OPEN POWER FOR A BRIGHTER FUTURE.

WE EMPOWER SUSTAINABLE PROGRESS.

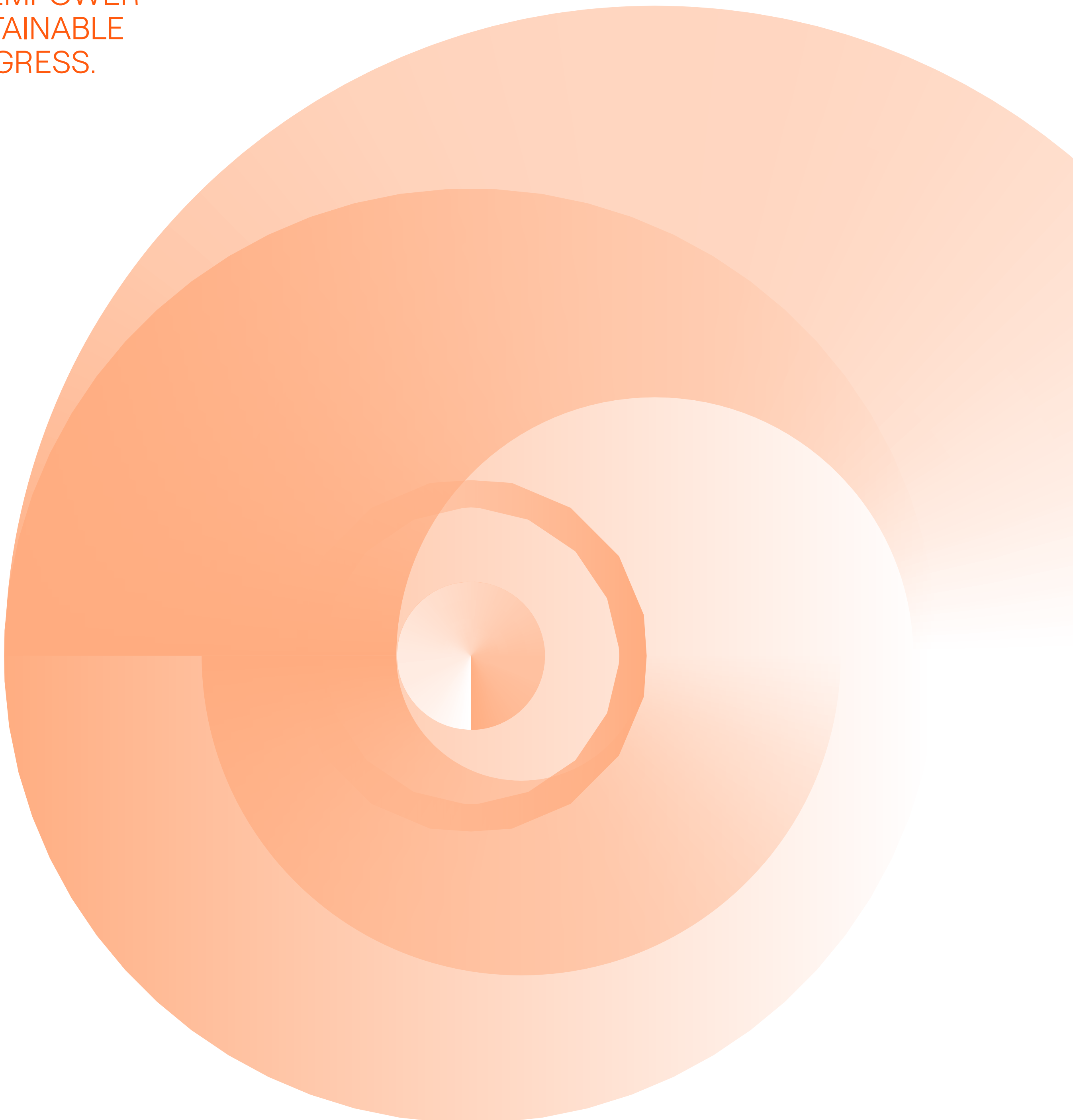
Annual Financial Report
Legal Documentation 2022
Endesa, S.A.

endesa

endesa

OPEN POWER FOR A BRIGHTER FUTURE.

WE EMPOWER SUSTAINABLE PROGRESS.



Endesa, S.A.

Contents

1.

2.

3.

Management Report 115

4.

1.

Audit Report Endesa, S.A.

Auditor's Report on Endesa, S.A.

(Together with the annual accounts and directors' report of Endesa, S.A. for the year ended 31 December 2022)

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

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

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

To the Shareholders of Endesa, S.A.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Endesa, S.A. (the "Company"), which comprise the statement of financial position at 31 December 2022, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2.2 to the annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

KPMG

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

Key Audit Matters

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

Impairment of non-current investments in Group companies and associates See notes 4.d.1.2 and 8.1 to the annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2022 the Company has recognised non-current investments in Group companies and associates amounting to Euros 18,926 million. At each year end, the Company estimates the recoverable amount of investments for which there are indications of impairment. The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows from the investment, estimated as its share in the cash flows expected to be generated from both its ordinary activities and its disposal. To estimate the recoverable amount, the Company uses valuation techniques that require management to exercise judgement and make assumptions and estimates. Due to the judgement required and uncertainty associated with these estimates, this has been considered a key audit matter.	– Analysis of the design and implementation of the key controls related to the process of determining recoverable amount. – Analysis of indicators of impairment of non-current investments in Group companies and associates identified by the Company. – Analysis of the consistency of the future cash flows included in the pricing model with the business plans approved by the governing bodies. – Evaluation of the reasonableness of the methodology used to calculate the recoverable amount of investments in Group companies and associates, and the main assumptions considered, with the involvement of our financial valuation specialists. – Evaluation of the sensitivity of the recoverable amount to changes in certain assumptions that can be considered reasonable. – Assessment of whether the disclosures in the annual accounts comply with the requirements of the applicable financial reporting framework.

Other Information: Directors' Report

Other information solely comprises the 2022 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation regulating the audit of accounts, as follows:

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

a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned annual accounts. Also, assess and report on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2022, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit and Compliance Committee's Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

The Audit and Compliance Committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts

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

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

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

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

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

KPMG

5

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

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

From the matters communicated to the entity's Audit and Compliance Committee, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital file of Endesa, S.A. for 2022 in European Single Electronic Format (ESEF) comprising an XHTML file with the annual accounts for the aforementioned year, which will form part of the annual financial report.

The Directors of Endesa, S.A. are responsible for the presentation of the 2022 annual financial report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration by means of a reference thereto in the directors' report.

Our responsibility consists of examining the digital file prepared by the Company's Directors, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the annual accounts included in the aforementioned digital file fully corresponds to the annual accounts we have audited, and whether the annual accounts have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital file examined fully corresponds to the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit and Compliance Committee

The opinion expressed in this report is consistent with our additional report to the Company's Audit and Compliance Committee dated 22 February 2023.

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

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 12 April 2019 for a period of three years, from the year ended 31 December 2020.

We were appointed as auditor by the shareholders at the ordinary general meeting on 29 April 2022 for an additional period of three years up until and including the year ended 31 December 2025.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Estíbaliz Bilbao Belda
On the Spanish Official Register of Auditors ("ROAC") with 16.109

22 February 2023

2.

Financial Statements

Endesa, S.A.

Statements of Financial Position
at 31December 2022 and 2021

Millions of Euro

	Note	31 December 2022	31 December 2021
ASSETS			
NON-CURRENT ASSETS		**19,253**	**19,169**
Intangible assets	5	**95**	**104**
Patents, licences, trademarks and similar		5	3
Software		90	101
Property, plant and equipment	6	**2**	**2**
Plant and other property, plant and equipment		2	2
Non-current investments in Group companies and associates	8 and 18.2	**18,926**	**18,924**
Equity instruments		18,926	18,924
Non-current financial investments	8	**130**	**28**
Equity instruments		3	3
Loans to third parties		7	6
Derivatives	14	110	7
Other financial assets		10	12
Deferred tax assets	15.6	**100**	**111**
CURRENT ASSETS		**5,075**	**654**
Trade and other receivables		**118**	**203**
Other receivables		34	35
Receivables from Group companies and associates	18.2	83	168
Other receivables from public administrations		1	–
Current investments in Group companies and associates	8 and 18.2	**4,753**	**70**
Loans to companies		4,753	70
Current financial investments	8	**176**	**2**
Loans to third parties		170	2
Other financial assets		6	–
Current accrued expenses and deferred income		**2**	**1**
Cash and cash equivalents		**26**	**378**
Cash in hand and at banks		26	378
TOTAL ASSETS		**24,328**	**19,823**

The accompanying Notes 1 to 22 to the financial statements are an integral part of the statements of financial position at 31 December 2022 and 2021.

Endesa, S.A.

Statements of Financial Position
at 31December 2022 and 2021

Millions of Euro

	Note	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
EQUITY		**7,445**	**7,636**
Capital and reserves	10	**7,366**	**7,644**
Share capital		**1,271**	**1,271**
Issued capital		1,271	1,271
Share premium		**89**	**89**
Reserves		**1,455**	**1,438**
Legal and by-law reserves		254	254
Other reserves		1,201	1,184
(Shares in own equity instruments)		**(5)**	**(3)**
Previous years' profit and loss		**3,855**	**4,795**
Retained earnings		3,855	4,795
Profit/(loss) for the year		**697**	**581**
Interim dividend	10.5	**—**	**(529)**
Other equity instruments		**4**	**2**
Valuation adjustments		**79**	**(8)**
Hedging transactions		79	(8)
NON-CURRENT LIABILITIES		**11,208**	**8,342**
Non-current provisions	11	**212**	**253**
Non-current employee benefits		23	51
Provisions for workforce restructuring plans		124	140
Other provisions		65	62
Non-current debts	12	**5,854**	**3,238**
Bonds and other marketable securities		14	18
Bank borrowings		5,748	3,203
Finance lease payables		1	1
Derivatives	14	87	13
Other financial liabilities		4	3
Non-current debts to Group companies and associates	12 and 18.2	**5,100**	**4,835**
Debts to Group companies and associates		5,100	4,835
Deferred tax liabilities	15.7	**42**	**16**
CURRENT LIABILITIES		**5,675**	**3,845**
Current provisions	11	**40**	**44**
Provisions for workforce restructuring plans		40	44
Current debts	12	**5,386**	**3,216**
Bank borrowings		390	134
Finance lease payables		1	1
Other financial liabilities		4,995	3,081
Current debts to Group companies and associates	12 and 18.2	**50**	**430**
Debts to Group companies and associates		41	48
Other financial liabilities		9	382
Trade and other payables		**199**	**155**
Suppliers to Group companies and associates	18.2	50	33
Other payables		117	96
Employee payables		24	20
Other payables to public administrations	15.8	8	6
TOTAL EQUITY AND LIABILITIES		**24,328**	**19,823**

The accompanying Notes 1 to 22 to the financial statements are an integral part of the statements of financial position at 31 December 2022 and 2021.

Endesa, S.A.

Income Statements
for the years ended
31 December 2022 and 2021

Millions of Euro

	Note	2022	2021
CONTINUING OPERATIONS			
Revenue	16.1	**991**	**1,003**
Provision of services		278	266
Dividend income from Group companies and associates	8.1.1 and 18.1	713	737
Other operating income		**2**	**–**
Ancillary income and other operating income		2	–
Personnel expenses	16.2	**(193)**	**(154)**
Salaries and wages, and similar		(121)	(112)
Other employee benefits		(27)	(28)
Provisions		**(45)**	**(14)**
Other operating expenses	16.3	**(101)**	**(165)**
External services		(105)	(98)
Other current operating expenses		4	(67)
Depreciation and amortisation	5 and 6	**(39)**	**(38)**
Provision surpluses		–	6
Other gains and losses	16.5	**152**	**–**
PROFIT/(LOSS) FROM OPERATIONS		812	652
Financial income	16.4	**90**	**20**
Marketable securities and other non-current credits		90	20
Group companies and associates	18.1	40	–
Third parties		50	20
Financial expenses	16.4	**(205)**	**(151)**
On debts to Group companies and associates	18.1	(124)	(129)
Interest on debts to third parties		(77)	(21)
Provision adjustments		(4)	(1)
Change in fair value of financial instruments		**6**	**(2)**
Trading portfolio and other		6	(2)
Exchange gains/(losses)		**5**	**1**
Impairment and gains/(losses) on disposals of financial instruments		**–**	**1**
Impairment losses		–	1
FINANCIAL PROFIT/LOSS		**(104)**	**(131)**
PROFIT BEFORE TAX		708	521
Income tax expense	15	**(11)**	**60**
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**697**	**581**
PROFIT/(LOSS) AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS		**–**	**–**
PROFIT FOR THE YEAR		**697**	**581**

The accompanying Notes 1 to 22 to the financial statements are an integral part of the income statements for the years ended 31 December 2022 and 2021.

Endesa, S.A.

Statements of Changes in Equity
for the years ended 31 December 2022 and 2021

A) Statements of recognised income and expense for the years ended 31 december 2022 and 2021

Millions of Euro

	Note	2022	2021
PROFIT PER THE INCOME STATEMENT		**697**	**581**
REVENUE AND EXPENSES RECOGNISED DIRECTLY IN EQUITY			
Cash flow hedges	14	112	16
Actuarial gains and losses and other adjustments	11.1	23	2
Tax effect	15	(34)	(4)
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY		**101**	**14**
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
Cash flow hedges	14	4	8
Tax effect	15	(1)	(2)
TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		**3**	**6**
TOTAL RECOGNISED INCOME/(EXPENSES)		**801**	**601**

The accompanying notes 1 to 22 to the financial statements are an integral part of the statements of recognised income and expense for the years ended 31 December 2022 and 2021.

Endesa, S.A.

