.8% of ENDESA's generation mix in the first half of 2020, exceeding the 59.7% reached in the first half of 2019, and compared with 83.5% for the rest of the sector (78.1% in the first half of 2019).

At 30 June 2020, ENDESA held the following electricity market shares:

– 17.5% in mainland electricity generation.

– 43.7% in electricity distribution.

– 33.0% in electricity supply.

In the first half of 2020, conventional gas demand was down by 8.5% year on year, and at 30 June 2020, ENDESA had secured a market share of 14.4% in gas sales to customers in the deregulated market.

Sales.

The table below presents the detail of ENDESA sales in the first half of 2020 and its variation compared with the same period in the previous year:

Millions of euros

	Reference (1)	Sales			
		January - June 2020	January - June 2019	Difference	% Var.
Electricity sales		5,810	6,792	(982)	(14.5)
Deregulated market sales		4,065	4,571	(506)	(11.1)
Deregulated market sales - Spain		3,561	4,062	(501)	(12.3)
Deregulated market sales - other than Spain		504	509	(5)	(1.0)
Sales at regulated prices		872	1,058	(186)	(17.6)
Wholesale market sales		239	478	(239)	(50.0)
Compensation for non-mainland territories		555	626	(71)	(11.3)
Remuneration for Renewable Energy Investment		69	49	20	40.8
Other electricity sales		10	10	-	-
Gas sales		1,083	1,243	(160)	(12.9)
Deregulated market sales		1,048	1,194	(146)	(12.2)
Sales at regulated prices		35	49	(14)	(28.6)
Regulated income from electricity distribution		1,055	1,104	(49)	(4.4)
Other sales and services rendered		317	334	(17)	(5.1)
TOTAL	**19.3**	**8,265**	**9,473**	**(1,208)**	**(12.8)**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.

Electricity sales in the deregulated market.

At 30 June 2020, ENDESA had 5,766,913 electricity customers in the deregulated market, down (-1.0%) from the number of customers at 31 December 2019, as per the following breakdown:

– 4,524,025 (-2.1%) in the Spanish mainland market.

– 853,265 (-0.7%) in the non-mainland territories (TNP) market.

– 389,623 (+11.4%) in deregulated markets outside Spain.

ENDESA sold a net total of 33,515 GWh to these customers in the first half of 2020, a 10.6% decrease compared the same half of 2019, as per the following breakdown:

– 28,885 GWh (-11.2%) in the Spanish deregulated market.

– 4,630 GWh (-6.4%) in deregulated markets outside Spain.

In economic terms, sales on the deregulated market in the first half of 2020 totalled €4,065 million (-11.1%), with the following breakdown:

– Sales in the Spanish deregulated market totalled €3,561 million, €501 million or -12.3% down on the figure for the same period of the previous year, due basically to the decline in the number of physical units sold.

– Income from sales to customers in deregulated markets outside of Spain amounted to €504 million (-1.0%), similar to the same period last year.

Sales of electricity at regulated prices.

In the first quarter of 2020 ENDESA sold 5,523 GWh to customers to whom regulated prices applied, through its subsidiary Comercializadora de Referencia, 2.4% less than in the first half of 2019.

These sales entailed an income of €872 million, which is 17.6% lower than the figure in the first half of 2019 as a result of the decrease in physical units sold.

Gas sales.

At 30 June 2020, ENDESA had 1,657,059 gas customers, almost unchanged (+0.5%) from the number of customers at 31 December 2019, as per the following breakdown:

- 231,829 (+0.9%) in the regulated market.
- 1,425,230 (+0.4%) in the deregulated market.

ENDESA sold 33,995 GWh to customers in the natural gas market in the first half of 2020, which represents a 13.4% decrease on the first half 2019 figure.

In economic terms, income from gas sales totalled €1,083 million in the first half of 2020, down €160 million (-12.9%) on the figure for the first half of 2019, as follows:

- Gas sales in the deregulated market totalled €1,048 million, which is €146 million (-12.2%) less than the figure for the first half of 2019, due mainly to the decrease in the number of physical units sold and the lower selling price in the "Business to Business" (B2B) market.
- Income from gas sales to customers at regulated prices amounted to €35 million, €14 million (-28.6%) less than in the first quarter of 2019, due basically [to the decline in the number of physical units sold].

Compensation for generation in Non-Mainland Territories (TNP).

In the first half of 2020, compensation for the extra costs of generation in Non-Mainland Territories (TNP) amounted to €555 million, representing a decrease of €71 million (-11.3%) compared with the same period of the previous year, due basically to the reduction of energy production, caused by the decrease in demand, and the evolution of commodity prices..

Electricity distribution.

During the first half of 2020, ENDESA distributed 50,274 GWh in the Spanish market, which is 7.9% less compared with the first half of 2019.

Regulated income from distribution activity during the first half of 2020 amounted to €1,055 million, which represents a reduction of €49 million (-4.4%) compared to the same period of the previous year, mainly due to the application of the new remuneration parameters that come into force for the regulatory period 2020-2025.

Other Operating Income.

The table below presents the detail of other operating income in the first half of 2020 and its variation compared with the same period in the previous year:

Millions of euros

	Reference (1)	Other Operating Income			
		January - June 2020	January - June 2019	Difference	% Var.
Change in energy derivatives		463	152	311	204.6
Grants released to income (2)		10	10	-	-
Allocation to Profit and Loss of Liabilities under Contracts with Customers		82	78	4	5.1
Provision of Services in Facilities		1	1	-	-
Trading rights		18	28	(10)	(35.7)
Third Party Indemnities		7	7	-	-
Others		37	42	(5)	(11.9)
TOTAL	**19.3**	**618**	**318**	**300**	**94.3**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.
(2) For the first half of 2020 this includes €8 million relating to capital grants and €2 million of operating grants (€9 million and €1 million respectively in the first half of 2019).

In the first half of 2020, other operating income amounted to €618 million, representing an increase of €300 million (+94.3%) compared with the amount recorded in the first half of 2019, basically as a result of the €311 million increase (+204.6%) in income from the valuation and settlement of energy derivatives, due mainly to the evolution of the valuation and settlement of gas derivatives, which was partly offset by the increase of €142 million (+68.9%) in expenses for this same item recognised under the item “Other Variable Procurements and Services” in the Consolidated Income Statement (see Section 1.3.2. Operating Expenses in this Consolidated Management Report).

The derivatives and hedging transactions entered into by ENDESA basically concern transactions arranged to hedge foreign currency rate or the price risk on commodities such as electricity, fuel, CO_2 emission rights, Certified Emission Reductions (CERN) and Emission Reduction Units (ERUs), and their purpose is to eliminate or significantly reduce these risks in the underlying hedged transactions. In the current context, ENDESA has checked to make sure that they continue to meet the criteria established by the regulations for applying hedge accounting.

1.3.2. Operating costs.

Operating costs totalled €7.328 million in the January-June 2020 period, 15.7% less than in the same period the previous year.

The table below presents the detail of operating expenses in the first half of 2020 and its variation compared with the same period in the previous year:

Millions of euros

	Operating expenses			
	January - June 2020	January - June 2019	Difference	% Var.
Procurements and Services	5,961	6,901	(940)	(13.6)
Energy purchases	1,809	2,418	(609)	(25.2)
Fuel consumption	570	876	(306)	(34.9)
Transmission expenses	2,523	2,666	(143)	(5.4)
Other Variable Procurements and Services	1,059	941	118	12.5
Self-constructed Assets	(97)	(99)	2	(2.0)
Personnel Expenses	95	505	(410)	(81.2)
Other Fixed Operating Expenses	609	590	19	3.2
Depreciation, Amortisation and Impairment Losses	760	794	(34)	(4.3)
TOTAL	**7.328**	**8,691**	**(1,363)**	**(15.7)**

Procurements and services (variable costs)

Procurements and services (variable costs) totalled €5,961 million in the first half of 2020, 13.6% less than in the same period the previous year.

The performance of these costs for the first half of 2020 was:

– Energy purchases decreased by €609 million (-25.2%) to €1,809 million as a consequence, mainly, of the decrease in physical units and the arithmetic average price in the wholesale electricity market of €29.0/MWh (-44.0%).

- Fuel consumption amounted to €570 million, with a decrease of €306 million (-34.9%) due to the lower thermal production in the period (-38.7%).

- The item "Other Variable Procurements and Services" in the Consolidated Income Statement totalled €1,059 million, up by €118 million (+12.5%) on the same period of the previous year, as follows:

Millions of euros

	Other Variable Procurements and Services			
	January - June 2020	January - June 2019	Difference	% Var.
Change in energy derivatives	348	206	142	68.9
Carbon dioxide (CO_2) emission rights	102	185	(83)	(44.9)
Tax on Electricity Production	106	73	33	45.2
Water Tax	17	31	(14)	(45.2)
Catalan Nuclear Tax	-	(27)	27	(100.0)
"Bono Social" discount rate	23	20	3	15.0
Works licences/Street lighting	81	99	(18)	(18.2)
Treatment of radioactive waste	104	91	13	14.3
Nuclear Tax	62	59	3	5.1
Others	216	204	12	5.9
TOTAL	**1,059**	**941**	**118**	**12.5**

This amount includes:

- The increase of €142 million (+68.9%) in respect to the amount recognised in the first half of 2019 in expenses on the valuation and settlement of energy derivatives, which was partly offset by the €311 million increase (+204.6%) in income for this same item recognised under the item "Other Operating Income" in the Consolidated Income Statement (see Section 1.3.1. Income in this Consolidated Management Report).

- The decrease of €83 million (-44.9%) in CO_2 emission rights due to the lower thermal production in the period (-38.7%).

- The increase of €33 million (+45.2%) in the Tax on Electricity Production due to the suspension of this tax during the first quarter of 2019 in accordance with Royal Decree Law 15/2018 of 5 October 2018.

- The reversal of €27 million in the Catalan nuclear tax registered in 2019 as a result of the declaration of unconstitutionality according to the ruling of the Constitutional Court of 12 April 2019.

Fixed operating costs.

The table below presents the detail of fixed operating expenses in the first half of 2020 and its variation compared with the same period in the previous year:

Millions of euros

	Fixed Operating Costs			
	January - June 2020	January - June 2019	Difference	% Var.
Self-constructed Assets	(97)	(99)	2	(2.0)
Personnel Expenses	95	505	(410)	(81.2)
Other Fixed Operating Expenses	609	590	19	3.2
TOTAL	**607**	**996**	**(389)**	**(39.1)**

In the first half of 2020 fixed costs increased to €607 million, a decrease of €389 million (-39.1%) compared to the first half of 2019. To analyse the changes during the first half of 2020, the following effects must be taken into account:

- Negotiation of the “5th ENDESA Framework Collective Agreement”:

  After more than two years of fruitless negotiations, on 4 December 2019, the majority trade union in ENDESA, General Workers Union (UGT), and ENDESA agreed to submit to a “binding equity arbitration” some of the most significant aspects discussed in the negotiation of the “5th ENDESA Framework Collective Agreement”.

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

  In accordance with the agreement between the parties, the content of the Arbitration Award and other aspects resulting from the agreement at the negotiating table not submitted to arbitration were incorporated into the “5th ENDESA Framework Collective Agreement” which was approved and signed by the Company and the Trade Union Section of the General Workers’ Union (UGT), and has general effect since 23 January 2020, being published in the Official State Gazette on 17 June 2020. Also on 23 January 2020, the new “Framework Agreement on Guarantees” and “Agreement on Voluntary Measures for the Suspension or Termination of Employment Contracts” were signed, in this case by all the unions represented in ENDESA.

  The “5th ENDESA Framework Collective Agreement” establishes changes to certain social benefits, basically the one corresponding to the electricity rate for employees, also including retired personnel, which led to the following accounting entries:

  - Valuation of the previous actuarial liability for the uninsured defined benefit commitments at the effective date of the “5th ENDESA Framework Collective Agreement”, which had a positive impact of €10 million on the Consolidated Statement of Other Comprehensive Income for the period January-June 2020.

  - Valuation of the new actuarial liability at the effective date of the “5th ENDESA Framework Collective Agreement”, taking account of the new commitments assumed, mainly in relation to electricity supply, which had a positive impact of €515 million on the Consolidated Income Statement for the period January-June 2020 (€386 million net of the tax effect) (see Section 1.1. Consolidated Results, 1.3. Analysis of Results and 1.3.6. Corporate Income Tax in this Consolidated Management Report).

  Additionally, at 30 June 2020, ENDESA has updated the valuation of the actuarial liability for defined benefit commitments with a net positive impact of €7 million, in the Consolidated Statement of Other Comprehensive Income for the period January-June 2020.

- Workforce restructuring plans:

  - Recalculation of the present value of the provisions for workforce restructuring plans in force, also taking into account the stipulations of the “5th ENDESA Framework Collective Agreement”, which had a positive impact of €44 million on the Consolidated Income Statement for the period January-June 2020 (€4 million, negative, in the period January-June 2019).

  - Registration of a provision for the amount of €159 million in the Consolidated Income Statement for the period January-June 2020 (€119 million, net of tax effect) (see Sections 1.1. Consolidated Results, 1.3. Analysis of Results and 1.3.6. Corporate Income Tax in this Consolidated Management Report) as a result of the communication made to the trade union representatives regarding the failure to exercise the power to terminate the individual agreement to suspend the employment relationship for certain individual contracts entered into with employees under the "Agreement on Voluntary Measures of Suspension or Termination of Employment Contracts".

Without taking into account the effects on personnel expenses described in the foregoing paragraphs, fixed operating costs for the first quarter of 2020 would have increased by €15 million (+1.5%) compared with the same period of the previous year as a consequence, mainly, of donations under the Public Responsibility Plan and purchases of supplies related to the COVID-19 health crisis (see Section 5. COVID-19 Health Crisis in this Consolidated Management Report).