Statements of Changes in Equity
for the years ended 31 December 2022 and 2021

B) Statements of total changes in equity
for the years ended 31 december 2022 and 2021

Millones de Euro

		Capital and reserves								31 December 2022
	Note	Capital (Note 10.1)	Share premium (Nota 10.2)	Reserves and prior years' profit or loss	(Shares in own equity instruments) (Note 10.4)	Profit/ (loss) for the year (Note 3)	(Interim dividend) (Note 10.5)	Other equity instruments	Valuation adjust-ments	Total equity
Balance at 31 December 2021		**1,271**	**89**	**6,233**	**(3)**	**581**	**(529)**	**2**	**(8)**	**7.636**
TOTAL RECOGNISED INCOME/(EXPENSE)		**—**	**—**	**17**	**—**	**697**	**—**	**—**	**87**	**801**
Transactions with shareholders		—	—	—	(2)	—	—	—	—	(2)
Transactions with own shares		—	—	—	(2)	—	—	—	—	(2)
Other changes in equity		**—**	**—**	**(940)**	**—**	**(581)**	**529**	**2**	**—**	**(990)**
Distribution of profit	3	—	—	(940)	—	(581)	529	—	—	(992)
Other changes		—	—	—	—	—	—	2	—	2
Balance at 31 December 2022		**1,271**	**89**	**5,310**	**(5)**	**697**	**—**	**4**	**79**	**7,445**

Millones de Euro

		Capital and reserves								31 December 2021
	Note	Capital (Note 10.1)	Share premium (Nota 10.2)	Reserves and prior years' profit or loss	(Shares in own equity instruments) (Note 10.4)	Profit/ (loss) for the year (Note 3)	(Interim dividend) (Note 10.5)	Other equity instruments	Valuation adjust-ments	Total equity
Balance at 31 December 2020		**1,271**	**89**	**6,033**	**(2)**	**2,330**	**(741)**	**1**	**(26)**	**8,955**
TOTAL RECOGNISED INCOME/(EXPENSE)		**—**	**—**	**2**	**—**	**581**	**—**	**—**	**18**	**601**
Transactions with shareholders		**—**	**—**	**—**	**(1)**	**—**	**(529)**	**—**	**—**	**(530)**
Dividends paid	10.5	—	—	—	—	—	(529)	—	—	(529)
Transactions with own shares		—	—	—	(1)	—	—	—	—	(1)
Other changes in equity		**—**	**—**	**198**	**—**	**(2,330)**	**741**	**1**	**—**	**(1,390)**
Distribution of profit		—	—	198	—	(2,330)	741	—	—	(1,391)
Other changes		—	—	—	—	—	—	1	—	1
Balance at 31 December 2021		**1,271**	**89**	**6,233**	**(3)**	**581**	**(529)**	**2**	**(8)**	**7,636**

Notes 1 to 22 to the accompanying financial statements are an integral part of the statements of total changes in equity for the years ended 31 December 2022 and 2021.

Endesa, S.A.

Statements of Cash Flows
for the years ended 31 December 2022 and 2021

Millions of Euro

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		**695**	**955**
Profit before tax		**708**	**521**
Adjustments for		**(680)**	**(564)**
Income from dividends	8.1.1, 16.1 and 18.1	(713)	(737)
Depreciation and amortisation	5 and 6	39	38
Impairment losses		—	(1)
Changes in provisions		39	2
Financial income	16.4	(90)	(20)
Financial expenses	16.4	205	151
Exchange differences		(3)	—
Change in fair value of financial instruments		(6)	2
Other adjustments (net)		**(151)**	**1**
Changes in working capital		**120**	**44**
Other cash flows from operating activities:		547	954
Interest paid		(178)	(157)
Dividends received		713	1,069
Interest received		19	15
Income tax received/(paid)		38	75
Other proceeds from/(payments) for operating activities		(45)	(48)
CASH FLOWS FROM INVESTING ACTIVITIES		**(4,718)**	**(73)**
Payments for investments		**(4,726)**	**(81)**
Group companies and associates		(4,697)	(49)
Property, plant and equipment and intangible assets		(21)	(27)
Other financial assets		(8)	(5)
Proceeds from sale of investments		**8**	**8**
Other financial assets		8	8
CASH FLOWS FROM FINANCING ACTIVITIES		**3,671**	**(634)**
Proceeds from/(payments) for equity instruments		(1)	(2)
Acquisitions of equity instruments		(1)	(2)
Proceeds from (payments for) financial liability instruments		**5,193**	**1,500**
Issue		8,371	3,156
Redemption and repayment		(3,178)	(1,656)
Dividends and interest on other equity instruments paid		**(1,521)**	**(2,132)**
Dividends		(1,521)	(2,132)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(352)**	**248**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**378**	**130**
CASH AND CASH EQUIVALENTS AT END OF YEAR		**26**	**378**

Notes 1 to 22 to the accompanying financial statements are an integral part of the statements of cash flows the years ended 31 December 2022 and 2021.

1. Company activity and financial statements

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

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

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

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

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

The Company's financial statements for the year ended 31 December 2022 were drawn up by the Company's Board of Directors on 22 February 2023 and will be submitted for approval by the General Shareholders' Meeting. They are expected to be approved with no changes. The financial statements for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 21 February 2022 and were approved by the General Shareholders' Meeting on 29 April 2022 and filed at the Madrid Mercantile Registry.

The Company holds interests in Group companies, jointly-controlled entities and associates. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. In accordance with generally accepted accounting principles in Spain, consolidated financial statements must be prepared to present truly and fairly the financial position of the Group, the results of operations and changes in its equity and cash flows. Details of investments in Group companies, jointly-controlled entities and associated companies are included in Note 8.1.1.

On 22 February 2023, the Directors authorised for issue the consolidated financial statements of Endesa, S.A. and Subsidiaries for the year ended 31 December 2022, in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU). The consolidated financial statements of Endesa, S.A. and Subsidiaries for the year ended 31 December 2021 were prepared by the Board of Directors on 21 February 2022, and they were approved by the General Shareholders' Meeting on 29 April 2022, and are filed at the Madrid Mercantile Registry.

The key figures from the consolidated financial statements of Endesa, S.A. and Subsidiaries for 2022 and 2021 were as follows:

Millions of Euro

	31 December 2022	31 December 2021
Total assets	**49,960**	**39,968**
Equity	**5,761**	**5,544**
Of the Parent	5,560	5,380
Of non-controlling interests	201	164
Revenue	**32,896**	**20,899**
Profit After Tax from Continuing Operations	**2,596**	**1,457**
Profit after tax for the period from discontinued operations	**—**	**—**
Profit/(loss) for the year	**2,596**	**1,457**
Of the Parent	2,541	1,435
Of Non-controlling Interests	55	22

At 31 December 2022 and 2021, the ENEL Group controlled 70.1% of Endesa, S.A. through Enel Iberia, S.L.U., thereby granting it control of the company (see Note 10.1).
The registered offices of the companies Enel Iberia, S.L.U. and Enel, S.p.A. are located at Calle Ribera del Loira, 60, E-28042 Madrid (Spain) and Viale Regina Margherita, 137, I-00198 Rome (Italy), respectively.
The financial statements of Enel Iberia, S.L.U. for the year ended 31 December 2021, prepared on 17 March 2022 and approved by the sole shareholder on 18 May 2022, are filed with the Madrid Mercantile Registry.
The Consolidated Financial Statements of ENEL, S.p.A. and Subsidiaries for the year ended 31 December 2021, ultimate Parent of Endesa, S.A., were approved by the General Shareholders' Meeting held on 19 May 2022 and are filed at the Rome and Madrid Mercantile Registries.

2. Basis of presentation of the financial statements

2.1. True and fair presentation

The financial statements for the year ended 31 December 2022 are presented in accordance with Law 16/2007 of 4 July, on the reform and adaptation of accounting legislation for harmonisation with EU Law and the Spanish General Chart of Accounts approved by Royal Decree 1514/2007, of 16 November, and the amendments thereto established by Royal Decree 1159/2010, of 17 September, Royal Decree 602/2016 of 2 December and by Royal Decree 1/2021, of 12 January.
The financial statements present fairly the equity and financial position of the Company at 31 December 2022 and the results of its operations, changes in equity and cash flows for the years then ended, and have been prepared on the basis of the Company's accounting records.

2.2. Accounting principles

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

2.3. Responsibility for information and estimates

The Company's Directors are responsible for the information included in the financial statements.
In preparing the financial statements, the Company's Directors made estimates to measure certain assets, liabilities, income, expenses and commitments included therein. These estimates were essentially as follows:

- Measurement of the Company's investments in equity instruments of Group companies, associates and jointly-controlled entities to determine any impairment losses (see Notes 4d and 8.1.1).
- Assumptions used in the actuarial calculation of liabilities and provisions to employees and the leaving dates and conditions of employees involved in

collective redundancy procedures and agreements to suspend contracts (see Notes 4f and 11).

- Useful lives of intangible assets and property, plant and equipment (see Notes 4a and 4b).
- Measurement of financial assets to determine any impairment losses (see Notes 4d and 8).
- Assumptions used to calculate the fair value of financial instruments (see Notes 4k, 8, 12 and 14).
- Interpretation of existing or new electricity sector regulations, the final economic effects of which will ultimately depend on rulings by the authorities responsible for settlements. Certain rulings are pending at the date of authorisation of these financial statements.
- The likelihood and amount of undetermined or contingent liabilities (see Notes 4f and 11).

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

2.4. Going concern

At 31 December 2022, the Company had negative working capital of Euro 600 million as a result of its financial and cash management policy. In this regard, the Company's estimated statements of liquidity for the coming year, together with the undrawn amount on the Company's non-current lines of credit (see Note 13.3), provide assurance that the Company has available sufficient financial resources to continue to operate, realise its assets and settle its liabilities for the amounts shown in the accompanying statement of financial position.

The Company's Directors therefore prepared the accompanying financial statements on a going-concern basis.

2.5. Functional currency and presentation currency

The financial statements at 31 December 2022 2022 are presented in Euro million. The Company's functional and presentation currency is the Euro.

2.6. Comparison of information

For comparison purposes, the financial statements present, aside from the figures in the statement of financial position, income statement, statement of changes in equity, statement of cash flows and the notes thereto for the year ended 31 December 2022, the figures for the previous year that formed part of the financial statements for the year ended 31 December 2021, which were approved by the General Shareholders' Meeting on 29 April 2022.

2.7. Grouping of items

Certain items on the statement of financial position, income statement, statement of changes in equity and statement of cash flows are presented in groups for easier understanding, though significant data are broken down in the notes to the financial statements.

3. Distribution of profit

Proposed distribution of profit for 2022

The distribution of profit for 2022, prepared by the Company's Board of Directors, to be submitted to the General Shareholders' Meeting for approval, is as follows:

Basis of distribution for 2022	Euro
Profit and loss: Profit	697,199,582.31
Retained earnings	3,855,295,395.96
Total	**4,552,494,978.27**
Distribution	
Dividends [1]	1,678,545,606.29
To retained earnings	2,873,949,371.98
Total	**4,552,494,978.27**

[1] Maximum amount to be distributed based on Euro 1.5854 gross per share for all shares (1,058,752,117 shares).

Distribution of 2021 profit

The distribution of 2021 profit approved by the General Shareholders' Meeting was as follows:

Basis of distribution for 2021	Euro
Profit and loss: Profit	581,311,022.93
Retained earnings	4,795,389,430.94
Total	**5,376,700,453.87**
Distribution	
Dividends [1]	1,678,545,606.29
To retained earnings	2,873,949,371.98
Total	**4,552,494,978.27**

[1] Maximum amount to be distributed based on Euro 1.4372 gross per share for all shares (1,058,752,117 shares).

4. Recognition and measurement criteria

The main recognition and measurement criteria used in preparing the accompanying financial statements, in accordance with the Spanish General Chart of Accounts, were as follows.

a) Intangible assets

Intangible assets are initially recognised at cost of acquisition or production, following the same principles for determining the production cost of inventories.
They are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised over their useful lives which, in most cases, have been estimated at five years.
The residual value, useful life and amortisation method of intangible assets are reviewed at each year end. Any changes in initially established criteria are recognised as changes in estimates.

b) Property, plant and equipment

Property, plant and equipment is stated at cost of acquisition or production, using the same general criteria to calculate the production cost of inventories. Property, plant and equipment is subsequently carried at cost net of any accumulated depreciation and any accumulated impairment losses.
Property, plant and equipment, less residual value where appropriate, are depreciated on a straight-line basis over their estimated useful lives, which are the periods of expected use.
Useful lives, residual value and depreciation methods are reviewed at least at the closing date of each year and adjusted prospectively, as appropriate.
The useful life of assets for the purposes of calculating depreciation in 2022 and 2021 was as follows:

Property, Plant and Equipment	Years of estimated useful life	
	2022	**2021**
Furniture	10	10
Other property, plant and equipment	5-14	5-14

Costs of expansion, improvements that increase production capacity, improvements that substantially increase productivity or lengthen the estimated useful life of the asset are recognised as increases in the value of the asset.
Renewals may be capitalised if they meet the conditions to be recognised as an asset, i.e. they arise as a result of past events, from which the Company expects to obtain economic benefits or returns in the future.
Regular maintenance, upkeep and repair expenses are recognised in the income statement and are expensed when incurred.

c) Leases

Leases that transfer substantially all the risks and rewards incidental to ownership of the leased item are classified as finance leases. All other leases are classified as operating leases.

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

Costs and income deriving from operating leases are taken to profit and loss when incurred.

Any collections or payments made on inception of an operating lease are treated as an advance collection or payment and recognised over the lease term as the benefits of the leased asset are transferred or received.

d) Financial instruments

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

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, financial liability or equity instrument.

A financial asset and a financial liability will only be offset when the Company has a legally enforceable right to offset the recognised amounts and it has the intention to pay the net amount or to simultaneously realise the asset and settle the liability.

d.1. Financial assets except hedging derivatives

1. Classification and measurement of financial assets

For the purposes of measurement, the Company classifies its financial assets under the following categories:

- Financial assets at fair value through profit or loss: This category includes financial assets that cannot be classified under any of the other defined categories. This must include financial assets held for trading.

  A financial asset is considered to be held for trading when:
  - It originates or is acquired for the purpose of selling it in the near term.
  - On initial recognition it forms part of a portfolio of financial instruments that are identified and managed jointly, for which there is evidence of recent initiatives to obtain profits in the short term, or
  - It is a derivative financial instrument, that is not a financial guarantee contract or a designated hedging instrument.

  This category also includes financial assets that are recognised at fair value through profit or loss on initial recognition, provided that they eliminate or significantly reduce valuation inconsistencies and accounting mismatches.

  The financial assets included in this category are initially measured at fair value, which, unless there is evidence to the contrary, shall be the transaction price, which shall be the fair value of the consideration given. Directly-attributable transaction costs shall be recognised in the income statement for the year.

  After initial recognition, the Company shall measure the financial assets in this category at fair value through profit or loss.
- Financial assets at amortised cost: financial assets are recorded at amortised cost if they are held by the company with the objective of receiving contractual cash flows and the contractual conditions of the financial assets give rise, on specified dates, to cash flows that are only collections of principal and interests on the outstanding principal amount.

  In general, this category includes trade and non-trade receivables:
  - Trade receivables: financial assets incurred on the sale of goods and the provision of services in the course of the company's business, with deferred payment, and

- Non-trade receivables: are financial assets that are neither equity instruments nor derivatives, not arising on trade transactions, with fixed or determinable payments, and derive from loans or credits granted by the company.

The financial assets included in this category are initially measured at fair value, which, unless there is evidence to the contrary, shall be the transaction price, which shall be the fair value of the consideration given plus the directly attributable transaction costs. However, trade receivables which have no explicit contractual interest rate and are recoverable in the short term, and advances and loans to personnel, dividends receivable and capital calls on equity instruments, which are expected to be settled in the short term, may be measured at their nominal amount, when the effect of discounting is immaterial.

Financial assets in this category are measured at amortised cost. Interest accrued is recognised in the income statement applying the effective interest method. Nevertheless, trade receivables which mature within less than one year which, in accordance with the provisions of the paragraph above, are measured initially at nominal value, shall continue to be measured at that amount unless there is any impairment.

At least at the end of the reporting period, the company shall recognise any necessary valuation adjustments when there is objective evidence that the value of a financial asset, or group of financial assets with similar risk exposure measured together, is impaired as a result of one or more events occurring after initial recognition and leading to a reduction or delay in estimated future cash flows, which could be due to debtor insolvency.

The amount of the impairment loss on these financial assets shall be measured as the difference between the carrying amount and the present value of estimated future cash flows, including where applicable those deriving from the execution of secured loans or personal guarantees, discounted at the effective interest rate calculated upon initial recognition. For financial assets at floating interest rates, the effective interest rate used is that prevailing at the reporting date as per the instrument's contractual terms.

Impairment losses and, where applicable, their reversal, when the loss is reduced due to a subsequent event, are recognised as an expense or income, respectively, in the income statement. The loss can only be reversed up to the limit of the carrying amount of the asset that would have been recorded at the reversal date had the impairment loss not been recognised.

However, the market value of the instrument may be used instead of the present value of estimated future cash flows, provided that this is sufficiently reliable to be considered representative of the value recoverable by the company.

Interest on impaired financial assets shall be recognised following the general rules, although the company may also assess whether this amount is recoverable, and if so, account for the corresponding impairment loss.

- Financial assets measured at fair value with changes in equity: this category includes financial assets with contractual conditions that give rise, on specified dates, to cash flows that are only collections of principal and interest on the outstanding principal amount, which are not held for trading and may not be classified as financial assets at amortised cost. This category also includes investments in equity instruments that are not held for trading, and should not be measured at cost, for which the irrevocable option has been exercised on initial recognition to recognise subsequent changes in fair value directly in equity.

  The financial assets included in this category are initially measured at fair value, which, unless there is evidence to the contrary, shall be the transaction price, which shall be the fair value of the consideration given plus the directly attributable transaction costs.

  Subsequently, the financial assets included in this category will be measured at fair value, without deducting any transaction costs that may arise from their disposal. Any changes in fair value shall be recognised directly in equity, until the financial asset is derecognised from the balance sheet or becomes impaired, when the amount recognised shall be taken to profit or loss.

  The interest, calculated using the effective interest method, and dividends accrued shall also be recognised in the income statement. When a value must be assigned to these assets due to derecognition from the balance sheet or any other reason, the weighted average cost method shall be used.

  At least at the end of the reporting period, the company shall recognise any necessary valuation allowances when there is objective evidence that the value of a financial asset, or group of financial assets included in this category with similar risk exposure measured together, is impaired as a result of one or more events occurring after initial recognition.

- In the case of acquired debt instruments, a reduction or delay in the estimated future cash flows, which could be due to debtor insolvency.
- In the case of investments in equity instruments, failure to recover the carrying amount of investments, for example due to a significant or prolonged decline in their fair value. The instrument shall be considered impaired after a decline of a year and a half and of forty percent of its quoted price with no recovery in value. However, it may be necessary to recognise an impairment loss before this period has elapsed or before the quoted price has dropped by the aforementioned percentages.

  The impairment for these financial assets shall be measured as the difference between the cost or amortised cost, less any impairment previously recognised in the income statement, and the fair value at the measurement date.

  Where there is objective evidence that the asset is impaired, accumulated losses recognised in equity for a decrease in fair value shall be recorded in the income statement.

  Were fair value to increase in subsequent years, the previously recognised impairment loss would be reversed in the income statement for that year. However, where the fair value of an equity instrument increases, the impairment recognised in prior periods shall not be reversed with a credit to the income statement; rather, the increase in fair value shall be accounted for directly in equity.

- Financial assets at cost: this measurement category includes equity investments in Group companies, jointly controlled entities and associates, and any other financial asset initially classified in the fair value portfolio through profit or loss when a reliable estimate of its fair value cannot be obtained.

  Investments in this category shall initially be measured at cost, which shall be the fair value of the consideration given plus any directly attributable transaction costs. The criterion described in section 2 of the standard on transactions between Group companies and the criteria for determining the cost of the combination set out in the standard on business combinations shall be applied to Group companies, where applicable. However, in the case of investments existing prior to classification as a Group company, jointly controlled entity or associate, the cost of the investment shall be the carrying amount immediately before classification by the company.

Subsequently, equity instruments included in this category are measured at cost net, where appropriate, of any accumulated impairment losses.

At least at the end of the reporting period, the necessary valuation allowances must be made when there is objective evidence that the carrying amount of an investment will not be recovered. The impairment loss shall be measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows from the investment, estimated in the case of equity instruments as either those from dividends expected to be received from the investee and the disposal or derecognition of the investment, or from the share in the cash flows expected to be generated by the investee in the ordinary course of business and from disposal or derecognition. When estimating impairment of these types of assets, the investee's equity shall be taken into consideration, corrected for any unrealised gains existing at the measurement date, net of taxes, unless better evidence of the recoverable amount of the equity investment is available. Where the investee in turn holds an interest in another company, its equity shall be measured taking into account the equity disclosed in the consolidated financial statements prepared using the criteria contained in the Code of Commerce and its implementing standards.

Impairment and reversals of impairment are recognised as income or expense, respectively, in profit or loss. The loss can only be reversed up to the limit of the carrying amount of the investment that would have been recognised at the reversal date had the impairment loss not been recognised. However, when an investment was made in a Group company, jointly controlled entity or associate before it was classified as such, and valuation adjustments for the investment were recognised directly in equity prior to this classification, these adjustments shall be maintained after classification, either until disposal or derecognition of the investment, at which point they shall be recognised in the income statement, or until the following circumstances occur:

- Where prior valuation adjustments have been made for an increase in value, impairment losses shall be recognised in the equity line item that reflects prior valuation adjustments, up to the value of those adjustments, and any excess shall be recognised in the income statement. Impairment recognised directly in equity shall not be reversed.

- Where prior valuation adjustments have been made for a decrease in value and the recoverable amount will subsequently exceed the carrying amount of the investment, the latter shall be increased up to the limit of the reduction in value, and recognised in the line item that reflected the prior valuation adjustments. The resulting amount shall be considered as the cost of the investment. However, when there is objective evidence that the investment is impaired, losses accumulated directly in equity shall be recognised in the income statement.

2. Investments in equity instruments of Group companies, jointly-controlled entities and associates

Group companies are those over which the Company exercises direct or indirect control. Associates are those over which the Company has a significant influence (considered to be ownership of at least 20% of another company's voting stock). Jointly-controlled entities include companies run jointly by agreement with one or more partners.

To test the investment in Endesa, S.A. for impairment, the Company uses pre-tax cash flow projections for Endesa S.A. and its subsidiaries based on the latest budgets available. These budgets include Endesa S.A.'s management's best estimates of its income and expenses according to industry projections, past experience and future expectations.

These projections cover the next three years and future cash flows, applying reasonable growth rates based on assumptions regarding average long-term growth and forecast inflation rates for the sector and geographical area. The discount rate before tax and growth rate applied in 2022 and 2021 were as follows:

%

	2022	2021
Discount rate	0-7.7	3.2-6.4
Weighted Average Growth Rate	2.4	1.6

Values were allocated to the key assumptions based on:

- Trend in demand for electricity and gas: estimated growth was calculated on the basis of the growth forecast for Gross Domestic Product (GDP) and other assumptions with respect to trends in consumption of electricity and gas in these markets.
- Regulatory measures: a substantial part of Endesa's business is regulated and subject to wide-ranging complex regulations, which may be amended by the introduction of new laws, by amendments to existing laws in such a way that forecasts contemplate proper application of current regulations, and any other laws now in process that may come into force during the projected period.
- Average rainfall: forecasts are drawn up on the basis of an average rainfall year, taking account of historical rainfall series. However, the actual rainfall of the preceding year was used for the first year of the projection, adjusting the average year accordingly.
- Installed capacity: the investment plan is updated continuously on the basis of the trajectory of the business and changes to the development strategy undertaken by Management. The generation activity takes into account the investment required to maintain installed capacity in proper operating conditions; distribution activity considers investment in grid maintenance, improvement and enhancement and the investment required to implement the remote metering plan, and marketing activity takes into account the investment required to perform activities involving other products and services.
- Assumptions for energy sale and purchase prices and output of generation facilities are made based on complex specifically-developed internal forecast models that consider factors such as prices and availability of commodities (e.g. Brent oil, gas, coal), forecast demand, planned construction or the commissioning of new capacity in the various technologies. These models are constantly changing, factoring in changes in variables such as availability of the production base, start-up of operation of new plants. They provide signals on prices in the system and estimates of production costs, on which output forecasts for generation facilities are based.
- Assumptions for energy sale and purchase prices are made based on complex, specifically developed internal forecast models. The planned pool price is estimated on the basis of a number of decisive factors such as the costs and outputs of technologies and demand for electricity, among others.
- The prices at which electricity and gas are sold are determined on the basis of the prices established in sales contracts and future energy prices.
- Fuel costs are estimated taking into consideration existing supply contracts, and long-term forecasts are made for oil, gas or coal prices based on forward markets and estimates available from analysts.
- Fixed costs are projected considering estimated levels of activity for each company in terms of trends in personnel, as well as other operating and maintenance

costs, forecast inflation and long-term maintenance contracts or other types of contracts.

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

Based on these assumptions, the investments of Endesa, S.A. were tested for impairment, and it was not necessary to recognise any significant impairment losses on its holdings in 2022 (an impairment loss of Euro 1 thousand was recognised on its investment in Endesa Capital, S.A.U. in 2021) (see Note 8.1.1).

3. Interest and dividends received from financial assets

Interest and dividends from financial assets accrued after the acquisition date are recognised as income in the income statement.
To this end, on initial measurement of the financial assets, accrued explicit interest pending maturity at that time and dividends authorised by the competent office prior to the acquisition are recognised separately according to their maturity. Explicit interest is that obtained on applying the contractual interest rate of the financial instrument.
Furthermore, distributed dividends are not recognised as income when they are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investee (or any Group company in which the latter has an ownership interest) have been distributed since the acquisition and, instead, they are recognised as a reduction in the carrying amount of the investment.
The analysis of whether profits have been generated by the investee will be exclusively performed on the profits recognised in the individual income statement from the acquisition data, unless the distribution with a charge to this profit must be categorically classified as a recovery of the investment from the perspective of the company that receives the dividend.
Interest income is recognised using the effective interest method and dividend income is recognised when the right to receive the payment is established.

4. Derecognition of financial assets

The Company derecognises financial assets when they expire or when the contractual rights to the cash flows from the financial asset have been transferred and the risks and rewards of ownership have been substantially transferred. However, for transfers of financial assets in which the risks and rewards of ownership are substantially retained, the Company does not derecognise the financial assets but instead recognises a financial liability for the same amount as the consideration received.
If the Company has not substantially transferred or retained the risks and rewards of the financial asset, the asset is derecognised when control is not retained. If the Company retains control of the asset, it continues recognising it for the amount to which it is exposed through changes in the fair value of the asset transferred, i.e. for its continuing involvement, recognising the associated liability.
On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any cumulative gain or loss deferred in recognised income and expense, is recorded as profit.

d.2. Non-derivative financial liabilities

1. Classification and measurement of financial liabilities

For the purposes of measurement, the Company classifies its financial liabilities under the following categories:

- Financial liabilities at amortised cost: the company classifies financial liabilities in this category unless they must be measured at fair value through profit or loss or they are one of the exceptions to the rule.

  In general, this category includes trade and non-trade payables:
  - Trade payables: financial liabilities arising on the purchase of goods and services in the course of the company's trade operations, and
  - Non-trade payables: financial liabilities that are not derivatives and do not arise on trade transactions, but derive from loans or credits received by the company.

  Participating loans with the characteristics of an ordinary loan are also included in this category.

  The financial liabilities included in this category are initially measured at fair value, which, unless there is evidence to the contrary, shall be the transaction price, which shall be the fair value of the consideration received adjusted for any directly attributable transaction costs.

  However, trade payables maturing within one year that have no contractual interest rate, and capital called up by third parties, which is expected to be paid in the short term, may be measured at their nominal amount, when the effect of discounting the cash flows is immaterial.

  Financial liabilities in this category are subsequently measured at amortised cost. Interest accrued is recognised in the income statement applying the effective interest method. Nevertheless, trade payables which mature within less than one year which, in accordance with the provisions of the paragraph above, are measured initially at nominal value, shall continue to be measured at that amount.
- Financial liabilities at fair value through profit or loss: the Company classifies financial liabilities that meet one of the following conditions under this category:
  - They are liabilities that are held for trading. A financial liability is considered to be held for trading when:
    - it is issued or assumed principally for the purpose of repurchasing it in the near term.
    - it is an obligation to deliver financial assets borrowed by a short seller.
    - On initial recognition it forms part of a portfolio of financial instruments that are identified and managed jointly, for which there is evidence of recent initiatives to obtain profits in the short term, or
    - It is a derivative financial instrument, that is not a financial guarantee contract or a designated hedging instrument.
  - It has been designated by the company on initial recognition as a financial liability at fair value through profit or loss. Liabilities may only be designated at fair value through profit or loss where this results in more relevant information due to the following:
    - It eliminates or significantly reduces measurement or recognition inconsistency (accounting mismatches) with other instruments at fair value through profit or loss; or
    - A group of financial liabilities, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the company's key management personnel.
  - Optionally, and irrevocably, hybrid financial liabilities may also be included in this category in their entirety.

    The financial liabilities included in this category are initially measured at fair value, which, unless there is evidence to the contrary, shall be the transaction price, which shall be the fair value of the consideration received. Directly-attributable transaction costs shall be recognised in the income statement for the year.

    After initial recognition, the company shall measure the financial liabilities in this category at fair value through profit or loss.

The Company has reverse factoring arrangements with a number of financial entities, and a portion of such arrangements include sustainability criteria. Trade payables whose payment is managed by financial entities are recognised under "*Trade and other payables*" in the statement of financial position to the degree that the Company has only granted the management of payment to financial entities, does not receive any financing from financial institutions and is maintained as the primary principal regarding the payment of debts with respect to the trade creditors.

At 31 December 2022, the amount of commercial debt discounted with financing entities to manage payments to suppliers (reverse factoring), recognised under "*Trade and other payables*" in the statement of financial position was less than Euro 1 million (31 December 2021: Euro 1 million).

In 2022 and 2021, the accrued income on reverse factoring contracts was less than Euro 1 million, respectively.

2. Derecognition of financial liabilities

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

d.3. Derivatives and hedge accounting

Accounting hedges

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

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

Any gains or losses arising from changes in fair value are recognised in the consolidated income statement as financial profit or loss, except where the derivative has been designated as a hedging instrument and the requirements for hedge accounting have been met; for example, the hedge must be highly effective. In this case, recognition depends on the type of hedge as follows.