Depreciation and amortisation and impairment losses.

The table below presents the detail of depreciation and amortisation, and impairment losses in the first half of 2020 and its variation compared with the same period in the previous year:

Millions of euros

	Depreciation, Amortisation and Impairment Losses			
	January - June 2020	**January - June 2019**	**Difference**	**% Var.**
AMORTISATIONS	**707**	**755**	**(48)**	**(6.4)**
Provision for the depreciation of property, plant and equipment	602	644	(42)	(6.5)
Provision for the amortisation of intangible assets	105	111	(6)	(5.4)
IMPAIRMENT LOSSES	**53**	**39**	**14**	**35.9**
Non-Financial Assets	**(3)**	**(1)**	**(2)**	**200.0**
Impairment of property, plant and equipment and investment property	(1)	(1)	-	-
Other Property, Plant and Equipment and Investment Property	(1)	(1)	-	-
Impairment of intangible assets	(2)	-	(2)	N/A
Other Intangible Assets	(2)	-	(2)	N/A
Financial Assets	**56**	**40**	**16**	**40.0**
Addition to provision for Impairment of Accounts Receivable from Contracts with Customers	62	36	26	72.2
Addition to provision for Impairment losses on other Financial Assets	(6)	4	(10)	(250.0)
TOTAL	**760**	**794**	**(34)**	**(4.3)**

Depreciation and amortisation, and impairment losses in the first half of 2020 totalled €760 million, up €34 million (-4.3%) on the same period of the previous year, mainly as a result of the following aspects:

- Reduction in depreciation expense amounting to €77 million, due to the deterioration of the mainland coal-fired power plants registered in the 2019 financial year in accordance with the decision taken on 27 September 2019 to discontinue the activities of them.
- Increase in amortisation expense amounting to €13 million due to the commissioning of generation assets from renewable sources in 2019.
- Increase in impairment losses from customer contracts, amounting to €26 million, mainly related to the economic situation caused by COVID-19 (see Section 5. COVID-19 Health Crisis in this Consolidated Management Report).

Without taking into account the effects described in the preceding paragraphs, the amortisation expense for the first half of 2020 would have increased by €4 million euros (+0.5%) compared to the first half of 2019.

1.3.3. Net financial income/(expense).

Net financial income/(expense) in the first halves of 2020 and 2019 was negative in the amounts of €48 million and €96 million respectively.

The table below presents the detail of net financial profit/(loss) in the first half of 2020 and its variation compared with the same period in the previous year:

Millions of euros

	Net Financial Income/(Expense) (1)			
	January - June 2020	**January - June 2019**	**Difference**	**% Var.**
Net Financial Expense (2)	(50)	(96)	46	(47.9)
Financial Income	27	16	11	68.8
Financial Expense	(77)	(112)	35	(31.3)
Net Exchange Differences	2	-	2	N/A
TOTAL	**(48)**	**(96)**	**48**	**(50.0)**

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

In the first half of 2020, net financial expense totalled €50 million, €46 million (-47.9%) less than in the same period of the previous year.

In the first half of 2020, net exchange differences amounted to a negative amount of €2 million (nil amount in the first half of 2019).

The following effects should be considered when assessing the net financial loss during the first half of 2020:

Millions of euros

	Net Financial Expense (1)			
	January - June 2020	January - June 2019	Difference	% Var.
Expense in respect of Financial Liabilities at Amortised Cost	(66)	(66)	-	-
Income from Financial Assets at Amortised Cost	1	1	-	-
Update of Provisions for Workforce Restructuring Plans, Dismantling of Facilities and Impairment of Financial Assets in accordance with IFRS 9 “Financial Instruments”	9	(32)	41	(128.1)
Interest on late payment of Corporate Income Tax 2016-2017	7	-	7	N/A
Others	(1)	1	(2)	(200.0)
TOTAL	**(50)**	**(96)**	**46**	**(47.9)**

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

Also, expenses in respect of financial liabilities at amortised cost held steady at €66 million due to the combination of the following effects (see Section 4.1. Financial Management in this Consolidated Management Report):

– The lower average cost of gross financial debt, which has risen from 1.81% in the first half of 2019 to 1.75% in the first half of 2020.

– The increase in average gross financial debt in both periods, which went from €7,476 million in the first half of 2019 to €7,822 million in the first half of June 2020.

On the other hand, as a consequence of the Constitutional Court Judgment regarding the unconstitutionality of Royal Decree-Law 2/2016, of 30 September 2016, income of €7 million has been registered, corresponding to the default interest of the amounts of fractional payments for Corporate Income Tax for the 2016 and 2017 financial years for the difference between the previous effective rate and the increased rate introduced by this Royal Decree-Law, now annulled.

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

In the first quarters of 2020 and 2019, companies accounted for using the equity method contributed net income of €11 million and €17 million respectively, broken down as follows:

Millions of euros

	Net Profit/(Loss) of Companies accounted for using the Equity Method	
	January - June 2020	January - June 2019
Associates	**2**	**6**
Tecnatom, S.A.	1	2
Gorona del Viento El Hierro, S.A.	-	1
Others	1	3
Joint Ventures	**9**	**11**
Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.	4	5
Énergie Électrique de Tahaddart, S.A.	-	1
Suministradora Eléctrica de Cádiz, S.A.	1	-
Others	4	5
TOTAL	**11**	**17**

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

In the first half of 2020, gains/(losses) on disposal of assets amounted to €5 million compared to €7 million, both negative, in the first half of 2019, the detail being as follows:

Millions of euros

	Reference (1)	Gains/(losses) on disposal of assets	
		January - June 2020	January - June 2019
Non-Financial Assets		**6**	**10**
Transfer of Optical Fibre Use Rights		4	-
Other gains/losses		2	10
Disposals of Investments in Group Companies and Other		-	1
Disposals of property, plant and equipment (2)		2	9
Financial Assets		**(11)**	**(17)**
Factoring transaction fees	9.1	(11)	(17)
TOTAL		**(5)**	**(7)**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.
(2) Corresponds to capital gains generated by the sale of land and buildings.

1.3.6. Corporate income tax.

In the first half of 2020, the expense for Corporate Income Tax rose to €382 million, with an increase of €150 million (+64.7%) compared to the amount registered in the first half of 2019, mainly as a result of the impacts registered in relation to the “5th ENDESA Framework Collective Agreement” and certain provisions for restructuring of the workforce related to the “Agreement on Voluntary Measures of Suspension or Termination of Employment Contracts”, for a total amount of €356 million, whose tax effect has amounted to €89 million (see Section 1.3.2. Operating Expenses in this Consolidated Management Report).

The effective rate for the period January-June 2020 stands at 25.2% as a consequence, fundamentally, of a lower materialisation of bonuses and deductions in quota attributed to results, the allocation of non-deductible provisions, the adjustment of tax losses at the Portuguese branch of ENDESA Energía, S.A.U. following the closure of the Inspectorate General and other non-deductible expenses (22.9% in the period January-June 2019).

As of the date of approval of this Consolidated Management Report, the recovery of deferred tax assets is not affected by the current context and the effective rate does not register impacts due to legislative changes that affect Corporate Income Tax.

1.3.7. Net Income

Net income attributed to the Parent in the first half of 2020 came to €1,128 million, an increase of €352 million (+45.4%) compared to the amounts obtained in the same period of the previous year.

Isolating the impacts recorded in relation to the "Fifth ENDESA Framework Collective Bargaining Agreement" and certain provisions for workforce restructuring relating to the "Agreement on Voluntary Measures for the Suspension or Termination of Employment Contracts", amounting to€ 267 million, net of tax effect (see Section 1.3.2. Operating Costs in this Consolidated Management Report), net income and net ordinary income attributed to the Parent Company in the first half of 2020 would have increased by 11.0% compared to the same period in the previous year.

Both results include an expense amounting to €10 million, net of tax effect, corresponding to the Public Responsibility Plan and purchases of supplies related to the COVID-19 health crisis (see Section 5. COVID-19 Health Crisis in this Consolidated Management Report).

1.4. Results by Segment.

Segment information is included in Note 19.2 to the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.

The following is a breakdown of the most significant figures in the Consolidated Income Statement among ENDESA's Businesses during the first half of 2020 and 2019:

Millions of euros

	January - June 2020						
	Generation and Supply				Distribution	Structure and Others (1)	Total
	Generation in Non-Mainland Territories	Other Generation and Supply	Adjustments	Total			
Income	**755**	**7,173**	**(267)**	**7,661**	**1,309**	**(87)**	**8,883**
Sales	752	6,663	(266)	7,149	1,191	(75)	8,265
Other Operating Income	3	510	(1)	512	118	(12)	618
Procurements and Services	**(559)**	**(5,638)**	**264**	**(5,933)**	**(80)**	**52**	**(5,961)**
Contribution Margin (2)	**196**	**1,535**	**(3)**	**1,728**	**1,229**	**(35)**	**2,922**
Self-constructed Assets	-	32	-	32	58	7	97
Personnel Expenses	(30)	(29)	-	(59)	57	(93)	(95)
Other Fixed Operating Expenses	(86)	(451)	3	(534)	(178)	103	(609)
Gross Operating Profit (EBITDA) (3)	**80**	**1,087 (8)**	**-**	**1,167**	**1,166**	**(18)**	**2,315**
Depreciation, Amortisation and Impairment Losses	(44)	(377)	-	(421)	(313)	(26)	(760)
Operating Profit (EBIT) (4)	**36**	**710**	**-**	**746**	**853**	**(44)**	**1,555**
Net Financial Income/(Expense) (5)	**(9)**	**(29)**	**-**	**(38)**	**(17)**	**7**	**(48)**
Income before Tax	**27**	**680**	**-**	**707**	**843**	**(37)**	**1,513**
Net Income (6)	**21**	**506**	**-**	**527**	**633**	**(32)**	**1,128**
Net Ordinary Income (7)	**21**	**506**	**-**	**527**	**633**	**(32)**	**1,128**

(1) Structure, Services and Adjustments.
(2) Contribution margin = Income - Procurements and Services.
(3) EBITDA = Income - Procurements and Services + Self-constructed Assets - Personnel expenses - Other fixed operating expenses.
(4) EBIT = EBITDA - Depreciation and Amortisation and Impairment Losses.
(5) Net Financial Income/(Expense) = Financial Income - Financial Expense + Net Exchange Differences.
(6) Net Income = Net Income of the Parent Company.
(7) Net Ordinary Income = Net Income of the Parent Company - Net Gains/Losses on Disposals of Non-Financial Assets (over €10 million) - Net Impairment Losses on Non-Financial Assets (over €10 million).
(8) Includes the EBITDA of ENEL Green Power España, S.L.U. (EGPE) amounting to €87 million.

Millions of euros

	January - June 2019						
	Generation and Supply				Distribution	Structure and Others (1)	Total
	Generation in Non-Mainland Territories	Other Generation and Supply	Adjustments	Total			
Income	**965**	**8,019**	**(464)**	**8,520**	**1,377**	**(106)**	**9,791**
Sales	963	7,808	(465)	8,306	1,243	(76)	9,473
Other Operating Income	2	211	1	214	134	(30)	318
Procurements and Services	**(700)**	**(6,654)**	**461**	**(6,893)**	**(83)**	**75**	**(6,901)**
Contribution Margin (2)	**265**	**1,365**	**(3)**	**1,627**	**1,294**	**(31)**	**2,890**
Self-constructed Assets	2	25	-	27	65	7	99
Personnel Expenses	(46)	(214)	-	(260)	(141)	(104)	(505)
Other Fixed Operating Expenses	(97)	(431)	3	(525)	(193)	128	(590)
Gross Operating Profit (EBITDA) (3)	**124**	**745 (8)**	**-**	**869**	**1,025**	**-**	**1,894**
Depreciation, Amortisation and Impairment Losses	(69)	(396)	-	(465)	(300)	(29)	(794)
Operating Profit (EBIT) (4)	**55**	**349**	**-**	**404**	**725**	**(29)**	**1,100**
Net Financial Income/(Expense) (5)	**(12)**	**(42)**	**-**	**(54)**	**(36)**	**(6)**	**(96)**
Income before Tax	**43**	**335**	**(17)**	**361**	**688**	**(35)**	**1,014**
Net Income (6)	**47**	**257**	**(17)**	**287**	**523**	**(34)**	**776**
Ordinary Net Income (7)	**47**	**257**	**(17)**	**287**	**523**	**(34)**	**776**

(1) Structure, Services and Adjustments.
(2) Contribution margin = Income - Procurements and Services.
(3) EBITDA = Income - Procurements and Services + Self-constructed Assets - Personnel expenses - Other fixed operating expenses.
(4) EBIT = EBITDA - Depreciation and Amortisation and Impairment Losses.
(5) Net Financial Income/(Expense) = Financial Income - Financial Expense + Net Exchange Differences.
(6) Net Income = Net Income of the Parent Company.
(7) Ordinary Net Income = Net Income of the Parent Company - Net Gains/Losses on Disposals of Non-Financial Assets (over €10 million) - Net Impairment Losses on Non-Financial Assets (over €10 million).
(8) Includes the EBITDA of ENEL Green Power España, S.L.U. (EGPE) amounting to €117 million.

1.4.1. Contribution Margin

Generation and Supply Segment.

The contribution margin of the Generation and Supply Segment in the first half of 2020 amounted to €1,728 million, representing an increase of €101 million (+6.2%) compared with the same period of the previous year, fundamentally as a consequence [of the decrease in electricity prices, the cumulative arithmetic price of which stood at €29.0/MWh in the wholesale electricity market (-44.0%) and of the lower thermal production of the period (-38.7%).