- Fair value hedges: the portion of the underlying for which the risk is hedged and the hedging instrument are measured at fair value through profit or loss as financial income or expense.
- Cash flow hedges: changes in the fair value of derivatives are recognised, for the effective portion of the hedge and net of tax, under valuation adjustments to hedging transactions in equity. The cumulative gain or loss is recognised in the income statement as the underlying hedged item affects profit or loss. The ineffective portion of the gain or loss on the hedges is recognised directly in the income statement as financial income or expense.

A hedge is only applicable when there is a financial relationship between the hedged item and the hedging instrument, the credit risk of the hedged item does not have a dominant effect on the changes in value resulting from that financial relationship, and the hedging ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that Endesa actually uses to cover said amount of the hedged item.

Endesa, S.A., at inception and over the term of the hedge, assesses whether hedging relationship meets effectiveness requirements prospectively. The Company also assesses effectiveness at every reporting date or when there are significant changes that affect effectiveness requirements. The Company carries out a qualitative assessment of effectiveness when the fundamental terms of the instrument and the hedged item match. When the essential terms do not match, Endesa, S.A. uses a hypothetical derivative with vital terms that match the terms of the hedged item to assess and measure ineffectiveness.

Endesa, S.A. will discontinue hedge accounting prospectively only when the hedging relationship (or a part of it) no longer meets the required criteria, having factored in any rebalancing of the hedging relationship; for example, when the hedging instrument expires or is sold, resolved or exercised. However, the hedge continues to be recognised and measured in cases where the Company revokes the hedge designation if the remaining requirements are still met.

When hedge accounting is discontinued in a cash flow hedge, the amounts accumulated in equity are not recognised in the income statement until the future cash flows on the hedged item materialise. In contrast, the amounts accumulated in equity are recognised in the income statement when future cash flows on the hedge item are no longer expected.

Endesa, S.A. assesses whether embedded derivatives are present in contracts and financial instruments. Financial instruments that combine a non-derivative host contract and a financial derivative (embedded derivative) are known as hybrid financial instruments. When the host contract is a financial asset of the Company it must be measured as a whole in accordance with the general criteria for the recognition and measurement of financial assets. If the host contract is not a financial asset, the Company accounts for the embedded derivative and the host contract separately, if, and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- A different financial instrument with the same terms as those of the embedded derivative would meet the definition of an embedded derivative; and
- The entire hybrid contract is not measured at fair value through profit or loss:

The embedded derivative is accounted for in the same way as the host contract in accordance with the corresponding recognition and measurement standards. If the requirements stated above are not met for the separate recognition and measurement of the embedded derivative and host contract, the Company will apply the general recognition and measurement standards to the hybrid contract as a whole.

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

- For derivatives quoted on an organised market, their quoted value at year-end.
- In the case of derivatives not quoted on an organised market, Endesa, S.A. carries out valuations using internal tools and calculates the fair value of financial derivatives in due consideration of observable market variables, by estimating discounted future cash flows using zero-coupon yield curves for each currency on the last working day of each close, translated to Euro at the exchange rate prevailing on the last working day of each close. When the gross market value has been obtained, a "*Debt Valuation Adjustment (DVA)*" is made in respect of credit risk, or a "*Credit Valuation Adjustment (CVA)*" in respect of counterparty risk. The measurement of CVA/DVA is based on potential future exposure of the instrument (creditor or debtor position) and the risk profile of the counterparties and of Endesa's own risk profile.

The Company has entered into commodities forward sale and purchase contracts, mainly for liquefied natural gas. In general, these contracts are measured in the statement of financial position at fair value at the reporting date, with differences recognised on the income statement, except for supply contracts that are fully transferred under the same terms and conferring the same rights and obligations to other Endesa Group companies in which the Company has acted as the contracting party, solely for reasons associated with the Group's organisation or in order to boost efficiency when entering into or handling these contracts. In such cases, the Company acts as the agent and does not recognise expenses on these purchases or revenue on the sales, as it does not take control of the goods supplied by the third party.

d.4. Equity instruments

Own shares acquired by the Company in the year are recognised at the value of the consideration delivered in exchange, directly as a reduction of Equity under "*Shares and investments in equity*".

The results arising from the purchase and sale of equity instruments are recognised directly in equity, and no results are recognised in the income statement under any circumstances.

Expenses arising from a transaction involving equity instruments, which was discontinued or abandoned, shall be recognised in the income statement.

d.5 Financial guarantee contracts

Financial guarantee contracts, which are the guarantee deposits extended to third parties by the Company, are initially recognised at fair value. Except where there is evidence to the contrary, fair value is the premium received plus the present value of any cash flows to be received.

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

- The amount of the liability determined according to the accounting principles for provisions in Note 4f.

- The amount of the initially recognised asset, less the portion taken to the income statement on an accruals basis.

When the Company receives the guarantee (secured company), it will recognise the cost of the guarantee in the income statement as an operating expense. However, when the guarantee is directly related with a financial transaction, the payment arising from the guarantee will be included in the calculation of the effective interest rate.

d.6. Guarantees extended and received

In guarantees extended and received for operating leases or to render services, the difference between the fair value and the amount disbursed is recognised as a prepayment or as revenue received in advance, and is recognised in the income statement over the period during which the service is rendered or the lease period lasts.

e) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits in financial institutions. They also include other current, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it matures at less than 3 months from the date of acquisition.

f) Provisions and contingencies

Liabilities existing at the statement of financial position date that arise as a result of past events that could have a negative impact on the Company's equity, whose amount and settlement date are uncertain, are recognised as provisions in the statement of financial position at the present value of the most probable amount considered to be needed by the Company to settle the liability.

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

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

The financial effect of provisions is recognised as a financial expense in the income statement. Current provisions, the financial effect of which is immaterial, are not discounted.

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

f.1. Provisions for pensions and other similar provisions

For defined benefit plans, the Company recognises the expenditure relating to these obligations on an accrual basis over the working life of the employees by performing actuarial studies at the reporting date, calculated using the projected unit credit method. The past service costs relating to changes in benefits are recognised immediately with a charge to the income statement as the benefits vest insofar as the rights are irrevocable.

Defined benefit plan provisions represent the present value of the accrued benefits, after deducting the fair value of the qualifying plan assets and any unrecognised past service cost. The actuarial losses and gains arising on the measurement of plan liabilities and assets are recognised directly under "*Equity: Other reserves*" (see Note 10.3.5).

For each of the plans, any positive difference between the actuarial liability for past services and the plan assets is recognised under non-current provisions on the liability side of the statement of financial position. Any negative difference is recognised under non-current financial investments - loans to third parties on the asset side of the statement of financial position, provided that this negative difference is recoverable by the Company, usually through a reduction in future contributions.

Contributions to defined contribution plans are recognised as an expense in the income statement as the employees provide their services.

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

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

f.2. Provisions for workforce restructuring plans

The Company recognises termination or temporary lay-off benefits when there is an individual or group agreement with the employees that will enable them, unilaterally or by mutual agreement with the Company, to cease working for Endesa, S.A. or to temporarily suspend their employment contract in exchange for termination benefits or consideration. If a mutual agreement is required, a provision is only recorded in situations in which Endesa, S.A. has decided to give its consent to the termination of employment, and consent has been notified to the employee either individually or collectively to employee representatives. In all cases in which these provisions are recognised, the employees expect that these early retirements will proceed, and that there will be official notification by the Company to the employee or to the employee's representatives.

f.3. Short-term and long-term employee remuneration

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

g) Transactions in foreign currency

Transactions in currencies other than the Euro, the Company's functional currency, are translated to Euro at the exchange rates prevailing at the transaction date. During the year, differences arising between the balances translated at the exchange rate at the transaction date and those translated at the exchange rate at the date of collection or payment are recorded as financial profit or loss in the income statement (see Note 9).

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

h) Current/non-current classification

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

i) Income tax expense

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

The differences between the carrying amount of assets and liabilities and their tax base give rise to deferred tax assets or liabilities, which are measured at the tax rates that are expected to apply to the years when the assets are realised and the liabilities settled.

Deferred tax assets are recognised for all deductible temporary differences, except where those arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

In accordance with the principle of prudence, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In any case, this condition will be considered to exist, when the applicable tax legislation provides for the possibility of future conversion of deferred tax assets in an enforceable claim against the tax authorities with respect to the assets subject to conversion.

Unless there is evidence to the contrary, it is not considered probable that the company will have future taxable profits in the following cases:

- Where it is expected that their future recovery will occur in a period of over 10 years from the closing date of the financial year, regardless of the nature of the deferred tax asset.
- In the case of unused tax credits and other tax relief due to insufficient taxable income when reasonable doubts exist as to fulfilment of the requirements for their utilisation when the activity has occurred or the return has been obtained.

It is also probable that sufficient taxable profit will be available against which the deferred tax assets can be recovered when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse:

- In the same period as the expected reversal of the deductible temporary difference; or
- In periods into which a tax loss arising from the deferred tax asset can be carried back or forward.

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

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

The deferred tax assets and liabilities recognised are reviewed at the end of each reporting period, in order to ascertain whether they still exist, and the appropriate adjustments are made in line with the outcome of the aforementioned examination.

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

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

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

The accrued corporation tax expense for the companies forming the consolidated tax group is determined taking into account, in addition to the factors to be considered in the case of individual taxation set out previously, the following:

- Temporary and permanent differences arising from the elimination of profits and losses on operations between companies in the tax group, derived from the process of determining consolidated taxable income.
- Tax credits and rebates that correspond to each company forming the consolidated tax group; for these purposes, tax credits and rebates are allocated to the company that carried out the activity or obtained the profit necessary to obtain the right to the tax credit or rebate.

A reciprocal credit and debit arises between the companies that contribute tax losses to the consolidated tax group and the rest of the companies that offset those losses. Where a tax loss cannot be offset by the other companies of the tax group, these tax loss carryforwards are recognised as deferred tax assets under respective

recognition criteria, considering the tax group as a taxable entity.
Income tax credits and rebates affect the calculation of the tax accruing at each company by the effective amount applicable in the consolidated system.

The amount of the debt (credit) owed to the entity representing the tax group in Spain, Enel Iberia, S.L.U., is recognised with a credit (debit) to current debts (investments) with (in) Group companies and associates in the accompanying statement of financial position.

j) Income and expenses

Dividend income from investments in equity instruments is recognised when the Company is entitled to receive it. Likewise, given that the Company's ordinary activities involve the ownership of investments in the capital of subsidiaries, jointly controlled entities or associates, dividend income is recognised under "*Revenue*" in the income statement, while an account is included under the operating margin for impairment losses on equity instruments associated with its activity.
As general criteria, Endesa, S.A. recognises the income from its ordinary activities as the delivery of the goods or the rendering of the services contractually agreed to with its customers occurs during the life of the contract and for the amount of the consideration to which it expects to be entitled in exchange for said goods or services.
In particular, the Company follows the following stages for the recognition of revenue from contracts with customers:

- Identify the contract with the customer.
- Identify the obligations for executing the contract.
- Establish the price of the transaction.
- Allocate the transaction price among the contract execution obligations.
- Recognise the income as compliance with execution obligations is met.

The Company excludes from income gross inflows of profits received when acting as an agent or commission agent on behalf of third parties, and only recognises revenue from its own activity.
Interest income and expenses are recognised by reference to the effective interest rate applicable to the outstanding principal over the related repayment period.
Expenses are recognised on an accrual basis.

k) Fair value measurement

Fair value is defined as the price that would be collected for the sale of an asset or that would be paid for the transfer of a liability, in an orderly transaction between market players at the valuation date.
The valuation is calculated on the premise that the transaction is carried out on the main market, i.e. the market with the largest volume or activity of the asset or liability. In the absence of a main market, it is assumed that the transaction is carried out on the most advantageous market, i.e. that which maximises the amount received from selling the asset or that which minimises the amount paid to transfer the liability.
The fair value of the asset or the liability is determined by applying the assumptions that would be made by the market players at the time the price of the asset or liability is set, on the understanding that the market players are acting in their best economic interests. The market players are independent of each other, they are well informed, they can carry out a transaction with the asset or liability, and are motivated to carry out the transaction but are not in any way obliged or forced to do so.
Assets and liabilities measured at fair value may be classified on the following levels (see Notes 8.7 and 12.7):

- Level 1: Fair value is calculated from quoted prices in active markets for identical assets or liabilities.
- Level 2: Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The methods and assumptions used to determine fair value within Level 2 by class of assets or liabilities take into account the estimate of future cash flows discounted to present value using zero-coupon yield curves for each currency on the last working day of each closing, translated to Euro at the exchange rate prevailing on the last working day of

each closing. All these measurements are made using internal tools.

- Level 3: The fair value is calculated from inputs for assets or liabilities that are not based on observable market data.

Endesa, S.A. uses valuation tools to measure the fair value of assets and liabilities that are suited to the circumstances and for which sufficient data are available to appraise fair value, making maximum use of major observable variables and minimum use of non-observable variables.

l) Environmental assets

Environmental expenses are those incurred by the Company to minimise the environmental impact of its activity.

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

Non-current assets acquired by the Company to minimise the environmental impact of its activity and to protect the environment are recognised – depending on their nature – as property, plant and equipment or intangible assets, at their cost of acquisition or production, and are depreciated or amortised on a straight-line basis over their useful life.

m) Related party transactions

All Company transactions with related parties are performed on an arm's length basis. Transfer prices are adequately supported, and consequently, the Company's Directors consider that no significant risks exist in this respect from which significant liabilities could arise in the future.

n) Share-based remuneration schemes

Endesa, S.A. has granted certain of its employees and employees of its business group, who occupy positions of greater responsibility, remuneration plans based on equity instruments, in which, in exchange for the services they provide, the Company settles them with equity instruments (shares of Endesa, S.A.). These plans are also combined with cash settlements, whose amount is based on the value of equity instruments (see Note 18.3.5).

The Company recognises the services received from in-house employees as "*Personnel Expenses*" in the income statement, at the time of obtaining them and, by contrast, it posts the corresponding increase in Equity under the heading "*Other equity instruments*" when the transaction is settled with equity instruments or the corresponding liability under the heading "*Long-term provisions*" if the transaction is settled in cash with an amount that is based on the value of equity instruments.

In the event of payments to employees of its business group, which are settled with equity instruments of the parent, Endesa, S.A. recognises the cost of the Plan as an addition to its investment in the subsidiary.

Transactions in which it is necessary to complete a certain period of services are recognised to the extent that such services are provided throughout that period.

In transactions with employees settled with equity instruments, both the services provided and the increase in the Equity to be recognised shall be measured at the fair value of the equity instruments transferred, referred to the date of the concession agreement.

Once the goods and services received have been recognised, in accordance with the provisions of the preceding paragraphs, as well as the corresponding increase in Equity, no additional adjustments will be made to the Equity after the date of irrevocability.

In transactions settled in cash, the goods or services received and the liability to be recognised shall be measured at the fair value of the liability, referring to the date on which the requirements for recognition are met. Subsequently, and until settlement, the corresponding liability shall be measured at fair value at the closing date of each financial year, with any valuation changes that occurred during the financial year being charged to the income statement.

o) Statement of cash flows

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

- Cash flows: inflows and outflows of cash and cash equivalents, which are investments with a term of less than three months that are highly liquid and subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of the Company, in addition to other activities that are not investing or financing activities.
- Investing activities: the acquisition, sale or disposal by other means of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: Activities that result in changes in the amount and composition of equity and financial liabilities.

5. Intangible assets

At 31 December 2022 and 2021, the breakdown and movements in this item in the accompanying statement of financial position were as follows:

Millions of Euro

	Balance at 31 December 2021	Additions and charges	Disposals and Transfers	Balance at 31 December 2022
Cost:				
Patents, licences, trademarks and similar	9	9	(9)	9
Software	394	20	–	414
Total	**403**	**29**	**(9)**	**423**
Accumulated amortisation:				
Patents, licences, trademarks and similar	(6)	(7)	9	(4)
Software	(293)	(31)	–	(324)
Total	**(299)**	**(38)**	**9**	**(328)**
NET TOTAL	**104**	**(9)**	**–**	**95**

Millions of Euro

	Balance at 31 December 2020	Additions and charges	Disposals and Transfers	Balance at 31 December 2021
Cost:				
Patents, licences, trademarks and similar	9	6	(6)	9
Software	375	22	(3)	394
Total	**384**	**28**	**(9)**	**403**
Accumulated amortisation:				
Patents, licences, trademarks and similar	(5)	(7)	6	(6)
Software	(266)	(30)	3	(293)
Total	**(271)**	**(37)**	**9**	**(299)**
NET TOTAL	**113**	**(9)**	**–**	**104**

Investments in computer software in 2022 relate mainly to acquisitions from Endesa Medios y Sistemas, S.L.U., amounting to Euro 19 million (Euro 21 million in 2021) and from Enel Global Trading, S.p.A. in the amount of Euro 1 million (see Note 18.1).

At 31 December 2022, the Company had outright intangible asset purchase commitments amounting to Euro 47 thousand (Euro 47 thousand at 31 December 2021), primarily relating to software.

At 31 December 2022 and 2021, the Company had no commitments to purchase intangible assets.

6. Property, plant and equipment

At 31 December 2022 and 2021, the breakdown and movements in this item in the accompanying statement of financial position were as follows:

Millions of Euro

	Balance at 31 December 2021	Additions and charges	Disposals and Transfers	Balance at 31 December 2022
Cost:				
Plant and other property, plant and equipment	9	1	–	10
Total	**9**	**1**	**–**	**10**
Accumulated amortisation:				
Plant and other property, plant and equipment	(7)	(1)	–	(8)
Total	**(7)**	**(1)**	**–**	**(8)**
NET TOTAL	**2**	**–**	**–**	**2**

Millions of Euro

	Balance at 31 December 2020	Additions and charges	Disposals and Transfers	Balance at 31 December 2021
Cost:				
Plant and other property, plant and equipment	8	1	–	9
Total	**8**	**1**	**–**	**9**
Accumulated amortisation:				
Plant and other property, plant and equipment	(6)	(1)	–	(7)
Total	**(6)**	**(1)**	**–**	**(7)**
NET TOTAL	**2**	**–**	**–**	**2**

At 31 December 2022 and 2021, the Company had no fully depreciated property, plant and equipment still in use.

At 31 December 2022 and 2021, the Company had no commitments to purchase property, plant and equipment.

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

7. Leases and similar operations

7.1. Operating leases

Endesa, S.A. has leased to the Group company Endesa Medios y Sistemas, S.L.U. the property located at its registered office, whose agreement expires in 2030. The lease instalments paid in 2022 for this lease amounted to Euro 4 million (Euro 5 million in 2021).

Likewise, Endesa, S.A. is the lessee of several buildings with leases that expire between 2023 and 2030. Lease payments made in 2022 for these leases amounted to Euro 3 million (Euro 3 million in 2021) (see Note 16.3).

At 31 December 2022 and 2021, the minimum future lease payments payable by the Company under operating leases are as follows:

Millions of Euro

	Nominal value	
	31 December 2022	**31 December 2021**
Less than one year	6	8
Between one year and five years	23	28
More than five years	17	24
Total	**46**	**60**

8. Current and non-current financial assets

At 31 December 2022 and 2021, the details and movements of *"Investments in Group companies and associates"* and *"Non-current financial assets"* in the accompanying statement of financial position were as follows.

Millions of Euro

	Note	Balance at 31 December 2021	Additions and charges	Dispo sals	Transfers and other	Balance at 31 December 2022
INon-current investments in Group companies and associates	18.2	**18,924**	**2**	**—**	**—**	**18,926**
Equity instruments	8.1.1	18,924	2	—	—	18,926
Interests in Group companies and associates		18,926	2	—	—	18,928
Impairment losses		(2)	—	—	—	(2)
Loans to companies	8.1.2	—	—	—	—	—
Loans to companies		54	—	—	(54)	—
Impairment losses	8.1.3	(54)	—	—	54	—
Non-current financial investments		**28**	**131**	**(5)**	**(24)**	**130**
Equity instruments	8.2.1	3	—	—	—	3
Non-current financial investments		5	—	—	—	5
Impairment losses		(2)	—	—	—	(2)
Loans to third parties	8.2.2	6	7	—	(6)	7
Loans to third parties		6	7	—	(6)	7
Derivatives	14	7	123	(2)	(18)	110
Other financial assets	8.2.3	12	1	(3)	—	10
TOTAL NON-CURRENT FINANCIAL ASSETS		**18,952**	**133**	**(5)**	**(24)**	**19,056**

Millions of Euro

	Note	Balance at 31 December 2020	Additions and charges	Dispo sals	Transfers and other	Balance at 31 December 2021
Non-current investments in Group companies and associates	18.2	**18,878**	**46**	**—**	**—**	**18,924**
Equity instruments	8.1.1	18,878	46	—	—	18,924
Interests in Group companies and associates		18,879	47	—	—	18,926
Impairment losses		(1)	(1)	—	—	(2)
Loans to companies	8.1.2	—	—	—	—	—
Loans to companies		54	—	—	—	54
Impairment losses	8.1.3	(54)	—	—	—	(54)
Non-current financial investments		**31**	**6**	**(10)**	**1**	**28**
Equity instruments	8.2.1	4	(1)	—	—	3
Non-current financial investments		5	—	—	—	5
Impairment losses		(1)	(1)	—	—	(2)
Loans to third parties	8.2.2	4	5	(4)	1	6
Loans to third parties		5	5	(4)	—	6
Impairment losses		(1)	—	—	1	—
Derivatives	14	7	2	(2)	—	7
Other financial assets	8.2.3	16	—	(4)	—	12
TOTAL NON-CURRENT FINANCIAL ASSETS		**18,909**	**52**	**(10)**	**1**	**18,952**

The details and movements of current financial investments in Group companies and associates and current *financial assets in the accompanying statement of financial position* at 31 December 2022 and 2021 are as follows:

Millions of Euro

	Note	31 December 2022	31 December 2021
Current investments in Group companies and associates	18.2	**4,753**	**70**
Loans to companies	8.1.2	4,753	70
Loans to Group companies and associates		4,753	70
Current financial investments		**176**	**2**
Loans to third parties		170	2
Loans to third parties	8.2.2	170	2
Other financial assets		6	—
TOTAL CURRENT FINANCIAL ASSETS		**4,929**	**72**

8.1. Non-current and current investments in Group companies and associates

8.1.1. Equity instruments

At 31 December 2022 and 2021, the details of the investments in equity instruments of Group companies and associates, as well as the most significant information regarding each investment at those dates, were as follows:

Group companies and associates: 2022				Millions of Euro			
Company [1]						Profit/(loss) for the year	
Registered office	Activity	% direct ownership	Share capital	Reserves	Interim dividend	Profit/ (loss) from operations	Net income
Group companies:							
Endesa Energía, S.A.U. – Madrid [2] [3]	Supply of energy products	100%	14	1,276	—	751	506
Endesa Generación, S.A.U. – Seville [2]	Electricity Production and Retailing	100%	1,940	3,314	—	1,575	1,020
Endesa Red, S.A.U. – Madrid [2]	Distribution activities	100%	720	2,337	(560)	1,012	745
Endesa Medios y Sistemas, S.L.U. – Madrid	Rendering of services	100%	90	62	—	14	13
Endesa Financiación Filiales, S.A.U. – Madrid	Endesa, S.A. subsidiary financing	100%	4,621	4,653	(83)	127	95
Endesa X Servicios, S.L.U. - Madrid	Supply of energy products	100%	—	84	(70)	22	110
Rest of Group							
TOTAL							

[1] Unaudited data.
[2] Figures related to information of the consolidated subgroup.
[3] Pursuant to Article 36 of the Royal Decree of 22 August 1885 publishing the Code of Commerce, this company does not fall within the established causes for mandatory reduction of share capital or mandatory dissolution due to losses, as adjustments due to changes in value arising from cash flow hedge transactions are not considered equity items for these purposes and are transferred to the income statement to the extent that the highly probable hedged transaction that is forecast affects profit or loss for the year.

Group companies and associates: 2021				Millions of Euro			
Copmpany [1]						Profit/(loss) for the year	
Domicilio	Activity	% direct ownership	Share capital	Reserves	Interim dividend	Profit/ (loss) from operations	Net income
Empresas del Grupo:							
Endesa Energía, S.A.U. – Madrid [2]	Supply of energy products	100%	14	1,269	—	77	18
Endesa Generación, S.A.U. – Seville [2]	Electricity Production and Retailing facilities	100%	1,940	2,789	—	682	534
Endesa Red, S.A.U. – Madrid [2]	Distribution activities	100%	720	2,060	(649)	1,297	930
Endesa Medios y Sistemas, S.L.U. – Madrid [1]	Rendering of services	100%	90	52	—	6	5
Endesa Financiación Filiales, S.A.U. – Madrid [1]	Endesa, S.A. subsidiary financing	100%	4,621	4,621	(88)	160	120
Endesa X Servicios, S.L.U. – Madrid [1]	Supply of energy products	100%	—	90	—	(10)	(7)
Resto del Grupo							
TOTAL							

[1] Audited figures.
[2] Figures related to information of the consolidated subgroup.

Millions of Euro							
				Carrying amount			
Total equity	Grants, donations and request received	Valuation adjustments	Total equity	Cost	Impairment in the year	Accumulared impairment	Dividends received (Notes 16.1 and 18.1)
1,796	—	(3,050)	(1,254)	1,102	—	—	—
6,274	48	(381)	5,941	5,891	—	—	—
3,242	4,772	(102)	7,912	2,440	—	—	560
165	—	1	166	167	—	—	—
9,286	—	—	9,286	9,242	—	—	83
124	—	—	124	80	—	—	70
			—	6	—	(2)	—
				18,928	**—**	**(2)**	**713**

Millions of Euro							
				Carrying amount			
Total equity	Grants, donations and request received	Valuation adjustments	Total equity	Cost	Impairment in the year	Accumulared impairment	Dividends received (Notes 16.1 and 18.1)
1,301	—	(975)	326	1,102	—	—	—
5,263	49	(865)	4,447	5,891	—	—	—
3,061	4,657	(217)	7,501	2,440	—	—	649
147	—	—	147	167	—	—	—
9,274	—	—	9,274	9,242	—	—	88
83	—	—	83	80	—	—	—
			—	4	(1)	(2)	—
				18,926	**(1)**	**(2)**	**737**

These companies do not have publicly listed share prices. At 31 December 2022 and 2021, Endesa also held 100% of Endesa Capital, S.A.U. and Endesa Generación II, S.A.U.

Most significant changes in 2022 and 2021

2022

On 29 November 2022, the Company made a monetary contribution to its investee Endesa Capital, S.A.U., respectively, to strengthen its financial position. This contribution, which was not made for any consideration and does not have to be repaid, was recognised as an increased ownership interest and amounted to Euro 2 million.

2021

On 10 March 2021 and 15 December 2021, the Company made monetary contributions to its investees, Endesa X Servicios, S.L.U. and Endesa Capital, S.A.U., respectively, to strengthen their financial position. These contributions, which were not made for any consideration and do not have to be repaid, were recognised as an increased ownership interest and amounted to Euro 45 million and Euro 2 million, respectively.

8.1.2. Current and non-current loans and advances to Group companies and associates

At 31 December 2022 the heading "*Current loans to Group companies and associates*" mainly includes the debit balance of Euro 4,696 million from the intercompany current account agreement with Endesa Financiación Filiales, S.A.U. (credit balance of Euro 1,835 million classified under "*Non-current debts to Group companies and associates*" at 31 December 2021). The Company has a cash pooling agreement with Endesa Financiación Filiales, S.A.U. that is automatically renewable for five-year periods at maturity unless either party notifies the other of its decision not to renew the agreement at least 13 months before the end of the period. The interest rate applicable to the current account will be determined by Endesa Financiación Filiales, S.A., and will be equal to the average cost of gross debt for the Endesa Group (or any other that may replace it in the future), as published by the Finance Department during the month immediately prior to the interest period concerned, and may be reviewed, where appropriate, depending on the actual rate at the end of the interest period. This contract stipulates that the Company may draw down the amounts required to cover its financial needs and invest its surpluses to regulate its cash flows. There is no limit on the cash drawdowns that can be made between the parties. At 31 December 2022 accrued and uncollected interest on this credit line amounts to Euro 31 million (Euro 13 million corresponding to accrued and unpaid interest classified under "*Current debts to Group companies and associates*" at 31 December 2021) (see Notes 12.1, 12.2 and 18.2).

Likewise, at 31 December 2022, "*Current loans to Group companies and associates*" includes mainly the amounts receivable from Enel Iberia, S.L.U. for an income tax expense of Euro 9 million (Euro 56 million at December 2021). The receivable for 2022 income tax expense is an estimate and therefore interest-free, as it will be settled in 2023 when the income tax return is filed (see Notes 15.9 and 18.2).

Lastly, at 31 December 2022, the Company had granted a loan to Elcogas, S.A. (In Liquidation) recorded under *current loans to Group companies and associates* (*Non-current loans to Group companies and associates* as at 31 December 2021) in the amount of Euro 54 million and is fully impaired. Its maturity date is dependant upon Elcogas, S.A. (In Liquidation) has paid all its company debts, considering that this circumstance, given the current plant closing process, could take less than 12 months.

8.1.3. Impairment

During 2022 and 2021, impairment losses on current loans and advances to Group companies and associates and any reversals thereof are as follows.

Millions of Euro

	2022	2021
Balance at 1 January	**54**	**54**
Transfers to current	(54)	–
Balance at 31 December	**–**	**54**

8.2. Current and non-current financial investments

8.2.1. Equity instruments

Investments in equity instruments held at 31 December 2022 totalled Euro 3 million (Euro 3 million at 31 December 2021).

8.2.2. Current and non-current loans to third parties

At 31 December 2022 and 2021, loans to third parties included the balance relating to non-current loans to staff amounting to Euro 7 million and Euro 6 million, respectively.