Distribution Segment.

The contribution margin of the Distribution Segment in the first half of 2020 amounted to €1,229 million, representing a decrease of €65 million (-5.0%) compared with the same period of the previous year, due mainly to the reduction of €49 million (-4.4%) in regulated income from the distribution activity, mainly as a result of the application of new remuneration parameters that come into force for the regulatory period 2020-2025.

Structure and Others.

The contribution margin of Structure and Others in the first half of 2020 was a negative figure of -€35 million, in line with the amount for the same period of the 2019 financial year.

1.4.2. EBITDA

Generation and Supply Segment.

The gross operating profit (EBITDA) for this segment amounted to €1,167 million (+34.3%) in the first half of 2020. The following factors must be taken into account when looking at EBITDA for the first half of 2020:

– The increase of 6.2% in the contribution margin.

– The income recognised as a consequence of the changes in employee benefits, due to the entry into force of the “5th ENDESA Framework Collective Agreement”, for an amount of €215 million.

– The recalculation of the present value of the provisions for current workforce restructuring plans (+€16 million in the first half of 2020 and -€5 million in the first half of 2019).

– The provisioning of €29 million in respect of suspensions of employment contracts in the context of the “Agreement on Voluntary Measures for the Suspension or Termination of Employment Contracts”.

Distribution Segment.

For the first quarter of 2020, the gross operating profit (EBITDA) for this Segment was €1,166 million (+13.8%), including, *inter alia*:

– The negative evolution of the contribution margin (-5.0%).

– The income recognised as a consequence of the changes in employee benefits, due to the entry into force of the “5th ENDESA Framework Collective Agreement”, for an amount of €269 million.

– The recalculation of the present value of the provisions for current workforce restructuring plans (+€8 million in the first half of 2020 and -€2 million in the first half of 2019).

– The provisioning for workforce restructuring of €91 million within the framework of the “Agreement on Voluntary Measures for the Suspension or Termination of Employment Contracts”.

Structure and Others.

For the first half of 2020, the gross operating profit (EBITDA) for this Segment came to €18 million, including *inter alia*:

– The income recognised as a consequence of the changes in employee benefits, due to the entry into force of the “5th ENDESA Framework Collective Agreement”, for an amount of €31 million.

– The recalculation of the present value of the provisions for current workforce restructuring plans (+€20 million in the first half of 2020 and +€3 million in the first half of 2019).

– The provisioning for workforce restructuring of €39 million within the framework of the "Agreement on Voluntary Measures for the Suspension or Termination of Employment Contracts".

– The expenditure on donations corresponding to the Public Responsibility Plan and purchases of supplies related to COVID-19 for an amount of €12 million (see Section 5. COVID-19 Health Crisis in this Consolidated Management Report).

1.4.3. EBIT

Generation and Supply Segment.

In the first half of 2020, the operating profit (EBIT) of the Generation and Supply Segment was €746 million (+84.7%), mainly as a result of:

– A 34.3% increase in EBITDA.

– The reduction in depreciation expense amounting to €77 million, due to the impairment of mainland coal-fired power plants.

– The increase in amortisation expense amounting to €13 million due to the commissioning of generation assets from renewable sources in the 2019 financial year.

– The increase in impairment losses from contracts with customers, amounting to €22 million, mainly related to the economic situation caused by COVID-19 (see Section 5. COVID-19 Health Crisis in this Consolidated Management Report).

Distribution Segment.

The operating profit (EBIT) for the Distribution Segment in the first half of 2020 gross operating profit (EBITDA grew by €128 million (+17.7%) relative to the same period of the previous year, mainly as a result of the 13.8% increase in gross operating profit (EBITDA).

Structure and Others.

The operating profit (EBIT) of the first half of 2020 of Structure and Others amounted to a negative figure of -€44 million.

2. Scope of Consolidation.

In the first half of 2020, the following transactions were carried out:

	Transaction	Date	Activity	Stake as at 30 June 2020 (%)		Stake as at 31 December 2019 (%)	
				Control	Ownership	Control	Ownership
ENDESA Soluciones, S.L. (1)	Sale	11 May 2020	Supply of Energy Products And Services	20.00	20.00	100.00	100.00
Empresa de Alumbrado Eléctrico de Ceuta, S.A. (2)	Acquisition	18 February 2020	Supply and Distribution	96.37	96.37	96.29	96.29
Energía Ceuta XXI Comercializadora de Referencia, S.A.U. (2)	Acquisition	18 February 2020	Supply	100.00	96.37	100.00	96.29
Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U. (2)	Acquisition	18 February 2020	Distribution	100.00	96.37	100.00	96.29
Hidromondego - Hidroeléctrica do Mondego, Lda. (3)	Final winding up	12 March 2020	Electricity Production and Supply	-	-	100.00	100.00

(1) The gross loss was less than €1 million.
(2) Interest acquired by ENDESA Red, S.A.U. for an amount of less than €1 million, positive.
(3) The gross profit generated amounted to €2 million.

3. Regulatory Framework.

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

Electricity tariff for 2020.

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

Natural gas tariff for 2020.

On 28 December 2019, Order TEC/1259/2019, of 20 December 2019, was published in the Official State Gazette (BOE), establishing access rates for gas for 2020, which remain unchanged, and on 30 December 2019 the Resolution of 23 December of the General Directorate for Energy Policy and Mines was published in the BOE, establishing the Last Resort Tariff (TUR in the Spanish abbreviation) for natural gas applicable from 1 January 2020, implying an average reduction of 3.3% for TUR1 and 4.2% for TUR2 , due to lower raw material costs.

On 30 June 2020, the Resolution of 23 June 2020, of the General Directorate for Energy Policy and Mines, was published in the Official State Gazette (BOE), publishing the new last resort tariff for natural gas that will come into effect from 1 July 2020, resulting in an average reduction of 4.5% and 6.0% depending on whether it is the Last Resort Tariff 1 (TUR1) or the Last Resort Tariff 2 (TUR2), respectively, due to the reduction in the cost of the raw material.

Energy Efficiency.

Order TED/287/2020, of 23 March 2020, establishes a contribution by ENDESA to the Spanish National Fund for Energy Efficiency of €27 million in respect of its 2020 obligations.

“Bono Social” discount rate.

On 28 January 2020 the process of hearings on the proposal for an Order establishing the distribution of financing of the Bono Social discount rate for 2020, the percentage proposed for ENDESA, S.A. being 35.57%.

Strategic Framework for Energy and Climate.

On 23 January 2020 the Ministry for the Ecological Transition and the Demographic Challenge published the Strategic Environmental Study of the Draft of the Integrated National Energy and Climate Plan (PNIEC) 2021-2030, opening a period of public consultation.

Likewise, the Government has sent the Draft Law on Climate Change and Energy Transition to the “Cortes Generales”. It includes the following aspects, among others:

- It would set two time paths: by 2030, objectives of reducing GHG emissions by at least 20% compared with 1990, generating 70% of electricity from renewable sources, and improving energy efficiency by at least 35% compared with the trend scenario; and by 2050, achieving climate-neutrality and a 100% renewable electricity system.
- Renewable energy promotion measures through a remuneration framework based on the long-term recognition of a fixed energy price.
- The new hydraulic concessions will be aimed at supporting the integration of non-manageable renewables.
- Introduction of new parties in the Electricity Sector as owners of storage facilities or independent aggregators.

- Limits are established in the exploitation of hydrocarbons, restricting fossil fuel subsidies and reviewing their taxation.
- Promotion of energy efficiency measures and use of renewables in the field of building.
- Boosting of electric mobility with the aim of having a fleet of vehicles without direct emissions of carbon dioxide (CO_2) in 2050 and that since 2040 the new passenger cars/light commercial vehicles have no direct emissions. Likewise, the establishment of low-emission areas in municipalities with more than 50,000 inhabitants and island territories and the obligation to develop recharging infrastructures at petrol stations are pursued no later than 2023.
- Mobilisation of resources for the fight against climate change: At least €450 million of the proceeds from auctions of carbon dioxide (CO_2) rights will be used annually to cover costs of the Electric System.

Order revising the remuneration parameters for facilities under specific remuneration regimes.

Order TED/171/2020 of 24 February 2020, published in the Official State Gazette on 28 February 2020, updates the remuneration parameters for standard facilities applicable to certain facilities producing electricity from renewable energy sources, cogeneration and waste, for application to the regulatory period starting on 1 January 2020. This Order updates the values that will be applicable in the second regulatory period (2020-2025) for the various parameters that determine the remuneration of these facilities, in accordance with the methodology established in the relevant general regulations, and without prejudice to the periodic update mechanisms established therein. The values of the different parameters are applicable from 1 January 2020, in accordance with the provisions of Royal Decree Law 17/2019, of 22 November 2019. The Order also approves the market price provided for each year of the 2020-2022 semi-period.

Draft of the Seventh General Radioactive Waste Plan.

The Ministry for the Ecological Transition and the Demographic Challenge has initiated the ordinary strategic environmental assessment procedure of the Seventh General Radioactive Waste Plan (PGRR). The procedure includes the environmental assessment, the public information process to receive input from civil society and the mandatory consultations with the Nuclear Safety Council and the Autonomous Regions. Subsequently, the Ministry for the Ecological Transition and the Demographic Challenge will carry out a technical analysis of the complete file to formulate the Strategic Environmental Declaration of the General Radioactive Waste Plan, a step prior to its approval by the Council of Ministers. Subsequently, it must be reported to Parliament and will also be forwarded to the European Commission, in compliance with the EU directive on radioactive waste management.

Declaration of the state of alarm as a consequence of the advance of COVID-19 and regulatory measures approved.

On 11 March 2020, the World Health Organisation (WHO) raised the level of the public health emergency caused by COVID-19 to that of a pandemic. The rapid evolution of events, at the national and international levels, requires the adoption of immediate and effective measures to face this situation. The extraordinary circumstances prevailing constitute without a doubt an unprecedented health crisis of enormous magnitude, due both to the large number of citizens affected and the extraordinary risk to their rights. As a consequence, on 14 March 2020, Royal Decree 463/2020, of 14 March 2020, was published in the Official State Gazette, declaring a state of alarm for the management of the health crisis situation caused by COVID-19.

At the same time, and in order to counteract the economic and social impact of this exceptional situation, the Spanish government approved a series of legislative provisions encompassing various measures on all fronts to face this impact. Specifically, and among others, 18 March 2020 saw the publication of Royal Decree-Law 8/2020, of 17 March 2020, on extraordinary urgent measures to face the economic and social impact of COVID-19, and on 1 April 2020, Royal Decree-Law 11/2020, of 31 March 2020, was published, adopting urgent complementary measures in the social and economic fields to deal with COVID-19 and on 8 July 2020, Royal Decree-Law 26/2020, of 7 July, on economic recovery measures to address the impact of COVID-19 in the areas of transport and housing was published.

With regard to the Electricity Sector, the most relevant urgent measures adopted are the following:

– "Bono Social" discount rate: The validity of the 'Bono Social' (special reduced rate for electricity) is extended until 30 September 2020 for beneficiaries for whom the 2-year period of validity established in Royal Decree 897/2017 of 6 October 2017 expires before that date. At the same time, the right to the "Bono Social" discount rate is extended to customers with supply points in their name, or any member of their family unit, with the status of self-employed or self-employed professionals, and who are entitled to benefit because they have had to cease their activity or have seen their billing significantly reduced, and meet certain income levels in the immediately preceding year, this right being limited to the period for which these circumstances persist, with a maximum of 6 months.

– Guarantee of supply: During the month following the entry into force of Royal Decree-Law 8/2020, of 17 March 2020, the supply of electricity, water and natural gas to consumers who have the status of vulnerable, highly vulnerable or at risk of social exclusion in accordance with the criteria laid down in Royal Decree 897/2017, of 6 October 2017, may not be cut off. This term, initially one month in force and extended during the state of alarm, has been extended, by Royal Decree-Law 26/2020, of 7 July 2020, until 30 September 2020, establishing that the supply of electricity, water, natural gas and other petroleum derivatives to natural persons in their habitual residence, except for reasons of security of supply, people and facilities.

– Flexibility measures for electricity supply contracts of self-employed and businesses: During the state of alarm, self-employed persons and businesses with supply points in their name may suspend or amend their contracts in order to contract another alternative offer with their supplier to adapt to new consumption guidelines, without charge or penalty. They may also change power or access toll. When the state of alarm ends, there will be a period of 3 months to reactivate the contract or modify the power, which will be carried out at no cost, except in certain situations. In future General State Budget Laws approved after the entry into force of Royal Decree-Law 11/2020, of 31 March 2020, the corresponding items will be included to compensate the Electricity Sector for the reduction in income that these measures entail. Similar measures are contemplated for the Natural Gas Sector.

– Suspension of supply invoices: During the state of alarm, self-employed persons and SMEs with supply points in their name may ask their supplier or distributor as the case may be, by remote (non-physical) means, to suspend payment of bills corresponding to billing periods that contain days covered by the state of alarm. In this case, the supplier will be exempt from paying transmission and distribution tolls to the distributor until such time as the customer pays the bill in full. The supplier will also be exempt from paying VAT, the special tax on electricity, and, where applicable, the special tax on hydrocarbons for electricity generation until the customer pays the full invoice or until 6 months have elapsed from the end of the state of alarm. However, under no circumstances has ENDESA exercised its option to defer the payment of these taxes. Once the state of alarm is over, the debt will be regularised in equal parts in the invoices of the billing periods that make up the following 6 months. Likewise, suppliers who see their income reduced, or distributors whose toll income is reduced, may request the guarantees defined in Royal Decree-Law 8/2020, of 17 March 2020, or any other line created for this purpose.

– Rights of access: The term is extended for those access rights that expired on 31 March 2020 and the new term is set at 2 months after the end of the state of alarm or its extensions.

In this context, likewise, through Order SND/260/2020, of 19 March 2020, the activation of the interruptibility demand management service was suspended for economic (as opposed to technical) reasons while the state of alarm was in force.

European Commission Decision C(2020)3401 on power generation activity in the Non-Peninsular Territories (TNP)

On 28 May 2020, the European Commission approved the regulatory scheme established in Royal Decree 738/2015 of 31 July 2015, in relation to electricity production activity in the Non-Peninsular Territories (TNP), concluding that it meets the criteria for Services of General Economic Interest and is compatible with the internal market. The scheme is initially approved until 31 December 2025 in the case of the Balearic Islands and until 31 December 2029 in the case of the Canary Islands, Ceuta and Melilla, and the Kingdom of Spain may request that it be maintained prior to these dates.

Proposal for an order for the revision of fuel prices in the Non-Mainland Territories (TNP).

Order TEC/1260/2019, of 26 December 2019, revises the technical and economic parameters for the remuneration of generation facilities in the Electricity Systems of the Non-Mainland Territories (TNP) for the second regulatory period (2020-2025). In relation to fuel prices, the aforementioned Order established that within 3 months, product and logistics prices will be reviewed by Ministerial Order, with effect from 1 January 2020, and the processing of this Order began on 20 February 2020.

Royal Decree-Law 23/2020, of 23 June 2020, which approves measures in the field of energy and in other areas for economic recovery.

On 24 June 2020, Royal Decree-Law 23/2020, of 23 June 2020, was published, approving measures in the field of energy and in other areas for economic reactivation. The most relevant aspects of this Royal Decree-Law are the following:

- Improvement of the regulation of access permits and connection to the grid of renewable energies, to avoid speculation, considering specific mechanisms to grant access capacity in network nodes affected by just transition processes. In relation to this matter, it should be noted that the Ministry for Ecological Transition and the Demographic Challenge has initiated the processing of a draft Royal Decree on access and connection to the electricity transmission and distribution networks.
- New auction model for future renewable energy developments, based on the long-term recognition of a fixed price for energy, distinguishing between different technologies. Small projects and demonstrators may be exempted from auctions.
- Introduction of new figures: storage owners, independent aggregators and renewable energy communities.
- Simplification of procedures for renewable installations and their electrical infrastructure, rapid recharge infrastructures (250 kW) and demonstrations or R&D and innovation projects.
- The accumulated surplus of the Electric System may be used to cover imbalances in 2019 and 2020.
- Increase of the maximum limit of remunerative investment in distribution in 2020-2022, going from 0.13% to 0.14% of Gross Domestic Product (GDP).
- The purpose of the Institute for the Just Transition is defined, which will seek to reduce the impacts on employment and the depopulation of areas affected by the transition process.

Proposal for a Royal Decree on the remuneration regime for renewable energy.

On 26 June 2020, the processing of a Royal Decree Project that develops the new remuneration scheme for future renewable energy developments foreseen in Royal Decree-Law 23/2020, of 23 June 2020, has begun. This remuneration regime (called the Economic Renewable Energy Regime “REER”) will be based on the long-term recognition of the price of energy.

The Renewable Energy Economic Regime (“REER”) will be granted through auctions regulated by Ministerial Order, which may distinguish between different technologies according to their technical characteristics, size, manageability, location or technological maturity. The product to be auctioned will be the installed power, electrical energy or a combination of both, and the price per unit of electrical energy will be offered in €/MWh.

Regarding the remuneration of energy, the price to be received for each unit sold in the daily or intraday market will be the award price (for adjustment and balance services, it will be the price of the respective markets). Alternatively, it can be established that up to 50% of the energy sold in the daily or intraday market is sold directly at the market price and is not subject to the award price.

All the facilities of this Regime will participate in the market and the Operador del Mercado Ibérico de Energía - Polo Español (OMIE) will carry out a settlement for differences between the daily or intraday market prices and the award price of the facilities, the difference being adjusted against the national purchasing units of the market.

On the other hand, penalties are contemplated for energy commitments that are not delivered.

An auction calendar will be approved for a minimum period of 5 years, updateable at least annually, and which may include deadlines, frequency, capacity and technologies.

Law 5/2020, of 29 April 2020, of the Generalitat de Cataluña.

On 2 June 2020, Law 5/2020, of 29 April 2020, of the Generalitat de Cataluña, on fiscal, financial, administrative and public sector measures and creation, has been published in the Official State Gazette (BOE) tax on facilities that affect the environment.

Among other aspects, this Law includes the creation and regulation of a tax on facilities that affect the environment in the area of the Autonomous Community of Cataluña. Specifically, this new tax is imposed on the production, storage, transformation and transport of electrical energy in Cataluña. In the field of generation, energy production is taxed with a general rate of €5/MWh, which will be €1/MWh for combined cycles, excluding in any case hydraulic generation and generation with renewable sources, as well as with biomass, biogas, high-efficiency cogeneration or with slurry. In the field of transport, a quota is established based on the voltage level of the facilities, with those with a voltage lower than 30 kV and evacuation facilities of renewable production being exempt.

Spanish Reserve Fund for Guarantees of Electrointensive Entities (FERGEI).

During 2018, and as a result of Royal Decree-Law 20/2018, of 7 December 2018, on urgent measures to boost economic competitiveness in the sector of industry and commerce in Spain, the Government announced the preparation of a Statute for electrointensive industrial consumers, that collect their peculiarities. In 2019, the processing of a draft Royal Decree was initiated in this regard, which regulates the figure of the electro-intensive consumer, the potential compensation mechanisms that they could avail themselves of, as well as their obligations. Likewise, said project regulates the possibility of granting guarantees to the subscription by electro-intensive consumers of long-term contracts with electricity suppliers, especially from renewable installations that do not receive specific remuneration, and which was completed with a Draft Law that regulated a fund to cover the risks of these contracts.

In this sense, on 27 June 2020, Royal Decree-Law 24/2020, of 26 June 2020, on social measures to reactivate employment and protect self-employment and competitiveness of the industrial sector, in which the Spanish Reserve Fund for Guarantees of Electrointensive Entities (FERGEI) is created, for the coverage by the State of the risks derived from medium and long-term purchase and sale operations of subscribed electricity supply by consumers who have the status of electrointensive consumers. This Fund will be endowed with €200 million per year, to cover a maximum of €600 million of investment in 3 years.

Methodology for calculating the charges of the Electric and Gas Systems.

On 7 July 2020, the Ministry for the Ecological Transition and the Demographic Challenge began the hearing of two Royal Decree projects with the methodologies for calculating the charges of the Electric and Gas Systems, which will complement the methodologies for calculating the Access tolls to be approved by the National Commission of Markets and Competition (CNMC).

Royal Decree 647/2020, of 7 July 2020, on network codes.

On 8 July 2020, Royal Decree 647/2020, of 7 July 2020, which regulates aspects necessary for the implementation of the connection network codes of certain electrical installations.

This Royal Decree includes certain elements associated with the adaptation of Spanish regulations to the European network codes set forth in Regulations (EU) 2016/631, 2016/1388 and 2016/1447 of the European Commission, of 14 April, 17 August and 26 August, respectively, which establish the framework of minimum technical requirements for design and operation that generation facilities, demand and high-voltage systems connected to direct current must comply with for connection to the electricity grid. It also includes other modifications on other provisions, such as Royal Decree 413/2014, of 6 June 2014, which regulates the activity of producing electrical energy from renewable energy sources, cogeneration and waste, or Royal Decree 738/2015, of 31 July 2015, which regulates the generation activity in the Electrical Systems of the Non-Mainland Territories (TNP).

4. Liquidity and Capital Resources.

4.1. Financial management.

Financial debt.

At 30 June 2020, ENDESA's net financial debt stood at €7,092 million, an increase of €715 million (+11.2%) compared with 31 December 2019.

The reconciliation of ENDESA's gross and net financial debt at 30 June 2020 and 31 December 2019 is as follows:

Millions of euros

	Reference (1)	Reconciliation of Financial Debt			
		30 June 2020	31 December 2019	Difference	% Var.
Non-Current Financial Debt	13.1	5,952	5,652	300	5.3
Current Financial Debt	13.1	1,527	955	572	59.9
Gross Financial Debt (2)		**7,479**	**6,607**	**872**	**13.2**
Cash and Cash Equivalents	10	(379)	(223)	(156)	70.0
Financial Derivatives Recognised in Financial Assets	14.3.1	(8)	(7)	(1)	14.3
Net Financial Debt		**7,092**	**6,377**	**715**	**11.2**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.
(2) At 30 June 2020, this includes €32 million corresponding to financial derivatives recognised under financial liabilities (€21 million at 31 December 2019).

In analysing the evolution of net financial debt, it must be borne in mind that on 2 January 2020 ENDESA paid its shareholders an interim dividend against 2019 results of €0.70 per share, for a pay-out of €741 million (see Sections 4.2. Cash flows and 4.4. Dividends of this Consolidated Management Report).

The structure of ENDESA's gross financial debt at 30 June 2020 and 31 December 2019 was as follows:

Millions of euros

	Structure of Gross Financial Debt			
	30 June 2020	31 December 2019	Difference	% Var.
Euros	7,376	6,498	878	13.5
U.S. Dollar (USD)	103	109	**(6)**	**(5.5)**
TOTAL	**7,479**	**6,607**	**872**	**13.2**
Fixed rate	4,719	4,639	80	1.7
Floating rate	2,760	1,968	792	40.2
TOTAL	**7,479**	**6,607**	**872**	**13.2**
Average life (years) (1)	4.9	5.2	-	-
Average cost (2)	1.8	1.8	-	-

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

At 30 June 2020, 63% of the gross financial debt was at fixed interest rates, while 37% was at floating rates. At this date, 99% of the gross financial debt was denominated in euros.

Certain ENDESA companies' loans and borrowings contain the usual covenants in this type of agreement. At the date of approval of this Consolidated Management Report, neither ENDESA, S.A. nor any of its subsidiaries were in breach of their financial obligations or of any type of obligation that might give rise to early maturity of their financial commitments.

As of the date of approval of this Consolidated Management Report, ENDESA has not had to resort to refinancing processes for its financial debt as a consequence of the health crisis caused by COVID-19.

Similarly, during the six-month period ended on 30 June 2020, ENDESA has not amended, renegotiated or cancelled any clauses contained in lease agreements in which it acts as [lessor] and/or lessee, and therefore in contracts in which ENDESA acts as lessee, neither the right-of-use asset nor the liability represented by the present value of the obligation to make the lease payments during the term thereof has been modified.

Main financial transactions.

In the first half of 2020, ENDESA, S.A. has registered a new Euro Commercial Paper (ECP) SDG7 issuance programme worth €4,000 million, with the outstanding balance at 30 June 2020 equal to Euro 1,346 million, the renewal of which is backed by irrevocable credit lines. This programme incorporates, for the first time, sustainability objectives, in line with ENDESA's Strategic Plan

To strengthen its liquidity position and ensure the continuity of business activity, the following financial transactions were formalised during the first half of 2020:

Millions of euros

	Reference (1)	Counterparty	Date of Signing	Expiry Date	Amount
Loan (2)		Caixabank, S.A., Bankia, S.A. and Kutxabank, S.A.	17 April 2020	19 April 2022	300
Credit Line (2)		Caixabank, S.A., Bankia, S.A. and Kutxabank, S.A.	17 April 2020	19 April 2022	250
Intercompany Line of Credit	13.2.2 and 20.1.2	ENEL Finance International, N.V.	3 June 2020	3 June 2022	700
TOTAL					**1,250**

(1) Explanatory Notes that form part of the Interim Consolidated Financial Statements for the six months ended 30 June 2020.

Liquidity.

At 30 June 2020, ENDESA had liquidity of €4,469 million (€3,300 million at 31 December 2019) as detailed below:

Millions of euros

	Reference (1)	Liquidity			
		30 June 2020	31 December 2019	Difference	% Var.
Cash and Cash Equivalents	10	379	223	156	70.0
Unconditional availability in credit facilities (2)		4,090	3,077	1,013	32.9
TOTAL		**4,469**	**3,300**	**1,169**	**35.4**
Debt Maturity Coverage (number of months) (3)		23	26	-	-

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.
(2) At 30 June 2020 and 31 December 2019, €1,000 million correspond to the credit facility available with ENEL Finance International, N.V. In addition, at 30 June 2020, €700 million correspond to the new credit facility available with ENEL Finance International, N.V. (see Notes 13.2.1, 13.2.2, 15.2 and 20.1.2 from the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2020).
(3) Coverage of debt maturities (number of months) = Maturity period (number of months) for vegetative debt that could be covered with the liquidity available.

ENDESA has a solid financial situation and unconditional credit lines contracted with first-rate entities available for significant amounts. This, together with the implementation of specific plans for the improvement and efficient management of liquidity, it is estimated that it will allow to face the impact caused by the difficulties of the economic situation.

The undrawn credit facilities guarantee the refinancing of current borrowings presented under the item "Non-Current Borrowings" in the accompanying Consolidated Statement of Financial Position, which amounted to €32 million at 30 June 2020 (€29 million at 31 December 2019) (see Note 13.1 from the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2020).

Treasury investments considered as cash and cash equivalents are highly liquid and entail no risk of changes in value, mature within 3 months of their contract date and accrue interest at the market rates for such instruments.

Restrictions that could affect the drawdown of funds by ENDESA are described in Notes 10 and 13.2.3 of the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2020.

Leverage.