Likewise, at 31 December 2022 and 2021, no impairment loss allowances were recognised for non-current "*Loans to third parties*".

In Ruling 202/2022, dated February 21, the Supreme Court recognized Endesa, S.A.'s right to be compensated for the amounts paid for the financing and co-financing of the "Bono Social" or Social Bonus with the Public Administrations during the entire period of validity of the third financing scheme of the "Bono Social" or Social Bonus, so that the plaintiff is reimbursed for all amounts paid, discounting those which, if any, would have been passed on to customers. Endesa, S.A. has not passed on, either directly or indirectly, this cost to customers and should, therefore, be entitled to full recovery of the amounts paid.

In particular, in the case of the regulated segment, the recovery of the amounts owed should be automatic since the Reference Suppliers cannot pass this cost on to the customers since their remuneration system does not allow it. For this reason, at 31 December 2022, Endesa S.A. has recorded under the heading "Short-term loans to third parties", an account receivable in this connection, amounting to Euro 152 million of principal and Euro 16 million of late-payment interest (see Notes 11.3, 16.3, 16.4 and 16.5).

8.2.3. Other non-current financial assets

At 31 December 2022 and 2021, this heading included Euro 10 million and Euro 12 million, respectively, for the deposit provided to guarantee the payment of future services of employees who have availed themselves of Endesa, S.A.'s defined benefit pension plan. (see Note 11.1).

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

At 31 December 2022 and 2021, Non-current and current financial assets", excluding equity instruments in Group companies and associates, by class and category, were as follows:

Millions of Euro

	Note	31 December 2022			
		Financial assets at cost	Financial assets at amortised cost	Hedging derivatives	Total
Non-current financial investments		**3**	**17**	**110**	**130**
Equity instruments	8.2.1	3	—	—	3
Loans to third parties	8.2.2	—	7	—	7
Derivatives	14	—	—	110	110
Other financial assets	8.2.3	—	10	—	10
Total non-current financial assets		**3**	**17**	**110**	**130**
Current investments in Group companies and associates		**—**	**4,753**	**—**	**4,753**
Loans to companies	8.1.2	—	4,753	—	4,753
Current financial investments		**—**	**176**	**—**	**176**
Loans to third parties	8.2.2	—	170	—	170
Other financial assets		—	6	—	6
Trade and other receivables		**—**	**117**	**—**	**117**
Cash and cash equivalents		**—**	**26**	**—**	**26**
Total current financial assets		**—**	**5,072**	**—**	**5,072**
TOTAL		**3**	**5,089**	**110**	**5,202**

Millions of Euro

	Note	31 December 2021			
		Financial assets at cost	Financial assets at amortised cost	Hedging derivatives	Total
Non-current financial investments		**3**	**18**	**7**	**28**
Equity instruments	8.2.1	3	—	—	3
Loans to third parties	8.2.2	—	6	—	6
Derivatives	14	—	—	7	7
Other financial assets	8.2.3	—	12	—	12
Total non-current financial assets		**3**	**18**	**7**	**28**
Current investments in Group companies and associates		**—**	**70**	**—**	**70**
Loans to companies	8.1.2	—	70	—	70
Current financial investments		**—**	**2**	**—**	**2**
Loans to third parties		—	2	—	2
Trade and other receivables		**—**	**203**	**—**	**203**
Cash and cash equivalents		**—**	**378**	**—**	**378**
Total current financial assets		**—**	**653**	**—**	**653**
TOTAL		**3**	**671**	**7**	**681**

8.4. Classification by maturity

At 31 December 2022 and 2021, the breakdown, by maturity, of non-current financial assets, excluding equity instruments, was as follows:

Millions of Euro

31 December 2022	2024	2025	2026	2027	Subsequent years	Total
Non-current financial investments	**4**	**3**	**3**	**5**	**112**	**127**
Loans to third parties	2	1	1	1	2	7
Derivatives	—	—	—	1	109	110
Other financial assets	2	2	2	3	1	10
TOTAL NON-CURRENT FINANCIAL ASSETS	**4**	**3**	**3**	**5**	**112**	**127**

Millions of Euro

31 December 2021	2023	2024	2025	2026	Subsequent years	Total
Non-current financial investments	**5**	**5**	**4**	**2**	**9**	**25**
Loans to third parties	1	1	—	2	2	6
Derivatives	—	—	—	—	7	7
Other financial assets	4	4	4	—	—	12
TOTAL NON-CURRENT FINANCIAL ASSETS	**5**	**5**	**4**	**2**	**9**	**25**

8.5. Items recognised in the income statement and in equity

In 2022 and 2021, the charges to the income statement and to equity arising from non-current and current financial assets grouped by the different existing categories were as follows:

Millions of Euro

	2022		2021	
	Income statement	Equity	Income statement	Equity
Financial assets at amortised cost	59	—	1	—
Fair value hedging derivatives	2	—	(2)	—
Cash flow hedging derivatives:	4	116	—	2
TOTAL	**65**	**116**	**(1)**	**2**

8.6. Financial assets at fair value through profit or loss

In 2022 and 2021, the changes in the fair value of "*Non-current and current financial assets at fair value through profit and loss*" were as follows:

Millions of Euro

	Fair value at 31 December 2021	Change in fair value of derivatives	Derivatives settlements	Other movements	Fair value at 31 December 2022
Financial assets at fair value through profit or loss	**—**	**—**	**—**	**—**	**—**
Non-current	—	—	—	—	—
Current	—	—	—	—	—
TOTAL	**—**	**—**	**—**	**—**	**—**

Millions of Euro

	Fair value at 31 December 2021	Change in fair value of derivativesa	Derivatives settlements	Other movements	Fair value at 31 December 2022
Financial assets at fair value through profit or loss	**—**	**1**	**(1)**	**—**	**—**
Non-current	—	—	—	—	—
Current	—	1	(1)	—	—
TOTAL	**—**	**1**	**(1)**	**—**	**—**

8.7. Fair value measurement

At 31 December 2022 and 2021, the classification of financial assets measured at fair value in the statement of financial position by fair value hierarchy was as follows:

Millions of Euro

	31 December2022			
	Fair value	Level 1	Level 2	Level 3
Non-current financial investments	**110**	**—**	**110**	**—**
Derivatives	110	—	110	—
Interest rate hedges	110	—	110	—
Fair value hedges	2	—	2	—
Cash flow hedges	108	—	108	—
Total non-current assets	**110**	**—**	**110**	**—**

Millions of Euro

	31 December 2021			
	Fair value	Level 1	Level 2	Level 3
Non-current financial investments	**7**	**—**	**7**	**—**
Derivatives	7	—	7	—
Interest rate hedges	7	—	7	—
Fair value hedges	6	—	6	—
Cash flow hedges	1	—	1	—
Total non-current assets	**7**	**—**	**7**	**—**

There were no level transfers among these financial assets in 2022 and 2021.

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

At 31 December 2022 and 2021, the fair value of the Company's non-current financial assets classified under "*Financial assets at amortised cost*" did not differ significantly from their carrying amount.

8.8. Financial investment commitments

At 31 December 2022 and 2021, Endesa, S.A. did not have any agreements that included commitments to make financial investments of a significant amount.

9. Foreign currency

At 31 December 2022 and 2021, the details of the most significant foreign currency balances were as follows:

Millions of Euro

	31 December 2022			31 December 2021		
	US dollar (USD)	Pound sterling (GBP)	TOTAL	US dollar (USD)	Pound sterling (GBP)	TOTAL
CURRENT ASSETS	**83**	**1**	**84**	**66**	**—**	**66**
Trade and other receivables	78	—	78	66	—	66
Customers Group and Associated Companies	78	—	78	66	—	66
Cash and Cash Equivalents	5	1	6	—	—	—
TOTAL ASSETS	**83**	**1**	**84**	**66**	**—**	**66**

Millions of Euro

	31 December 2022			31 December 2021		
	US dollar (USD)	Pound sterling (GBP)	TOTAL	US dollar (USD)	Pound sterling (GBP)	TOTAL
CURRENT LIABILITIES	**(78)**	**—**	**(78)**	**(34)**	**—**	**(34)**
Trade and other payables	(78)	—	(78)	(34)	—	(34)
Other payables	(78)	—	(78)	(34)	—	(34)
TOTAL LIABILITIES	**(78)**	**—**	**(78)**	**(34)**	**—**	**(34)**

In 2022 and 2021, no foreign currency transactions of any significant amount were carried out.

The Company has signed with Endesa Energía, S.A.U. and Enel Global Trading, S.p.A. contracts for the sale of liquefied natural gas (LNG) through which it transfers, under the same conditions, the purchases made by the Company from Christi Liquefaction, LLC to execute the aforementioned contracts (see Note 17.2). The transactions involved in these operations are denominated in US dollars (USD), are deemed to be brokerage and are netted off in the accompanying income statement under "*Procurements*".

The foreign exchange differences arising on transactions settled in 2022 and 2021 related mainly to measurements of cash accounts denominated in foreign currency.

10. Equity

At 31 December 2022 and 2021, the breakdown of equity and movement during the year are shown in the statement of changes in equity that form part of the Company's financial statements.

10.1. Share capital

At 31 December 2022, Endesa, S.A. had share capital of Euro 1,270,502,540.40, represented by 1,058,752,117 bearer shares with a par value of Euro 1.20 each, subscribed and fully paid up and all admitted for trading on the Spanish Stock Exchanges. There were no changes in share capital in 2022 and 2021. All the shares have the same voting and profit-sharing rights. At 31 December 2022 and 2021, the Enel Group, through Enel Iberia, S.L.U., held 70.1% of Endesa, S.A.'s share capital (see Note 1). At that date, no other shareholder held more than 10% of the share capital of Endesa, S.A.

10.2. Share premium

The share premium arises from the Company's corporate restructuring. Article 303 of the Consolidated text of the Spanish Corporate Enterprises Act expressly permits the use of the share premium to increase capital and does not establish any specific restrictions as to its use. Nonetheless, at 31 December 2022, Euro 33 million of the share premium are restricted to the extent that they are subject to tax assets capitalised in prior years (Euro 35 million at 31 December 2021).

10.3. Reserves

At 31 December 2022 and 2021, the details of the Company's reserves were as follows:

Millions of Euro

	Note	31 December 2022	31 December 2021
Legal reserve	10.3.1	254	254
Revaluation reserve	10.3.2	404	404
Redeemed capital reserve	10.3.3	102	102
Reserve for redenomination of capital to Euro	10.3.4	2	2
Reserve for actuarial gains and losses and other adjustments	10.3.5	—	(17)
Other reserves		693	693
Merger reserve	10.3.6	667	667
Other unrestricted reserves	10.3.7	26	26
Voluntary and other reserves		26	26
TOTAL		**1,455**	**1,438**

10.3.1. Legal reserve

In accordance with section 274 of the Consolidated text of the Corporate Enterprises Act, an amount equal to ten per cent of the profit for the year shall be earmarked for the legal reserve until such reserve represents at least twenty per cent of the share capital. The legal reserve can be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase. Except for the aforementioned purpose, the legal reserve may not be used to offset losses unless it exceeds twenty per cent of the share capital and no other sufficient reserves are available for such purpose.

At 31 December 2022 and 2021, the Company had allocated the minimum amount required by said law to this reserve.

10.3.2. Revaluation reserve

The *revaluation reserve* is a result of the revaluation of assets made pursuant to Royal Decree-Law 7/1996, of 7 June. On 1 January 2000, the revalued assets were contributed to the corresponding companies following the corporate restructuring carried out by Endesa, S.A.
This balance can be used, tax-free, to offset the accounting loss for the year or accounting losses accumulated from prior years or that could arise in the future, and to increase share capital or unrestricted reserves. It can also be transferred to unrestricted reserves provided that the monetary gain has been realised. The gain will be deemed to have been realised when the related revalued assets have been depreciated, transferred or derecognised.
This balance would be taxed if used for any purpose other than that foreseen in Royal Decree Law 7/1996 of 7 June.
Nonetheless, at 31 December 2022, Euro 207 million of the share premium are restricted to the extent that they are subject to tax assets capitalised in prior years (Euro 221 million at 31 December 2021).

10.3.3. Redeemed capital reserve

The redeemed capital reserve has been appropriated in compliance with Article 335 of the Corporate Enterprises Act, which requires companies to post to this reserve an amount equal to the par value of the redeemed shares or of the reduction in their par value, when the reduction is charged to unrestricted profits or reserves by redeeming shares acquired free of charge by the Company. The drawdown on this reserve shall be subject to the same requirements as set forth for reducing share capital.

10.3.4. Reserve for redenomination of capital to Euro

This reserve is not distributable.

10.3.5. Reserve for actuarial gains and losses and other adjustments

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

10.3.6. Merger reserve

This reserve stems from the restructuring of the Company, and its balance at 31 December 2022 and 2021 amounts to Euro 667 million, of which Euro 78 million and Euro 81 million, respectively, are undistributable because they are subject to certain tax benefits.

10.3.7. Other unrestricted reserves

Voluntary reserves are freely distributable.

10.4. Treasury shares

On 14 October 2022, the Board of Directors of Endesa, S.A. resolved to implement a temporary share buy-back programme to cover its long-term variable remuneration plan called the "*Strategic Incentive Plan 2022-2024*", under which the delivery of shares forms part of the "*strategic incentive*" payment (see Note 18.3.5).
The Repurchasing Programme, managed and implemented by Exane, S.A. ("*Exane BNP Paribas*"), is subject to that envisaged in the Commission Delegated Regulation (EU) 2016/1052, of 8 March, completing Regulation (EU) 596/2014 of the European Parliament and of the Council, of 16 April.
With the execution of the Programme, Endesa, SA has acquired 91,362 treasury shares, which are added to the 162,458 treasury shares that it acquired in previous years through the execution of similar programmes.

No disposals or cancellations have been made since acquisition.

Likewise, the Board of Directors of Endesa, S.A., at its meeting held on 10 May 2022, resolved to carry out another Temporary Share Buy-back Programme, in accordance with the authorisation granted by the Company's General Shareholders' Meeting held on 5 May 2020, and also in conformity with the approval of the Company's Board of Directors held on 22 March in relation to the plan to award shares to employees ("*Flexible Share Remuneration Programme*"). This Temporary Share Buy-back Programme aims to acquire shares to comply with the obligations of the Flexible Share Remuneration Programme for serving employees of the Endesa Group in Spain that opt in 2022 to receive a portion of their salary in shares of Endesa, S.A. within the Group's general remuneration policy framework. The Temporary Share Buyback Programme includes the volume of shares required to cover the monetary amount requested by the employees.

Under the aforementioned Programme, Endesa, S.A. acquired 509,982 treasury shares of the Company, of which 790 shares remained in the Company's possession at 31 December 2022.