The level of consolidated leverage is defined as an indicator for monitoring the financial situation, data at 30 June 2020 and 31 December 2019 being as follows:

Millions of euros

	Reference (1)	Leverage		% Var.
		30 June 2020	31 December 2019	
Net Financial Debt:		**7,092**	**6,377**	**11.2**
Non-current Financial Debt	13.1	5,952	5,652	5.3
Current Financial Debt	13.1	1,527	955	59.9
Cash and Cash Equivalents	10	(379)	(223)	70.0
Financial Derivatives Recognised in Financial Assets	14.3.1	(8)	(7)	14.3
Equity:	**11**	**8,246**	**7,837**	**5.2**
Of the Parent		8,094	7,688	5.3
Of Non-Controlling Interests		152	149	2.0
Leverage (%) (2)		**86.01**	**81.37**	**N/A**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.
(2) Leverage (%) = Net Financial Debt/Equity.

Credit Rating.

ENDESA's credit ratings are as follows:

	Credit Rating					
	30 June 2020 (1)			31 December 2019 (1)		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Standard & Poor's	BBB+	A-2	Stable	BBB+	A-2	Stable
Moody's	Baa2	P-2	Positive	Baa2	P-2	Positive
Fitch	A-	F2	Stable	A-	F2	Stable

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

ENDESA's credit rating is strongly influenced by the rating of its parent company ENEL in accordance with the methods used by the rating agencies, and at the date of approval of this Consolidated Management Report it is classified as "investment grade" by all the rating agencies.

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

4.2. Cash flows.

At 30 June 2020 and 31 December 2019, the amount of cash and cash equivalents breaks down as follows (see Section 4.1. Financial Management in this Consolidated Management Report):

Millions of euros

	Reference (1)	Cash and Cash Equivalents			
		30 June 2020	31 December 2019	Difference	% Var.
Cash in hand and at banks		379	223	156	70.0
Other Cash Equivalents		-	-	-	-
TOTAL	10	**379**	**223**	**156**	**70.0**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.

In the first six-month periods of 2020 and 2019, ENDESA's net cash flows, classified by activities (operating, investing and financing) were as follows:

Millions of euros

	Statement of cash flows			
	January - June 2020	January - June 2019	Difference	% Var.
Net cash flows from operating activities	995	907	88	9.7
Net cash flows from investing activities	(821)	(993)	172	(17.3)
Net cash flows from financing activities	(18)	296	(314)	(106.1)

In the first half of 2020, the net cash flows generated by the operating activities (€995 million) have made it possible to attend to the net investments necessary for the development of ENDESA's Businesses (€821 million).

Net cash flows from operating activities

In the first half of 2020, net cash flows from operating activities amounted to €995 million, up 9.7% compared to the same period in the previous year (€907 million in the first half of 2019), and are as follows:

Millions of euros

	Reference (1)	January - June 2020	January - June 2019	Difference	% Var.
Gross Profit Before Taxes and Non-Controlling Interests		1,513	1,014	499	49.2
Adjustments for:		355	974	(619)	(63.6)
Depreciation and amortisation and impairment losses		760	794	(34)	(4.3)
Other adjustments (net)		(405)	180	(585)	(325.0)
Changes in working capital:		(692)	(809)	117	(14.5)
Trade and other receivables		255	70	185	264.3
Inventories		(174)	(132)	(42)	31.8
Current financial assets		35	(299)	334	(111.7)
Trade payables and other current liabilities (2)		(808)	(448)	(360)	80.4
Other cash flows from/(used in) operating activities:		(181)	(272)	91	(33.5)
Interest received		15	15	-	-
Dividends received		9	10	(1)	(10.0)
Interest paid (3)		(70)	(62)	(8)	12.9
Corporation tax paid		(22)	(72)	50	(69.4)
Other Proceeds from/(Payments for) Operating Activities (4)		(113)	(163)	50	(30.7)
NET CASH FLOWS FROM OPERATING ACTIVITIES	18.1	**995**	**907**	**88**	**9.7**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.
(2) In the January-June 2020 period, it includes €12 million corresponding to the Public Responsibility Plan and purchases of supplies related to COVID-19 (see Section 5. COVID-19 Health Crisis in this Consolidated Management Report and Notes 18.1 and 19.2.1 of the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020).
(3) Includes interest paid on financial liabilities for rights of use for €16 million and €8 million, respectively (see Note 4.1 of the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020).
(4) Corresponding to provisions payments.

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

- The lower gross profit before tax and non-controlling interests net of depreciation and amortisation and other adjustments for the period (€120 million).
- Changes in working capital between the two periods amounting to €117 million, mainly as a result of increased payments to trade creditors (€360 million), the positive evolution of trade and other receivables (€185 million), increased payments for inventories (€42 million) and greater amounts of compensation received for extra costs of generation in Non-Mainland Territories (€225 million).
- The variation in the payment of Corporate Income Tax in the two periods amounting to €50 million.
- The decrease in other net payments from operating activities amounting to €50 million.

In the first half of 2020, the Company has also continued with its active management policy for working assets and liabilities, focusing on, among other aspects, the improvement of processes, the factoring of receivables and agreements extending payment periods with suppliers.

At 30 June 2020, 31 December 2019 and 30 June 2019, working capital comprised the following items:

Millions of euros

	Reference (1)	Sections	Working Capital		
			30 June 2020	31 December 2019	30 June 2019
Current Assets (2)			**5,730**	**5,877**	**5,551**
Inventories	8		853	1,177	1,115
Trade and other receivables	9		3,689	3,485	3,089
Current financial assets	14		1,188	1,215	1,347
Compensation for Extra Costs of Generation in Non-Mainland Territories			519	561	886
Collection Rights for the Financing of the Deficit of Regulated Activities			375	389	260
Remuneration of Distribution Activity			203	178	120
Others			91	87	81
Current Liabilities (3)			**6,714**	**7,510**	**6,285**
Current provisions	12.1		313	576	378
Trade Payables and Other Current Liabilities	17		6,401	6,934	5,907
Parent Company Dividend	11.3	4.4	821	741	770
Others			5,580	6,193	5,173

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.
(2) Excluding “Cash and cash equivalents” and “Financial Derivative Assets” corresponding to financial debt.
(3) Excluding Current Financial Debt and financial derivative liabilities corresponding to financial debt.

Net cash flows used in investing activities

In the first half of 2020, net cash flows used in investment activities amounted to €821 million, 17.3% lower than in the same period of the previous year (€993 million in the first half of 2019) and include, among other aspects:

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

Millions of euros

	Reference (1)	Sections	January - June 2020	January - June 2019
Acquisition of Property, Plant and Equipment and Intangible Assets			**(776)**	**(903)**
Acquisition of Property, Plant and Equipment (2)	4.2	4.3	(577)	(843)
Acquisition of intangible assets	5.1	4.3	(72)	(78)
Facilities transferred from customers			21	21
Suppliers of property, plant and equipment			(148)	(3)
Proceeds from sales of property, plant and equipment and intangible assets			**4**	**13**
Grants and other deferred income			**48**	**27**
TOTAL			**(724)**	**(863)**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.
(2) In the January-June 2020 period, it does not include recognition of right-of-use assets amounting to €140 million (see Note 4.1 of the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020).

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

Millions of euros

	Reference (1)	January - June 2020	January - June 2019
Equity investments in Group Companies		**-**	**(2)**
Companies acquired by ENEL Green Power España, S.L.U. (EGPE)	2.3	-	(2)
Disposals of investments in Group Companies		**21**	**-**
ENDESA Soluciones, S.L.	2.3, 2.4 and 7	21	-
TOTAL		**21**	**(2)**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.

Net cash flows used in financing activities.

In the first half of 2020, the cash flows from financing activities came to €18 million (€296 million in the first half of 2019), mainly including the following aspects:

– Cash flows in respect of equity instruments:

Millions of euros

	January - June 2020	January - June 2019
Funds contribution by Bosa del Ebro, S.L.	-	6
TOTAL	**-**	**6**

– Drawdowns of non-current financial debt:

Millions of euros

	Reference (1)	Section	January - June 2020	January - June 2019
Drawdowns on the loan from Caixabank, S.A., Bankia, S.A. and Kutxabank, S.A.	13.2.2	4.1	300	-
Drawdowns on credit facility with ENEL Finance International, N.V.	13.2.2	4.1	500	-
Drawdowns of the European Investment Bank (EIB) Green Loan			-	335
Drawdowns of the Official Credit Institute (ICO) Green Loan			-	300
Drawdowns of other credit facilities			-	6
Others			9	2
TOTAL	**13.1**		**809**	**643**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.

– Reimbursement of non-current financial debt:

Millions of euros

	Reference (1)	January - June 2020	January - June 2019
Repayments of ENEL Finance International N.V. credit facility		(500)	-
Repayment of other credit facilities		(67)	(199)
Others		(7)	(6)
TOTAL	**13.1**	**(574)**	**(205)**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.

– Drawdowns and repayments of current financial debt:

Millions of euros

	Reference (1)	Sections	January - June 2020	January - June 2019
Drawdowns				
Euro Commercial Paper (ECP) issues	13.2.2	4.1	8,430	6,047
Others			21	41
Amortisations				
Euro Commercial Paper (ECP) repayments	13.2.2	4.1	(7,881)	(5,400)
Payments of Right-of-Use Contracts			(34)	(25)
Others			(43)	(63)
TOTAL	**13.1**		**493**	**600**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.

– Dividends payments:

Millions of euros

	Reference (1)	Sections	January - June 2020	January - June 2019
Payment of Parent Company Dividends	11.3 and 17	4.4	(741)	(741)
Dividends paid to non-controlling interests (2)			(5)	(7)
TOTAL			**(746)**	**(748)**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.
(2) Corresponding to companies of ENEL Green Power España, S.L.U. (EGPE).

4.3. Investments.

In the first half of 2020, ENDESA made gross investments of €797 million. Of this amount, €789 million were related to investments in property, plant and equipment and intangible assets, and the remaining €8 million to financial investments, as follows:

Millions of euros

	Reference (1)	Investments (2)		
		January - June 2020	January - June 2019	% Var.
Generation and Supply		411	619	(33.6)
Generation in Non-Mainland Territories		31	19	63.2
Other Generation and Supply		380	600	(36.7)
Distribution		235	220	6.8
Structure and Others (3)		71	4	1,675.0
TOTAL PROPERTY, PLANT & EQUIPMENT (4) (5)	**4.2**	**717**	**843**	**(14.9)**
Generation and Supply		55	54	1.9
Generation in Non-Mainland Territories		-	-	-
Other Generation and Supply		55	54	1.9
Distribution		11	15	(26.7)
Structure and Others (3)		6	9	(33.3)
TOTAL INTANGIBLE ASSETS (5)	**5.1**	**72**	**78**	**(7.7)**
FINANCIAL INVESTMENTS		**8**	**35**	**(77.1)**
TOTAL GROSS INVESTMENTS		**797**	**956**	**(16.6)**
Capital grants and Facilities Sold		(69)	(43)	60.5
Generation and Supply		(4)	(1)	300.0
Distribution		(65)	(42)	54.8
TOTAL NET INVESTMENTS (6)		**728**	**913**	**(20.3)**

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.
(2) Does not include company acquisitions carried out during the period (see Section 2. Scope of Consolidation in this Consolidated Management Report).
(3) Structure, Services and Adjustments.
(4) In the January-June 2020 period, it includes registrations for use rights amounting to €140 million (see Note 4.1 of the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the Six Month Period ended 30 June 2020).
(5) In the first half of 2020, it includes €613 million relating to investments for low-carbon products, services and technologies (€847 million in the first half of 2019).
(6) Net investments = Gross investments - Capital grants and facilities sold.

Investments in property, plant and equipment.

Gross investments in generation in the first half of 2020 relate mainly to investments for the construction of power plants based on renewable sources for an amount of €192 million. They also include the recognition of an asset for right of use, corresponding to the land where certain renewable generation facilities are located, for an amount of €65 million (see Note 4.1.1 of the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the Six Month Period ended 30 June 2020).

The decrease in gross investments in Generation and Supply" (-33.6%) compared to the first half of 2019 is mainly due to the fact that in that period the investments corresponded mainly to the construction of the wind and photovoltaic power awarded in the auctions held in 2017 and which was put into operation in the financial year 2019.

Gross investments in supply correspond mainly to the development of activity related to new products and services amounting to €8 million.

Gross investments in distribution relate to grid extensions and expenditure aimed at optimising the functioning of grid to ensure greater efficiency and service quality.

Gross investments in structure and other, include the recognition of an asset by right of use, corresponding to the renewal of the lease of ENDESA's head office, located in Ribera del Loira (Madrid) (see Note 4.1.1 of the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the Six Month Period ended 30 June 2020).

Investments in intangible assets.

Gross investments in intangible assets in the first half of 2020 mainly correspond to computer software and ongoing investments in ICT activities for the sum of €36 million and the capitalisation of incremental costs incurred corresponding to the acquisition of customer contracts for the sum of €36 million.

Financial investments.

Gross investments in the first half of 2020 mainly include different financial credits.

4.4. Dividends.

At its meeting held on 26 November 2019, the Board of Directors of ENDESA, S.A. approved the following shareholder remuneration policy for 2019-2022:

- Financial years 2019 to 2020: The ordinary dividend per share to be distributed in respect of these years will be equivalent to 100% of ordinary net income attributable to the Parent as per the Consolidated Financial Statements of the Group headed by the Company.

- For financial year 2021, the Board of Directors of ENDESA, S.A. will ensure that the ordinary dividend per share that is agreed to be distributed for the year is equal to 80% of the net ordinary income attributable to the Parent Company as per the Group's Consolidated Financial Statements.

- For the 2022 financial year, the Board of Directors of ENDESA, S.A. will ensure that the ordinary dividend per share that is agreed to be distributed for the year is equal to 70% of the net ordinary income attributable to the Parent Company as per the Group's Consolidated Financial Statements.

Without prejudice to 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 no assurance can be given that dividends will be paid out in future years or as to the amount of such dividends if paid.

Approval was given at ENDESA, S.A.'s General Shareholders' Meeting of 5 May 2020 to pay shareholders a total dividend for 2019 in a gross amount of €1.475 per share, representing a total of €1,562 million. The breakdown of these dividends is as follows:

Millions of euros

	Reference (1)	Sections	Approval date	Euros per share, gross	Amount	Payment date
Interim dividend	18.3	4.2	26 November 2019	0.700	741	2 January 2020
Final dividend			5 May 2020	0.775	821	1 July 2020
Total Dividend paid against 2019 Profit	**11.3 and 17**			**1.475**	**1,562**	

(1) Explanatory Notes that form part of the Interim Consolidated Financial Statements for the six months ended 30 June 2020.

5. COVID-19 Health Crisis.

The coronavirus epidemic (COVID-19) was first reported to the World Health Organization (WHO) in late December 2019.

On 11 March 2020, the World Health Organisation (WHO) confirmed that the COVID-19 health emergency had reached the level of a pandemic.

During the period, and in order to contain the effects of the infection, while waiting for an available vaccine, the governments of the different countries have adopted numerous containment measures, essentially aimed at restricting the free movement of people, which can be maintained or increased, depending on its effectiveness and the future spread of the virus.

In Spain, on 14 March 2020, the Government declared a state of alarm throughout the national territory to deal with the health emergency situation caused by the COVID-19 and, after successive extensions, on 22 June 2020, the country entered the so-called "new normality" after the expiry of the state of alarm and extraordinary measures, including those that limited freedom of movement. From that moment on, a series of protocols for prevention, containment and coordination were adopted, which are making it possible to face and control the pandemic until the health crisis situation officially ends.

ENDESA carries out a large part of its activities under regulated frameworks and during the state of alarm derived from COVID-19, its activities have been classified as essential, which is why it has continued to develop them, adjusting its protocols when necessary.

During this period, business continuity management has relied on the Out-of-Office (OOW) method for non-critical positions, introduced a few years ago in the organisation, and which, thanks to investments in digitalisation, has made it possible to work remotely with the same level of efficiency and productivity. Likewise, measures and procedures have been applied that are helping to work safely and reduce the risks of infection. The Return Plan with the maximum guarantees of safety at work is allowing the progressive incorporation of the sales force. Meanwhile, the use of digitalised infrastructure that contributes to the normal operation of production assets, the continuity of the electricity supply and the remote management of all activities relating to the market and customer relations.

As part of its commitment to society, ENDESA has designed a Public Responsibility Plan to provide direct aid for the purchase of materials, special supply conditions and donations to meet the main health and social needs caused by the COVID-19 health crisis. The amount accrued for this concept and the purchases of supplies related to COVID-19, amounted to €12 million (€10 million euros, net of tax effect).

Taking into account the complexity of the markets due to their globalisation and the absence, for the moment, of an effective medical treatment of the virus, the current context has changed the probability and impact of some of the risks to which ENDESA is exposed, although the consequences for ENDESA's operations are uncertain and will depend to a large extent on how the pandemic evolves and spreads in the coming months, as well as on the reaction and ability to adapt of all the economic agents affected.

Based on this, and in compliance with the recent European Securities and Markets Authority (ESMA) recommendations of 11 March 2020, ENDESA launched an internal analysis to evaluate the actual and potential impacts of COVID-19 on business activities, on the financial situation and on economic performance, fundamentally concerning the following dimensions of analysis:

- Forecast of potential macroeconomic impacts.
- Forecast of the potential prices of electricity and gas in the energy markets and other commodities.
- Estimation of the impacts on the demand for electricity and gas.

- Analysis of possible delays in supplies and fulfilment of contracts, at the supply chain level.

- Monitoring of financial markets and liquidity situation.

Among the risk factors that affect ENDESA and that could be exacerbated by a virus resurgence or by the extension of the economic crisis, the following stand out:

- Adverse economic conditions due to the crisis following the COVID-19 pandemic may prolong the negative impact on electricity and gas demand during the second half of 2020. To this end, during the first half of 2020, the accumulated mainland demand for electrical energy decreased by 7.8% compared to the same period of the previous year, the accumulated demand for electrical energy in the Non-Mainland Territories (TNP) fell by 13.2% and conventional gas demand by 8.5%.

- ENDESA's business activities are carried out in an environment of fierce competition. ENDESA's ability to contract new customers could continue to be affected after a flare-up due to the limitations imposed by the management of the health crisis that limits physical visits to customers. At 30 June 2020, ENDESA had 5,766,913 electricity customers in the deregulated market, a 1.8% increase on the number of customers at 31 December 2019. On that same date, the number of ENDESA's gas customers in the deregulated market was 1,425,230, 0.4% higher than the number of existing customers as at 31 December 2019.

- The adverse economic conditions due to the crisis after the COVID-19 pandemic may have a negative impact on the ability of ENDESA's counterparties to meet their payment commitments. Along these lines, Royal Decree Law 26/2020, of 7 July 2020, on economic reactivation measures to face the impact of COVID-19 in the areas of transport and housing, which entered into force on 9 July, extends the period until 30 September 2020 that exceptionally, the supply of electricity and gas in the principal residence may not be suspended for reasons other than security of supply, to consumers who are natural persons.

  During the first half of 2020, the largest provisions recorded in trade customers related to COVID-19 amounted to €20 million.

- Variations in demand as a result of a resurgence of COVID-19 could affect electricity and natural gas supply contracts, or associated hedges, since these are signed on the basis of certain assumptions regarding future market prices for electricity and natural gas and these have changed. In this sense, the prices in the "commodities" markets (Brent, gas, coal price, European Union Allowance (EUAs)) in this period have experienced greater volatility.

- A new massive contagion of COVID-19 and, consequently, a new confinement, could be limiting factors for ENDESA, due to the need to have contractors available to carry out work. In this regard, the actions carried out on the supply chain have enabled ENDESA to continue its investment efforts without any significant incidents. Gross material investment in the January-June 2020 period amounted to €717 million and no material impact is expected with respect to the project start-up dates.

- A resurgence of COVID-19 in the coming months could limit ENDESA's access to capital markets and change the terms on which it obtains financing, consequently affecting its activity, results, financial position and cash flows. To this end, ENDESA has a solid financial position and unconditional credit lines contracted with first-rate entities available for significant amounts. This, together with the implementation of specific plans for the improvement and efficient management of liquidity, it is estimated that it will allow to face the impact caused by the difficulties of the economic situation (see section 2. Main financial transactions in this Consolidated Management Report).

In the same way that has been done to date, in the coming months, constant monitoring of developments and continuous monitoring of changes in macroeconomic, financial and trade variables will continue in order to update the estimate of possible impacts in real time, as well as allowing, where appropriate, their mitigation with reaction and contingency plans.

6. Major risks and uncertainties in the second half of 2020.

During the first half of 2020, ENDESA followed the same general risk management policy described in its consolidated financial statements for the year ended 31 December 2019.

For this period, the financial instruments and types of hedges had the same characteristics as those described in the previously mentioned Consolidated Financial Statements.

The information regarding the main risks and uncertainties associated with ENDESA's activity is described in section 7. Main risks and uncertainties associated with ENDESA's activity of the Consolidated Management Report for the year ended 31 December 2019.

With the global expansion of the economic crisis, which had its origin in the COVID-19 health crisis (see Section 5. COVID-19 Health Crisis of this Consolidated Management Report), and in the event of a possible resurgence of the virus after the summer, ENDESA faces a greater uncertainty and its business could be affected by adverse economic and political conditions in Spain, Portugal, the euro zone and in international markets. ENDESA's sales in the second half of 2020 will largely be affected by gas and electricity demand in Spain during the period, which in turn will be shaped by the Spanish economy and, mostly, by growth in GDP and the increase in unemployment.

Also, the main risks and uncertainties ENDESA faces in the second half of 2020 arise mostly from the following:

- ENDESA’s activities are subject to extensive regulation, and regulatory changes could have an adverse impact on its business activities, results, financial position and cash flows (see Section 3. Regulatory Framework of this Consolidated Management Report and Note 3 of the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020).

- Rainfall and wind potential levels will also affect electricity production costs and market price, in turn affecting margins in the second half of 2020.

- Electricity prices and fuel prices on the wholesale market, specifically, coal, gas and CO_2 emission rights, will impact business costs and sales prices. Although ENDESA has fuel price hedges in place and has finalised contracts for power sold to customers for the next few months, fluctuations in both the market price for fuel and for electricity will affect the Group’s costs and income, and therefore, margins.

- The possible evolution of interest rates will have an impact on ENDESA’s results in the second half of 2020 because of the portion of the Group’s net financial debt held at floating interest rates. To mitigate this impact, ENDESA hedges interest rate risk by entering into derivatives.

- The profit and loss, and fair value of investees over which ENDESA does not exercise control, and which are accounted for in the consolidated financial statements using the equity method may also affect earnings in the second half of 2020 (see section 1.3.4. Net income of companies accounted for using the equity method of this Consolidated Management Report and Note 7 from the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2020).

- ENDESA is also subject to certain legal proceedings which, when resolved, may impact the consolidated financial statements (see Notes 16.3 to the Consolidated Financial Statements for the year ended 31 December 2019 and 12.2 of the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2020).

7. Information on related-party transactions.

Information concerning related-party transactions is included in Note 20 from the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2020.

8. Other information.

There were no one-off events involving significant amounts during the first half of 2020 other than those discussed herein.

Therefore, during the first half of 2020 no new significant contingent liabilities arose other than those described in the consolidated financial statements for the year ended 31 December 2019.

Information on lawsuits, arbitration proceedings and contingent assets is included in Note 12.2 from the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2020.

9. Events after the reporting period.

Information concerning events after the reporting period is included in Note 23 from the Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2020.

APPENDIX I

Statistical Appendix

Industrial Data

Electricity Generation (1)	January - June 2020		January - June 2019		% Var.
	GWh	Percentage (%)	GWh	Percentage (%)	
Mainland	**22,601**	**82.0**	**24,707**	**81.3**	**(8.5)**
Renewables	7,396	26.8	4,923	16.2	50.2
Hydroelectric	4,714	17.1	2,849	9.4	65.5
Wind (2)	2,424	8.8	2,059	6.8	17.7
Photovoltaic	258	0.9	14	-	1,742.9
Biomass	-	-	1	-	(100.0)
Nuclear	12,672	46.0	13,212	43.5	(4.1)
Coal	664	2.4	4,116	13.6	(83.9)
Combined Cycle (CCGT) (3)	1,869	6.8	2,456	8.0	(23.9)
Non-Mainland Territories	**4,974**	**18.0**	**5,668**	**18.7**	**(12.2)**
Coal	(9) (4)	-	871	2.9	(101.0)
Fuel-gas	2,042	7.4	2,890	9.5	(29.3)
Combined Cycle (CCGT) (3)	2,941	10.6	1,907	6.3	54.2
TOTAL	**27,575**	**100.0**	**30,375**	**100.0**	**(9.2)**

(1) In power plant busbars.
(2) In the period January-June 2020 it includes 28 GWh corresponding to Non-Mainland Territories (49 GWh in the period January-June 2019).
(3) Corresponding to natural gas.
(4) Own consumption.

Gross Installed Capacity	30 June 2020		31 December 2019		% Var.
	MW	Percentage (%)	MW	Percentage (%)	
Mainland	**17,342**	**78.6**	**19,498**	**80.5**	**(11.1)**
Renewables (1) (2)	7,449	33.8	7,452	30.8	(0.0)
Hydroelectric	4,792	21.7	4,792	19.8	-
Wind (3)	2,305	10.4	2,308	9.5	(0.1)
Photovoltaic	352	1.7	352	1.5	-
Nuclear	3,443	15.6	3,443	14.2	-
Coal	2,627	11.9	4,780	19.7	(45.0)
Combined Cycle (CCGT) (4)	3,823	17.3	3,823	15.8	-
Non-Mainland Territories	**4,733**	**21.4**	**4,733**	**19.5**	**-**
Coal	260	1.2	260	1.1	-
Fuel-gas	2,619	11.9	2,619	10.8	-
Combined Cycle (CCGT) (4)	1,854	8.3	1,854	7.6	-
TOTAL	**22,075**	**100.0**	**24,231**	**100.0**	**(8.9)**

(1) At 30 June 2020 and 31 December 2019, the additional capacity was 28 MW and 926 MW respectively.
(2) At 30 June 2020, gross mainland installed capacity based on renewable sources represented 42.7% of total gross mainland installed capacity (38.0% at 31 December 2019).
(3) At 30 June 2020 and 31 December 2019, it includes 40 MW corresponding to Non-Mainland Territories.
(4) Corresponding to natural gas.