Therefore, at 31 December 2022 and 2021 Endesa, S.A. held treasury shares as reflected in the table below:

	Number of shares	Nominal value (Euro/Share)	% of total share capital	Average acquisition cost (Euro/Share)	Total cost of acquisition (Euro)
Own shares at 31 December 2022	254,610	1.20	0.02405	19.25	4,901,357
Own shares at 31 December 2021	162,458	1.20	0.01534	21.44	3,483,847

10.5. Dividends

2021

Approval was given at Endesa, S.A.'s General Shareholders' Meeting of 29 April 2022 to pay shareholders a total dividend charged against 2021 profit and the retained earnings for a gross amount of Euro 1.4372 per share (Euro 1,522 million in total). The breakdown of these dividends is as follows:

Millions of Euro

	Approval date	Euro per share, gross	Amount	Payment date
Interim dividend	24 November 2021	0.50	529	3 January 2022
Final dividend	29 April 2022	0.9372	993	1 July 2022
Total dividend paid against 2021 profit and retained earnings		**1.4372**	**1,522**	

10.6. Valuation adjustments

The movement in "*Valuation adjustments*" in the accompanying statement of financial position is shown in the statement of recognised income and expense forming part of these financial statements.

11. Provisions and contingencies

At 31 December 2022 and 2021, the details of current and non-current provisions in the accompanying statement of financial position were as follows:

Millions of Euro

	Note	31 December 2022	31 December 2021
Non-current provisions			
Non-current employee benefit provisions		23	51
Provisions for pensions and other similar provisions [1]	11.1	12	36
Other employee benefits		11	15
Provisions for workforce restructuring plans		124	140
Contract suspensions	11.2.1	124	140
Other provisions	11.3	65	62
TOTAL		**212**	**253**
Current provisions			
Provisions for workforce restructuring plans		40	44
Contract suspensions		40	44
TOTAL		**40**	**44**

[1] Includes post-employment benefits other than pension plans for Euro 9 million at 31 December 2022 (Euro 17 million at 31 December 2021).

11.1. Provisions for pensions and other similar provisions

Provisions for pensions and similar obligations in the accompanying statement of financial position are the result of obligations set forth in collective or individual agreements with the Company's employees, whereby the Company undertakes to supplement the public social security system benefits in the event of retirement, permanent disability and death.

Pension commitments, both defined benefits and defined contributions, are basically arranged through pension plans or insurance policies, except as regards certain benefits in kind, which due to their nature have not been outsourced and are covered by in-house provisions.

The amounts recognised in the statement of financial position at 31 December 2022 for post-employment benefits include Euro 12 million recognised in *"Non-current provisions"* (Euro 36 million at 31 December 2021).

At 31 December 2022 and 2021, the details of the present value of the provisions assumed by the Company in relation to post-employment remuneration and other long-term employee benefits and associated plan assets were as follows:

Millions of Euro

	31 December 2022	31 December 2021
Present value of defined benefit provisions	**31**	**85**
Assets	7	14
Liabilities	4	37
Early retirees	20	34
Fair value of defined benefit plan assets	**(19)**	**(49)**
Net Total [1]	**12**	**36**

[1] Includes post-employment benefits other than pension plans for Euro 9 million at 31 December 2022 (Euro 17 million at 31 December 2021).

At 31 December 2022 and 2021, the movement in actuarial liabilities for defined benefit provisions was as follows:

Millions of Euro

	Note	2022	2021
Opening actuarial liability		**85**	**94**
Amounts charged to profit/(loss) for the year		**1**	**1**
Financial expenses	16.4	1	1
Actuarial gains and losses		**(28)**	**(3)**
Amounts used		**(6)**	**(7)**
Payments		(7)	(7)
Transfers to current and other		1	–
Insurance for benefits payable		**(21)**	**–**
Closing actuarial liability (1)		**31**	**85**

(1) Includes post-employment benefits other than pension plans for Euro 9 million at 31 December 2022 (Euro 17 million at 31 December 2021).

The amount recognised under *insurance for benefits payable* in 2022, of Euro 21 million, relates to the payment of premiums on the insurance policies taken out to cover the defined benefit obligations in that year in a move to eliminate all the risks assumed by Endesa in relation to the obligations insured. The amounts paid led to a reduction in the same amount of plan assets.

The cost of the policy is Euro 0.4 million lower than the actuarial liability corresponding to these obligations and, therefore, a positive effect has been recognised for this amount under *"Personnel expenses"* in the Income Statement.

At 31 December 2022 and 2021, the changes in the market value of defined benefit plan assets were as follows:

Millions of Euro

	Note	2022	2021
Opening market value		**49**	**54**
Estimated benefit	16.4	1	1
Company contribution		2	2
Payments		(7)	(7)
Actuarial gains and losses		(5)	(1)
Insurance for benefits payable		(21)	–
Closing market value (1)		**19**	**49**
Opening liabilities/(assets) balance		**36**	**40**
Closing liabilities/(assets) balance		**12**	**36**

(1) Post-employment benefits other than pension schemes are not included.

The Company has the above provisions covered by the amounts shown in the statements of financial position at 31 December 2022 and 2021.

Plan assets

At 31 December 2022 and 2021, the main characteristics of defined benefit plan assets as a percentage of total assets, were as follows:

	Percentage (%)	
	31 December 2022	**31 December 2021**
Shares	30	39
Fixed income assets	45	45
Other (cash)	25	16
TOTAL	**100**	**100**

Actuarial assumptions

At 31 December 2022 and 2021, the following were the most significant actuarial assumptions considered in the calculations:

	31 December 2022	**31 December 2021**
Mortality tables	PERM FCOL2020	PERM FCOL2020
Interest rate	3.74%-3.77%	1.08%-1.16%
Expected return on plan assets	3.77%	1.09%
Salary increase [1]	2.78%	2.20%
Increase in the cost of health care	4.98%	4.40%

[1] Benchmark percentage for estimating salary increases.

The interest rate applied to discount the provisions in Spain is obtained from a curve constructed using the yields on corporate bond issues by companies with an *"AA"* credit rating, based on the estimated term of the provisions arising from each commitment.
The projected unit credit method is used, where each year of service generates a unit of rights to the benefits, with each unit determined separately.

Other information

Contributions by the Company to defined contribution and benefit pension plans amounted to Euro 9 million in 2022 (Euro 10 million in 2021) and are recognised under "*Personnel expenses*" in the income statement.

11.2. Provisions for workforce restructuring plans

Provisions for the various workforce restructuring plans included in the statement of financial position are the result of individual or collective agreements with the Company's employees, whereby the Company undertakes to supplement state benefits in the event of termination or suspension of employment by agreement between the parties.

11.2.1. Agreement on voluntary suspension or termination of employment contracts

At 31 December 2022, under the "*Agreement on voluntary suspension or termination of employment contracts of the Agreement on Guarantees for Endesa, S.A. and its Electricity Subsidiaries*", Endesa recognised a provision amounting to Euro 164 million, covering the entire cost to be borne by the Company during the period for which, in accordance with the commitments made at that date, of which Euro 124 million were recognised as non-current (Euro 184 million and 140 million, respectively, at 31 December 2021). This provision affects a maximum of 439 employees for whom Endesa has undertaken not to exercise the power to apply to return to the Company (438 employees at 31 December 2021).

At 31 December 2022 and 2021, the movements in this non-current provision were as follows:

Millions of Euro

	Note	2022	2021
Opening balance		**140**	**185**
Amounts charged to profit/(loss) for the year		**43**	**9**
Personnel expenses	16.2	40	9
Financial expenses	16.4	3	—
Amounts used		**(59)**	**(54)**
Personnel income	16.2	(1)	(5)
Financial income	16.4	(18)	(2)
Transfers and other		(40)	(47)
Closing balance		**124**	**140**

Actuarial assumptions

At 31 December 2022 and 2021, the assumptions used in the actuarial calculation of the provisions arising from the contract suspension agreement were as follows:

	31 December 2022	31 December 2021
Interest rate	3.57%	0.20%
Future increase in guarantee	1.00%	1.00%
Increase in other items	2.78%	2.20%
Mortality tables	PERM FCOL2020	PERM FCOL2020

11.3. Other non-current provisions

The movements and details of *"Other non-current provisions"* on the liability side of the accompanying statement of financial position at 31 December 2022 and 2021 were as follows.

Millions of Euro

	2022	2021
Opening balance	62	65
Amounts charged to profit/(loss) for the year	3	3
Amounts charged to profit for the year	—	(6)
Closing balance	**65**	**62**

Litigation and arbitration

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

- The Supreme Court handed down Ruling 212/2022, of 21 February, in the Appeal brought by Endesa, S.A., Endesa Energía, S.A.U. and Energía XXI Comercializadora de Referencia, S.L.U., as well as in the appeals brought by other companies in the electricity sector against the obligation under article 45.4 of Law 24/2013, of 26 December, on the Electricity Sector, Royal Decree Law 7/2016, of 23 December, and Royal Decree 897/2017, of 6 October, to finance the cost of the Social Bonus, as well as to co-finance with the public administrations the supply of severely vulnerable consumers covered by Last Resort Tariffs (LRT) and at risk of social exclusion. It is an appeal filed against the third system to finance the Social Bonus, whereby the obligation was imposed to finance the parents of company groups that carry out electricity supply activities, or the companies themselves that do so if they do not form part of a corporate group. In particular, the Supreme Court partially upheld the appeal declaring (i) inapplicable the Social Bonus financing system and the cofinancing system with the administrations for the supply of severely vulnerable consumers that avail themselves of the Last Resort Tariff (LRT) and that are at risk of social exclusion; (ii) articles 12 to 17 of Royal Decree 897/2017, of 6 October, to be inapplicable and null and void. In turn, the following is acknowledged, (iii) the right of the claimant to be compensated for the amounts paid to finance the Social Bonus and to co-finance with the public administrations, so that all amounts paid in this regard are refunded by discounting the amounts that, where appropriate, had been passed on to customers. Lastly, the following is declared: (iv) the right of the complainant to be compensated for the amounts invested to implement the procedure to request, check and manage the Social Bonus, together with the amounts paid to apply this procedure, discounting those amounts that, where appropriate, would have been passed on to the customers. The Supreme Court issued a ruling on 24 March 2022 dismissing the request to rectify or complement the judgment proposed by the State Legal Service, so that the government can continue to charge the relevant parties for the corresponding financing cost, as the financing system has been removed from the system. However, the Supreme Court confirms that: "*despite the declaration of inapplicability and annulment of the legal rules and regulations governing the system to finance the Social Bonus, the prevalence of the discount obligation in the price of electricity supplied to the vulnerable consumers will continue to generate for certain companies, even after the ruling, payments whose processing and compensation must be addressed in the new legal system to finance the Social Bonus which is established, to substitute that currently declared inapplicable, or a specific rule approved for this purpose*". By Order of 24 May 2022, the judgment was deemed to have been received by the responsible body, indicating that the ruling must be honoured by the Subdirectorate General for Electricity. In view of the inactivity of the administration, on 10 November 2022, a writ of enforcement was filed. Subsequently, via an Order of 9 January 2023, a report was received from the Ministry of Ecological Transition and the Demographic Challenge ("MITECO") on the state of enforcement of the Ruling, and Endesa was given notice to state, within ten days, whether the Administration has set the amounts to be paid in compensation. On 24 January 2022, Endesa submitted a written statement of pleadings, together with the corresponding reports, and requested access to the report prepared by the Spanish Markets and Competition Commission ("CNMC") on which the Ministry of Ecological Transition and the Demographic Challenge ("MITECO") based its report on the state of enforcement of the ruling, while reserving the right to make further pleadings in view of the aforementioned report (see Notes 8.2.2, 16.3, 16.4 and 16.5).

- Following a substantial number of meetings of the Committee responsible for negotiating the "*V Endesa Framework Collective Agreement*", which commenced in October 2017 and progressed throughout 2018, and given that no agreement was reached, the Company's Directors informed its workers and their representatives that, with effect from 1 January 2019, the "*IV Endesa Framework Collective Agreement*" would be considered to have ended, in addition to the "*Guarantee Framework Agreements*" and the "*Agreement on Voluntary Suspension or Termination of Employment Contracts for 2013-2018*", from which date the general employment regulations would apply, in addition to all case law in this regard.

  The different interpretation of Endesa and the union representation of workers on the effects of the termination of the implementation of the "*IV Endesa Framework Collective Agreement*", particularly as regards the social benefits of retired staff, led to the presentation by trade unions with representation at Endesa companies of a collective dispute lawsuit before the National High Court at the beginning of 2019. On 26 March 2019, a judgment was issued in which the National High Court, considering Endesa to be in the right, declaring valid the interpretation of the Company that recognises the legality of the completion of the application of certain social benefits to the retired employees as a result of the termination of the "*IV Endesa Framework Collective Agreement*".

  Although said Ruling was fully enforceable, trade union representatives at Endesa's companies filed a cassation Appeal against it before the Supreme Court in April 2019. In December 2019, the majority union at Endesa, the General Workers' Union (UGT) agreed to withdraw this Appeal as a result of voluntarily having submitted itself to fair arbitration to resolve certain aspects relating to the "*V Endesa Framework Collective Agreement*". Therefore, the appeal before the Supreme Court continued to be processed at the request of the 3 requesting minority trade unions: Workers' Commissions (CCOO), Independent Energy Union (SIE) and Galega Intersindical Confederation (IGC).

  On 7 July 2021 (notified on 22 July), the Supreme Court handed down Ruling (no. 761/2021), dismissing in full the appeals filed by the aforementioned trade unions, confirming the Spanish High Court Industrial Tribunal Ruling, of 26 March 2019, in its collective conflict procedure, order no. 32/2019.

  The Ruling mainly argues that the social benefits (among them, those relating to the electricity rate) exclusively arise from the collective agreements, both for serving and retired employees and their family members, so their extinguishment, as occurred in the case of the "*IV Endesa Framework Collective Agreement*", generally determines the contractualisation of the conditions established therein for serving employees and, in the case of non-active employees and their family members, led to the definitive extinguishment of all their rights, until they are regulated under the "*V Endesa Framework Collective Agreement*".

  In addition to the aforementioned collective dispute claim, more than a thousand individual claims have been filed at the date of authorisation for issue of these financial statements by retired employees or employees that have availed themselves of the voluntary departure plan, since they considered that the termination of the "*IV Endesa Framework Collective Bargaining Agreement*" did not affect them in the terms reported by the Company. Following the Supreme Court Ruling of 7 July 2021 (notified on 22 July 2021), the suspension on many of these claims was lifted, with most courts involved applying the "*res judicata effect*" on the individual processes on the same object, so the individual claims filed are being rejected.

- Also, on 30 December 2020, notification was received from the National High Court of the collective conflict claim filed by the Workers' Commissions Unions (CCOO), Independent Energy Union (SIE) and Galega Intersindical Confederation (CIG) on 16 December 2020, requesting the annulment of certain repealing provisions of the "*V Endesa Framework Collective Agreement*". In the applicants' view, the repealing provisions under attack entail the unlawful elimination of social benefits and economic rights. Endesa maintains a contrary position, defending its absolute legality in line with that argued in the challenge of the modification of social benefits to retired staff (favourable judgment of the National High Court of 26 March 2019 and the Supreme Court of 7 July 2021). The hearing was held on 4 November 2021, handing down a Ruling on 15 November 2021 (notified on 23

November 2021). In this Ruling, the claims of the appellant trade unions were dismissed and the legality of the "*V Endesa Framework Collective Agreement*" was declared. This Ruling was appealed against before the Supreme Court by the (Workers' Commissions (CCOO), Independent Energy Union (SIE) and Galega Intersindical Confederation (IGC) and is pending resolution.