Net Installed Capacity	30 June 2020		31 December 2019		% Var.
	MW	Percentage (%)	MW	Percentage (%)	
Mainland	**17,002**	**80.0**	**19,066**	**81.6**	**(10.8)**
Renewables (1) (2)	7,405	34.8	7,408	31.7	(0.0)
Hydroelectric	4,748	22.3	4,748	20.3	-
Wind (3)	2,305	10.8	2,308	9.9	(0.1)
Photovoltaic	352	1.7	352	1.5	-
Nuclear	3,318	15.6	3,318	14.2	-
Coal	2,523	11.9	4,584	19.6	(45.0)
Combined Cycle (CCGT) (4)	3,756	17.7	3,756	16.1	-
Non-Mainland Territories	**4,263**	**20.0**	**4,299**	**18.4**	**(0.8)**
Coal	241	1.1	241	1.0	-
Fuel-gas	2,334	11.0	2,334	10.0	-
Combined Cycle (CCGT) (4)	1,688	7.9	1,724	7.4	(2.1)
TOTAL	**21,265**	**100.0**	**23,365**	**100.0**	**(9.0)**

(1) At 30 June 2020 and 31 December 2019, the additional capacity was 28 MW and 926 MW respectively.
(2) At 30 June 2020, net mainland installed capacity based on renewable sources represented 43.3% of total net mainland installed capacity (38.6% at 31 December 2019).
(3) At 30 June 2020 and 31 December 2019, it includes 40 MW corresponding to Non-Mainland Territories.
(4) Corresponding to natural gas.

GWh

Gross electricity sales (1)	January - June 2020	January - June 2019	% Var.
Regulated Price	6,440	6,673	(3.5)
Deregulated market	36,468	41,057	(11.2)
Spanish	31,568	35,845	(11.9)
Outside Spain	4,900	5,212	(6.0)
TOTAL	**42,908**	**47,730**	**(10.1)**

(1) In power plant busbars.

GWh

Net electricity sales (1)	January - June 2020	January - June 2019	% Var.
Regulated Price	5,523	5,658	(2.4)
Deregulated market	33,515	37,476	(10.6)
Spanish	28,885	32,532	(11.2)
Outside Spain	4,630	4,944	(6.4)
TOTAL	**39,038**	**43,134**	**(9.5)**

(1) Sales to end customers.

Thousands

Number of customers (Electricity) (1) (2)	30 June 2020	31 December 2019	% Var.
Regulated market	4,779	4,807	(0.6)
Mainland Spain	4,056	4,074	(0.4)
Non-Mainland Territories	723	733	(1.4)
Deregulated market	5,767	5,828	(1.0)
Mainland Spain	4,524	4,619	(2.1)
Non-Mainland Territories	853	859	(0.7)
Outside Spain	390	350	11.4
TOTAL	**10,546**	**10,635**	**(0.8)**
Income / Supply Points (3)	**0.6**	**1.3**	**-**

(1) Supply points.
(2) Customers of the supply companies.
(3) Ratio of income from electricity sales to the number of electricity supply points (Thousands of euros / Supply Point) for the period from January to June 2020 and the 2019 financial year, respectively.

Percentage (%)

Trends in electricity demand (1)	January - June 2020	January - June 2019
Mainland (2)	(7.8)	(2.2)
Non-Mainland Territories (3)	(13.2)	(1.4)

(1) Source: Red Eléctrica de España, S.A. (REE). In power plants busbars
(2) Adjusted for working days and temperature: -7.8% in the first half of 2020 and -2.3% in the first half of 2019.
(3) Adjusted for working days and temperature: -23.1% in the first half of 2020 and +0.1% in the first half of 2019.

Percentage (%)

Market share (electricity) (1)	30 June 2020	31 December 2019
Mainland Generation	17.5	18.3
Distribution	43.7	44.1
Supply	33.0	34.1

(1) Source: In-house.

GWh

Gas sales	January - June 2020	January - June 2019	% Var.
Deregulated market	20,391	24,279	(16.0)
Regulated market	650	782	(16.9)
International market	9,047	10,867	(16.7)
Wholesale business	3,907	3,330	17.3
TOTAL (1)	**33,995**	**39,258**	**(13.4)**

(1) Excluding own generation consumption.

Thousands

Number of customers (gas) (1)	30 June 2020	31 December 2019	% Var.
Regulated market	232	230	0.9
Mainland Spain	208	206	1.0
Non-Mainland Territories	24	24	-
Deregulated market	1,425	1,419	0.4
Mainland Spain	1,247	1,255	(0.6)
Non-Mainland Territories	72	72	-
Outside Spain	106	92	15.2
TOTAL	**1,657**	**1,649**	**0.5**
Income / Supply Points (2)	**0.7**	**1.5**	**-**

(1) Supply points.
(2) Ratio of income from gas sales to the number of gas supply points (Thousands of euros / Supply Point) for the period from January to June 2020 and the 2019 financial year, respectively.

Percentage (%)

Trend in demand for gas (1)	January - June 2020	January - June 2019
Domestic market	(11.3)	9.3
Domestic - conventional	(8.5)	(0.2)
Electricity sector	(21.2)	65.6

(1) Source: Enagás, S.A.

Percentage (%)

Market share (gas) (1)	30 June 2020	31 December 2019
Deregulated market	14.4	15.6

(1) Source: In-house.

Distribution Business	30 June 2020	31 December 2019	% Var.
Distribution and Transmission Networks (km)	316,930	316,320	0.2
Digitised Customers (1)	12,278	12,178	0.8
End Users (2)	12,250	12,235	0.1
Ratio of Digitalised Customers (3)	100.2	99.5	0.7
Public and Private Recharging Points (Units)	5,693	5,000	13.9

(1) Smart meters activated (Thousands).
(2) Customers of distribution companies (Thousands).
(3) Number of Digitalised Customers / End Users (%).

Supply Quality Measures	January - June 2020	January - June 2019	% Var.
Energy Distributed (GWh) (1)	50,274	54,593	(7.9)
Energy Losses (%) (2)	10.3	9.9	4.0
Installed Capacity Equivalent Interruption Time (Average) – (ICEIT) (Minutes) (3)	22.1 (4)	22.9	(3.5)
Duration of Distribution Network Interruptions – SAIDI (Minutes) (2)	72.3	72.8	(0.7)
Number of Distribution Network Interruptions – SAIFI (2)	1.4	1.3	7.7

(1) In supplier busbars.
(2) Source: Own elaboration according to the criterion used by the National Commission of Markets and Competition (CNMC) for the calculation of the incentives and penalties corresponding to the reduction of losses in the distribution networks.
(3) According to the calculation procedure set down by Royal Decree 1995/2000, of 1 December.
(4) Data adjusted for the effects of storm "Gloria" (4.0 minutes)

Workforce.

Number of Employees

	Headcount at end of period						
	30 June 2020			31 December 2019			% Var.
	Men	Women	Total	Men	Women	Total	
Generation and Supply	4,127	1,133	5,260	4,153	1,143	5,296	(0.7)
Distribution	2,519	439	2,958	2,527	442	2,969	(0.4)
Structure and Others (1)	904	802	1,706	893	794	1,687	1.1
TOTAL	**7,550**	**2,374**	**9,924**	**7,573**	**2,379**	**9,952**	**(0.3)**

(1) Structure and services

Number of Employees

	Average headcount						
	January - June 2020			January - June 2019			% Var.
	Men	Women	Total	Men	Women	Total	
Generation and Supply	4,104	1,111	5,215	4,070	1,060	5,130	1.7
Distribution	2,499	434	2,933	2,500	434	2,934	(0.0)
Structure and Others (1)	888	782	1,670	865	763	1,628	2.6
TOTAL	**7,491**	**2,327**	**9,818**	**7,435**	**2,257**	**9,692**	**1.3**

(1) Structure and services

Financial Data

Millions of euros

	Consolidated Income Statement		
	January - June 2020	January - June 2019	% Var.
Sales	8,265	9,473	(12.8)
Procurements and Services	(5,961)	(6,901)	(13.6)
Contribution margin (1)	2,922	2,890	1.1
EBITDA (2)	2,315	1,894	22.2
Operating Profit (EBIT) (3)	1,555	1,100	41.4
Net Financial Income/(Expense) (4)	(48)	(96)	(50.0)
Income before Tax	1,513	1,014	49.2
Net Income (5)	1,128	776	45.4
Net Ordinary Income (6)	1,128	776	45.4

(1) Contribution margin = Income - Procurements and Services.
(1) EBITDA = Income - Procurements and Services + Self-constructed Assets - Personnel expenses - Other fixed operating expenses.
(2) EBIT = EBITDA - Depreciation and Amortisation and Impairment Losses.
(3) Net Financial Income/(Expense) = Financial Income - Financial Expense + Net Exchange Differences.
(4) Net income/(loss): Profit/(loss) of the Parent.
(5) Net Ordinary Income = Net Income of the Parent Company - Net Gains/Losses on Disposals of Non-Financial Assets (over €10 million) - Net Impairment Losses on Non-Financial Assets (over €10 million).

Euros

Valuation parameters	January - June 2020	January - June 2019	% Var.
Net Ordinary Earnings per Share (1)	1.065	0.733	45.4
Net Earnings per Share (2)	1.065	0.733	45.4
Cash Flow per Share (3)	0.940	0.857	9.7
Book Value per Share (4)	7.645 (5)	8.452 (6)	5.3

(1) Net Ordinary Income per Share = Net Ordinary Income of the Parent / No. of shares at the end of the period.
(2) Net earnings per share = Net income of the Parent/ No. of shares at the end of the period.
(3) Cash flow per share = Net cash flows from operating activities / No. of shares at the end of the period.
(4) Book value per share = Equity of the Parent / No. of shares at the end of the period.
(5) At 30 June 2020.
(6) At 31 December 2019.

Millions of euros

	Reference (1)	Consolidated Statement of Financial Position		
		30 June 2020	31 December 2019	% Var.
Total assets		31,895	31,981	(0.3)
Equity	11	8,246	7,837	5.2
Net Financial Debt (2)	13	7,092	6,377	11.2

(1) Explanatory Notes that form part of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020.
(2) Net financial debt = Non-current interest-bearing loans and borrowings + Current interest-bearing loans and borrowings – Cash and cash equivalents – Derivatives recognised as financial assets.

Profitability Indicators (%)	January - June 2020	January - June 2019
Return on equity (1)	25.21	17.26
Return on assets (2)	6.23	4.84
Economic profitability (3)	12.92	9.98
Return on capital employed (ROCE) (4)	6.44	5.29
Return on Capital Invested (RCI) (5)	13.55	10.78

(1) Return on Equity = Net Ordinary Income of the Parent / Average Equity of the Parent.
(2) Return on Assets = Ordinary Income of the Parent / Average Total Assets.
(3) Economic Profitability = EBIT / Average Property, Plant and Equipment.
(4) Return on Capital Employed (ROCE) = Operating Profit After Tax / (Average Non-Current Assets + Average Current Assets).
(5) Return on Capital Invested (RCI) = Operating Income After Taxes / (Net Equity of the Parent Company + Net Financial Debt)

Financial Indicators	30 June 2020	31 December 2019
Liquidity ratio (1)	0.74	0.72
Solvency ratio (2)	0.92	0.91
Debt Ratio (3) (%)	46.24	44.86
Debt coverage ratio (4)	1.66	1.66
Net Financial Debt (5) / Fixed Assets (6) (%)	30.61	27.46
Net Financial Debt (5) / Funds from Operations (7)	2.23	2.05
	January - June 2020	January - June 2019
(Funds from Operations (7) + Interest Expense (8)) / Interest Expense (8)	23.71	27.08

(1) Liquidity = Current assets / Current liabilities.
(2) Solvency = (Equity + Non-current liabilities) / Non-current assets.
(3) Debt ratio = Net financial debt / (Equity + Net financial debt) (%).
(4) Debt coverage = Net financial debt / EBITDA.
(5) Net financial debt = Non-current borrowings + Current borrowings – Cash and cash equivalents – Financial derivatives recognised as financial assets.
(6) Fixed Assets = Property, Plant and Equipment + Investment Property + Intangible Assets + Goodwill.
(7) Funds from Operations = Cash Flows from Operating Activities + Changes in Working Capital - Work carried out by the Group for its Assets.
(8) Interest Expenses = Interest Payments (see Section 4.2. Cash Flows in this Consolidated Management Report).

Rating.

	Credit Rating					
	30 June 2020 (1)			31 December 2019 (1)		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Standard & Poor's	BBB+	A-2	Stable	BBB+	A-2	Stable
Moody's	Baa2	P-2	Positive	Baa2	P-2	Positive
Fitch	A-	F2	Stable	A-	F2	Stable

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

Stock Market Information.

Percentage (%)

Share price performance (1)	January - June 2020	January - June 2019
ENDESA, S.A.	**(7.8)**	**12.3**
Ibex-35	(24.3)	7.7
Euro Stoxx 50	(13.6)	15.7
Euro Stoxx Utilities	(0.7)	13.5

(1) Source: Madrid Stock Exchange.

Euros

ENDESA share price (1)	January - June 2020	2019	% Var.
High	26.120	25.490	2.5
Low	15.500	20.070	(22.8)
Period average	21.751	22.948	(5.2)
Closing Price	21.930	23.790	(7.8)

(1) Source: Madrid Stock Exchange.

Stock market information		30 June 2020	31 December 2019	% Var.
Market capitalisation (1)	Millions of euros	23,218	25,188	(7.8)
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	5,084	9,280	(45.2)
Madrid stock exchange	Shares			
Trading volume (3)		234,539,784	404,075,920	(42.0)
Average daily trading volume (4)		1,861,427	1,584,611	17.5
Price to Earnings Ratio (P.E.R.) Ordinary (5)		11.67	16.13	-
Price to Earnings Ratio (P.E.R.) (6)		11.67	147.30	-
Price / Carrying amount (7)		2.87	3.28	-

(1) Market Cap = No. of shares at the end of the period * Share price at the end of the period.
(2) Cash = Sum of all the operations made over the value in the reference period (Source: Madrid Stock Exchange).
(3) (3) Trading volume = Total volume of stock of ENDESA, S.A. traded in the period (Source: Madrid Stock Exchange).
(4) Average daily trading volume = Arithmetic mean of shares in ENDESA, S.A. traded per session during the period (Source: Madrid Stock Exchange).
(5) Price to Earnings Ratio (P.E.R.) Ordinary = Price at the End of the Period / Ordinary Net Income per Share (discounting the effects, net of tax effect, for an amount of €267 million, described in Section 1.3.2. Operating Expenses in this Consolidated Management Report).
(6) Price to Earnings Ratio (P.E.R.) = Price at the End of the Period / Net Income per Share (discounting the effects, net of tax effect, for an amount of €267 million, described in Section 1.3.2. Operating Expenses in this Consolidated Management Report).
(7) Price / Carrying amount = Market capitalisation / Equity of the Parent.

Dividends.

		2019	2018	% Var.
Share capital	Millions of euros	1,270.5	1,270.5	-
Number of Shares		1,058,752,117	1,058,752,117	-
Consolidated Net Ordinary Income	Millions of euros	1,562	1,511	3.4
Consolidated Net Income	Millions of euros	171	1,417	(87.9)
Individual Net Income	Millions of euros	1,642	1,511	8.7
Net Ordinary Earnings per Share (1)	Euros	1.475	1.427	3.4
Net Earnings per Share (2)	Euros	0.162	1.338	(87.9)
Gross Dividend per Share	Euros	1.475 (3)	1.427 (4)	3.4
Consolidated Ordinary Pay-Out(5)	%	100.0	100.0	-
Consolidated pay-out (6)	%	913.3	106.6	-
Individual pay-out (7)	%	95.1	100.0	-

(1) Net Ordinary earnings per share (EUR) = Net ordinary income of the Parent/ No. of Shares at the end of the period.
(2) Net Earnings per Share (EUR) = Profit/(loss) of the Parent/ No. of Shares at the end of the period.
(3) Gross interim dividend of €0.70 per share paid on 2 January 2020, plus a complementary gross dividend of €0.775 per share pending approval by the ENDESA, S.A. General Shareholders' Meeting.
(4) Gross interim dividend of €0.70 per share, paid out on 2 January 2019 plus the gross final dividend of €0.727 per share paid out on 2 July 2019.
(5) Consolidated ordinary pay-out (%) = (Gross dividend per share * Shares at the end of the reporting period) / Net ordinary income of the Parent.
(6) Consolidated pay-out (%) = (Gross dividend per share * Number of shares at the end of the reporting period) / Profit/loss) of the Parent.
(7) Individual pay-out (%) = (Gross dividend per share * Number of shares at the end of the reporting period) / Profit/(loss) of ENDESA, S.A.

APPENDIX II

Alternative Performance Measures (APMs)

Alternative Performance Measures (APMs)	Unit	Definition	Reconciliation of Alternative Performance Measures (APMs)		Relevance of Use
			January - June 2020	January - June 2019	
EBITDA (1)	€ M	Income - Procurements and services + Work carried out by the Group for its assets - Personnel expenses - Other fixed operating expenses	€2,315 M = €8,883 M - €5,961 M + €97 M - €95 M - €609 M	€1,894 M = €9,791 M - €6,901 M + €99 M - €505 M - €590 M	Measure of operating return excluding interest, taxes, provisions and amortisation.
EBIT (1)	€ M	EBITDA - Depreciation and amortisation and impairment losses.	€1,555 M = €2,315 M - €760 M	€1,100 M = €1,894 M - €794 M	Measure of operating return excluding interest and taxes.
Net ordinary income	€ M	Net Income of the Parent Company - Net Gains or Losses on Disposal of Non-Financial Assets (greater than €10 million) - Net Impairment Losses on Non-Financial Assets (greater than €10 million))	€1,128 M = €1,128 M - €0 M - €0 M	€776 M = €776 M - €0 M + €0 M	Measurement of profit for the period isolating non-recurring effects of more than €10 million.
Contribution Margin (1)	€ M	Income - Procurements and services	€2,922 M = €8,883 M - €5,961 M	€2,890 M = €9,791 M - €6,901 M	Measurement of operating profitability taking account of direct variable production costs
Procurements and Services (1)	€ M	Energy purchases + Fuel consumption + Transport expenses + Other variable procurements and services	€5,961 M = €1,809 M + €570 M + €2,523 M + €1,059 M	€6,901 M = €2,418 M + €876 M + €2,666 M + €941 M	Goods and services for production.
Net Financial Income/(Expense) (1)	€ M	Financial income - Financial expense +- Net exchange differences	€(48) M = €27 M - €77 M + €2 M	€(96) M = €16 M - €112 M + €0 M	Measure of financial costs
Net Financial Expense (1)	€ M	Financial income - Financial expense	€(50) M = €27 M - €77 M	€(96) M = €16 M - €112 M	Measure of financial costs
Net investments	€ M	Gross investments - Capital grants and facilities transferred	€728 M = €797 M - €69 M	€913 M = €956 M - €43 M	Measure of investment activity
Return on equity	%	Ordinary Net Profit (Loss) of the Parent / ((Equity of the Parent (n) + Equity of the Parent (n-1)) / 2)	25.21% = ((€(1,128-267 * 12 months / 6 months) M + €267 M) (4) / €((8,094 + 7,688) / 2) M	17.26% = (€776 * 12 months / 6 months) / €((8,949 + 9,037) / 2) M	Measure of the capacity to generate profits on shareholder investments
Return on assets	%	Ordinary Net Income of the Parent / ((Total assets (n) + Total assets (n-1)) / 2)	6.23% = €(((1,128-267 * 12 months / 6 months) M + €267 M) (4) / €((8,094 + 31,981) / 2) M	4.84% = (€776 * 12 months / 6 months) / €((32,492 + 31,656) / 2) M	Measure of business profitability
Economic profitability	%	EBIT / (PP&E (n) + PP&E (n) + PP&E (n-1) / 2)	12.92% = €(((1,555-356 * 12 months / 6 months) M + €356 M) (5) / €((21,307 + 21,329) / 2) M	9.98% = (€1,100 M * 12 months / 6 months) / €((22,259 + 21,840) / 2) M	Measure of the capacity of the assets and capital invested to generate income
Return on capital employed (ROCE)	%	Operating profit after tax / ((Non-current assets (n) + Non-current assets (n-1) / 2) + (Current assets (n) + Current assets (n-1) / 2))	6.44% = ((€(1,162.4 - 267) * 12 months / 6 months) M + €267 M) (4) / €((25,786 + 25,881) / 2 + (6,109 + 6,100) / 2) M	5.29% = (€848.3 M * 12 months / 6 months) / €((26,487 + 26,001) / 2 + (6,005 + 5,655) / 2) M	Measure of return on capital employee
Return on Capital Invested (RCI)	%	Operating Income After Taxes / (Net Equity of the Parent Company + Net Financial Debt)	13.55% = ((€(1,162.4 - 267) * 12 months / 6 months) M + €267 M) (4) / (€8,094 M + €7,092 M)	10.78% = (€(848.3 million * 12 months / 6 months) M + (€8,949 M + €6,795 M)	Measure of return on capital invested
Funds from Operations	€ M	Cash Flows from Operating Activities + Changes in Working Capital - Work carried out by the Group for its Assets	€1,590 M = €995 M + €692 M - €97 M	€1,617 M = €907 M + €809 M - €99 M	Measure of cash generated by the company's business available to make investments, amortise debt and distribute dividends to shareholders.
Interest expenses	€ M	Interest paid	€70 M	€62 M	Measure of interest payments
Ordinary Earnings per Share	€	Ordinary Net Income of the Parent company / Number of shares at the end of the period	€1.065 = €1,128 M / 1,058,752,117 shares	€0.733 = €776 M / 1,058,752,117 shares	Measure of the portion of net income corresponding to each share outstanding.
Earnings per Share (1)	€	Profit/(loss) of the Parent / No. of shares at the end of the period	€1.065 = €1,128 M / 1,058,752,117 shares	€0.733 = €776 M / 1,058,752,117 shares	Measurement of the portion of net income corresponding to each share outstanding.
Cash flow per share (3)	€	Net cash flow from operating activities / Number of shares at the end of the reporting period	€0.940 = €995 M / 1,058,752,117 shares	€0.857 = €907 M / 1,058,752,117 shares	Measurement of the portion of funds generated corresponding to each share outstanding.
			30 June 2020	31 December 2019	
Net Financial Debt (2)	€ M	Non-current borrowings + Current borrowings – Cash and cash equivalents – Financial derivatives recognised under financial assets	€7,092 M = €5,952 M + €1,527 M - €379 M - €8 M	€6,377 M = €5,652 M + €955 M - €223 M - €7 M	Short- and long-term financial debt, less cash and financial investment equivalent to cash
Leverage (2)	%	Net financial debt / Equity	86.01% = €7,092 M / €8,246 M	81.37% = €6,377 M / €7,837 M	Measurement of the weight of external funds in the financing of business activities
Debt Ratio (2)	%	Net financial debt / (Equity + Net financial debt)	46.24% = €7,092 M / (€8,246 M + €7,092 M)	44.86% = €6,377 M / (€7,837 M + €6,377 M)	Measurement of the weight of external funds in the financing of business activities.
Average Life of Gross Financial Debt	No. of Years	(Principal * Number of days validity) / (Principal outstanding at the end of the period * Number of days in the period)	4.9 years = 36,232 / 7,441	5.2 years = 34,031 / 6,581	Measurement of the duration of financial debt to maturity
Average Cost of Gross Financial Debt	%	(Cost of gross financial debt) / Average gross financial debt	1.8% = €(68 * (12 months / 6 months + 1) M / €7,822 M	1.8% = €135 M / €7,431 M	Measurement of the effective rate of financial debt.
Debt maturity coverage	No. of Months	Maturity period (months) of core debt that could be covered with the liquidity available	23 months	26 months	Measure of the capacity to meet debt maturities
Liquidity Ratio (2)	N/A	Current assets / Current liabilities.	0.74 = €6,109 M / €8,241 M	0.72 = €6,100 M / €8,465 M	Measurement of the capacity to meet short-term commitments.
Solvency Ratio (2)	N/A	(Equity + Non-current liabilities) / Non-current assets	0.92 = (€8,246 M + 15,408 m) / €25,786 M	0.91 = (€7,837 M + 15,679 M) / €25,881 M	Measurement of the capacity to meet obligations.
Debt Coverage Ratio (1) (2)	N/A	Net financial debt / EBITDA	1.66 = €7,092 M / €(((2,315 - 356) * (12 months / 6 months + 356) (5) M	1.66 = €6,377 M / €3,841 M	Measurement of the amount of available cash flow to meet payments of principal on financial debt.
Fixed assets	€ M	Property, Plant and Equipment + Real Estate Investments + Intangible Assets + Goodwill	€23,170 M = €21,307 M + €60 M + €1,341 M + €462 M	€23,227 M = €21,329 M + €61 M + €1,375 M + €462 M	Assets of the Company, whether tangible or intangible, not convertible into short-term liquidity, necessary for the Company to operate and not intended for sale.
Book Value per Share (2)	€	Equity of the Parent / Number of shares at the end of the reporting period	€7.645 = €8,094 M / 1,058,752,117 shares	€7.261 = €7,688 M / 1,058,752,117 shares	Measure of the portion of equity corresponding to each share outstanding.
Market Capitalisation	€ M	Number of shares at the end of the period * Share price at the end of the period	€23,218 M = 1,058,752,117 shares * €21.930	€25,188 M = 1,058,752,117 shares * €23.790	Measurement of enterprise value according to the share price.
Price to Earnings Ratio (P.E.R.) Ordinary	N/A	Share price at the end of the reporting period / Net earnings per share	11.67 = €21,930 / €(((1.065 - 0.252) * 12 months / 6 months) + 0.252) (4)	16.13 = €23.790 / €1.475	Measure indicating the number of times earnings per share can be divided into the market price of the shares.
Price to Earnings Ratio (P.E.R.)	N/A	Share price at the end of the reporting period / Net earnings per share	11.67 = €21,930 / €(((1.065 - 0.252) * 12 months / 6 months) + 0.252) (4)	147.30 = €23,790 / €0,162	Measure indicating the number of times earnings per share can be divided into the market price of the shares.
Price / Book Value	N/A	Market Capitalisation / Equity of the Parent	2.87 = €23,218 M / €8,094 M	3.28 = €25,188 M / €7,688 M	Measurement comparing total enterprise value according to the share price with the carrying amount.
			2019	2018	
Consolidated pay-out	%	(Gross dividend per share * No. of shares at the close of the period) / Profit for the year of the parent	913.3% = (€1.475 * 1,058,752,117 shares) / €171 M	106.6% = (€1.427 * 1,058,752,117 shares) / €1,417 M	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 reporting period) / Net ordinary income of the Parent	100.0% = (€1.475 * 1,058,752,117 shares) / €1,562 M	100.0% = (€1.427 * 1,058,752,117 shares) / €1,511 M	Measure of the portion of ordinary net income obtained used to remunerate shareholders through the payment of dividends (Consolidated Group).
Individual pay-out	%	(Gross dividend per share * Number of shares at the end of the period / Net Income for the year of ENDESA, S.A.	95.1% = (€1.475 * 1,058,752,117 shares) / €1,642 M	100.0% = (€1.427 * 1,058,752,117 shares) / €1,511 M	Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (individual company)

€ M = millions of euros; € = euros.
n = 30 June 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 - June 2020 and 2019.
(2) See the Consolidated Statements of Financial Position at 30 June 2020 and 31 December 2019.
(3) See the Consolidated Statements of Cash Flows for the six-month periods January-June 2020 and 2019.
(4) Annualised income discounting the effects, net of tax effect, amounting to €267 million, described in Section 1.3.2. Operating Expenses in this Consolidated Management Report.
(5) Annualised income discounting the effects, amounting to €356 million, described in Section 1.3.2. Operating Expenses in this Consolidated Management Report.