- In January 2020, Endesa commenced a "*Substantial Modification of Employment Conditions*" (SMEC) process to establish the new organisation of the social benefits for personnel not included in the "*V Endesa Framework Collective Agreement*". Following the appropriate procedure, on 24 March 2021, the consultation period ended with the agreement between Endesa and the majority trade union the General Workers' Union (UGT) and the opposition of the Workers' Commissions Unions (CCOO) and the Independent Energy Union (SIE), which did not consider that any of the causes envisaged in article 41 of the Workers' Statute materialised to carry out the substantial modification intended by the Company.

  On 24 April 2020, a collective conflict claim was filed before the Spanish High Court by the Workers' Commissions Unions (CCOO) and the Independent Energy Union (SIE), a procedure which was suspended until the Supreme Court Ruling of 7 July 2021, relating to the "*IV Endesa Framework Collective Agreement*", described previously. On 4 November 2021, the trial took place, and a Ruling was handed down by the Spanish High Court on 11 November 2021 (notified on 23 November 2021), in which the claim was partially upheld filed by the trade unions declaring the nullity of the Substantial Modification of Employment Conditions agreements reached by Endesa and the General Workers' Union (UGT), also observing the "*res judicata effect*" in relation to the pension rights of employees outside the agreement, since it involves a dispute already resolved by the Supreme Court Ruling on 7 July 2021. Both Endesa and the Workers' Commissions Unions (CCOO) and the Independent Energy Union (SIE) filed a cassation appeal before the Supreme Court against the aspects of the Ruling contrary to its interests, which is currently pending resolution.

- On 9 July 2018, Endesa, S.A. was notified of the definitive income tax and VAT settlement agreements of the income tax and VAT tax consolidation groups to which Endesa, S.A. belongs, relating to the inspection process for 2011–2014, which were appealed against on 27 July 2018 before the Central Tax Appeals Board. On 28 January 2022, a partial settlement was upheld for Value Added Tax (VAT), which has been appealed against before the Spanish National Court.

  Lastly, on 4 April 2022, Income Tax resolutions were received, which has also been appealed against before the Spanish High Court

  The items under discussion originate mainly from the differing criteria regarding the deductibility of certain financial expenses during the inspected period and the deductibility of Value Added Tax (VAT) under the pro rata rule. The contingency associated with the process is Euro 38 million. A guarantee is available to ensure debt suspension.

- In relation to the inspection process for 2015-2018, definitive income tax and VAT settlement agreements were received from the income tax and VAT tax consolidation groups to which Endesa, S.A. belongs and for personal income tax withholdings of Endesa, S.A. itself. The agreements were appealed against before the Central Economic-Administrative Court.

  The items under discussion originate mainly from the differing criteria regarding the deductibility of certain financial expenses during the inspected period. The contingency associated with the process is Euro 23 million. A guarantee is available to ensure debt suspension.

The Company's Directors do not expect any significant liabilities in addition to those already recognised in the accompanying statement of financial position to arise as a result of the aforementioned lawsuits and arbitration proceedings.

12. Current and non-current financial liabilities

12.1. Current and non-current financial liabilities

At 31 December 2022 and 2021, the movements and breakdown in *"Non-current debts"* and *"Non-current debts to Group companies and associates"* in the accompanying statement of financial position were as follows:

Millions of Euro

	Note	Balance at 31 December 2021	Drawdowns	Depreciation and amortisation	Fair value adjust-ments	Transfers to/ from current	Balance at 31 December 2022
Non-current debts		**3,238**	**1,799**	**(10)**	**10**	**817**	**5,854**
Bonds and other marketable securities	12.2	18	–	–	(4)	–	14
Bank borrowings		3,203	1,798	(2)	(86)	835	5,748
Finance lease payables		1	–	–	–	–	1
Derivatives	14	13	–	(8)	100	(18)	87
Other financial liabilities		3	1	–	–	–	4
Non-current debts to Group companies and associates	18.2	**4,835**	**2,100**	**(1,835)**	**–**	**–**	**5,100**
Debts to Group companies and associates		4,835	2,100	(1,835)	–	–	5,100
TOTAL		**8,073**	**3,899**	**(1,845)**	**10**	**817**	**10,954**

Millions of Euro

	Note	Balance at 31 December 2020	Drawdowns	Depreciation and amortisation	Fair value adjust-ments	Transfers to/ from current	Other	Balance at 31 December 2021
Non-current debts		**2,081**	**1,401**	**(2)**	**(23)**	**(221)**	**2**	**3,238**
Bonds and other marketable securities	12.2	20	–	–	(2)	–	–	18
Bank borrowings		2,023	1,401	(1)	–	(220)	–	3,203
Finance lease payables		1	–	–	–	(1)	1	1
Derivatives	14	34	–	–	(21)	–	–	13
Other financial liabilities		3	–	(1)	–	–	1	3
Non-current debts to Group companies and associates	18.2	**6,303**	**–**	**(1,468)**	**–**	**–**	**–**	**4,835**
Debts to Group companies and associates		6,303	–	(1,468)	–	–	–	4,835
TOTAL		**8,384**	**1,401**	**(1,470)**	**(23)**	**(221)**	**2**	**8,073**

At 31 December 2022 and 2021, the details of *"Current debts"* and *"Current debts to Group companies and associates"* in the accompanying statement of financial position were as follows:

Millions of Euro

	Note	31 December 2022	31 December 2021
Current debts		**5,386**	**3,216**
Bank borrowings		390	134
Finance lease payables		1	1
Other financial liabilities [1]		4,995	3,081
Current debts to Group companies and associates	18.2	**50**	**430**
Debts to Group companies and associates		41	48
Other financial liabilities [2]		9	382
TOTAL		**5,436**	**3,646**

[1] At 31 December 2022, it mainly includes the outstanding balance of issues of Euro Commercial Paper (ECP) in the amount of Euro 4,988 million (Euro 2.917 million at 31 December 2021) (see Note 12.2) and, at 31 December 2021, the interim dividend payable by Endesa, S.A. to shareholders that are not part of the Enel Group, in the amount of Euro 158 million (See Note 10.5).
[2] At 31 December 2021, it mainly consists of the interim dividend payable by Endesa, S.A. to ENEL Iberia, S.L.U., amounting to Euro 371 million (see Note 10.5).

At 31 December 2022 and 2021, the composition of both current and non-current "*Bank borrowings*" and "*Debts to Group companies and associates*" in the accompanying statements of financial position were as follows:

Millions of Euro

	Note	31 December 2022		31 December 2021	
		Non-current	Current	Non-current	Current
Bank borrowings	12.2	**5,748**	**390**	**3,203**	**134**
European Investment Bank (EIB) loan		1,813	158	1,463	123
Official Credit Institute ("ICO") loan		575	17	290	10
Syndicated loan - Club Deal		300	–	300	–
Other current loans		3,036	214	1,148	1
Lines of credit		24	1	2	–
Debts to Group companies and associates	12.2 y 18.2	**5,100**	**41**	**4,835**	**48**
Enel Finance International, N.V.		5,100	21	3,000	16
Endesa Financiación Filiales, S.A.U.		–	–	1,835	13
Other debts		–	20	–	19

12.2. Main transactions

The main transactions in 2022 were as follows:

- A new SDG7 Euro Commercial Paper (ECP) issuance program for an amount of Euro 5,000 million, with an outstanding balance of Euro 4,988 million at 31 December 2022. This program incorporates sustainability objectives, in line with Endesa's Strategic Plan.

Likewise, in fiscal year 2022, the following financial operations have been formalized, most of them incorporating sustainability objectives:

Millions of Euro

Transactions	Counterparty	Signature date	Maturity date	Amount
Loan [(1) (2)]	Official Credit Institute	20 December 2021	20 December 2033	300
Loan [(1) (2)]	European Investment Bank	21 December 2021	28 March 2037	250
Loan [(3)]	CaixaBank, S.A.	25 March 2022	13 May 2027	500
Loan [(3)]	Bankinter, S.A.	31 March 2022	1 April 2027	75
Loan	BBVA, S.A.	31 March 2022	8 April 2023	100
Loan [(3)]	Banco Cooperativo Español, S.A.	8 April 2022	13 May 2027	50
Loan	Intesa San Paolo, S.P.A.	19 April 2022	19 April 2023	100
Loan [(3)]	ING Bank NV Sucursal in Spain	29 April 2022	13 May 2027	50
Loan [(3)]	Enel Finance International N.V.	13 May 2022	13 May 2027	1,650
Loan	Banco Santander, S.A. – Milán	29 July 2022	19 December 2022	500
Loan	Banco Santander, S.A. – Milán	1 September 2022	19 December 2022	500
Loan [(4)]	Bankinter, S.A.	28 September 2022	31 July 2024	25
Loan [(4)]	Ibercaja, S.A.	29 September 2022	31 July 2024	50
Loan [(4)]	Credit Agricole	29 September 2022	31 July 2024	100
Loan [(4)]	Banco Santander, S.A.	29 September 2022	31 July 2024	275
Loan [(4)]	Banco de Sabadell, S.A.	30 September 2022	31 July 2024	250
Loan [(4)]	Caixabank, S.A.	30 September 2022	31 July 2024	400
Loan [(4)]	BBVA, S.A.	19 October 2022	31 July 2024	200
Loan [(3)]	European Investment Bank	7 November 2022	18 November 2037	250
Line of Credit [(1) (5)]	Caixabank, S.A.	25 March 2022	25 March 2025	50
Line of Credit [(5) (6)]	Ibercaja, S.A.	30 March 2022	25 March 2025	20
Line of Credit [(5) (6)]	Banco de Sabadell, S.A.	31 March 2022	25 March 2025	25
Line of Credit [(1)]	Banco Santander, S.A.	31 March 2022	31 March 2025	25
Line of Credit [(5) (6)]	Kutxabank, S.A.	31 March 2022	25 March 2025	50
Line of Credit [(1)]	Intesa San Paolo, S.P.A.	19 April 2022	19 April 2025	100
Line of Credit [(1)]	Enel Finance International, N.V.	13 May 2022	13 May 2025	700
Line of Credit	Enel Finance International, N.V.	22 November 2022	22 November 2023	1,000
Line of Credit	Enel Finance International, N.V.	22 November 2022	22 November 2023	2,000
TOTAL				**9,595**

(1) The credit conditions of these transactions are tied to the objective established in the company's Strategic Plan to reduce specific emission of Scope 1 carbon dioxide (CO_2) emissions, equivalent to 150g CO_2eq/kWh in 2023.
(2) The payments were made on 17 January 2022 and 28 March 2022, respectively. Both loans are earmarked to finance renewable energy production facilities.
(3) The credit conditions of these transactions are tied to the objective established in the company's Strategic Plan to reduce specific emission of Scope 1 carbon dioxide (CO_2) emissions, equivalent to 145 gCO_2eq/kWh in 2024.
(4) Renewal of existing loans.
(5) Extension of existing credit lines.
(6) Transactions described as sustainable on including the performance indicator (KPI) in relation to Endesa's commitment to ensure that its net installed mainland capacity from renewable sources is 55% of the total net installed mainland capacity at 31 December 2022.

The main "Non-current and current financial debts" at 31 December 2022 and 2021 relate to the following operations:

Millions of Euro

	Limit	31 December 2022 Non-current	31 December 2022 Current	31 December 2021 Non-current	31 December 2021 Current	Conditions	Maturity
Bonds and other marketable securities		**14**	**—**	**18**	**—**		
Bond		14	—	18	—	Interest rate 5.74%	12 November 2031
Bank borrowings		**5,748**	**390**	**3,203**	**134**		
European Investment Bank (BEI) [(1)]	1,964	1,813	158	1,463	123	Floating interest rate	Until 18 November 2037
Instituto de Crédito Oficial ("ICO") [(2)]	590	575	17	290	10	Floating interest rate	Until 20 December 2033
Club Deal [(3)]	550	300	—	300	—	Floating interest rate	Until 25 March 2024
Banking loans	3,324	3,036	214	1,148	1	Fixed and floating interest rate	Until 27 October 2028
Lines of credit	3,139	24	1	2	—	Floating interest rate	Until 25 March 2025
Debts to Group companies and associates		**5,100**	**41**	**4,835**	**430**		
Line of credit with Enel Finance International, N.V. [(4)]	1,700	450	—	—	—	Margin of 65bp and fee applicable if not used of 20bp	25 May 2025
Line of credit with Enel Finance International, N.V. [(4)]	700	—	—	—	—	Margin of 72bp and fee applicable if not used of 25bp	13 May 2025
Line of credit with Enel Finance International, N.V. [(4)]	1,000	—	—	—	—	Margin of 87bp and fee applicable if not used of 30bp	22 November 2023
Line of credit with Enel Finance International, N.V. [(4)]	2,000	—	—	—	—	Margin of 87bp and fee applicable if not used of 30bp	22 November 2023
Intercompany loan with Enel Finance International, N.V. [(5)]	3,000	3,000	16	3,000	16	Fixed interest rate 3.0%	29 October 2024
Intercompany loan with Enel Finance International, N.V. [(5)]	1,650	1,650	5	—	—	Fixed interest rate 1.997%	13 May 2027
Current account Endesa Financiación Filiales, S.A.U. [(6)]		—	—	1,835	13	Average interest rate of 1.2% (1.7% in 2021)	1 July 2026
Other debts		—	20	—	19		
Other financial liabilities [(8)]		—	—	—	382		
Other financial liabilities		**4**	**4,995**	**3**	**3,081**		
European Commercial Paper (ECPs) [(7)]	5,000	—	4,988	—	2,917	Floating interest rate	Renewed annually
Other financial liabilities [(9)]		4	7	3	164	—	—
TOTAL		**10,866**	**5,426**	**8,059**	**3,645**		

(1) On 21 December 2021, Endesa, S.A. signed another loan with the European Investment Bank (EIB) in the amount of Euro 250 million, which was repaid on 28 March 2022. On 7 November 2022, Endesa, S.A. signed another loan with the European Investment Bank (EIB) in the amount of Euro 250 million, which was repaid on 18 November 2022.

(2) On 20 December 2021, Endesa, S.A. arranged another loan with the Official Credit Institute ("ICO") for the amount of Euro 300 million, which was repaid on 17 January 2022.

(3) On 17 April 2020, Endesa, S.A. arranged a syndicated loan linked to sustainability goals with CaixaBank, S.A. and Kutxabank, S.A. for Euro 300 million, which was renewed for the same amount on 25 March 2021.

(4) Committed and irrevocable lines of credit (see Note 13.3).

(5) On 23 October 2014, Endesa, S.A. signed a long-term intercompany loan with Enel Finance International, N.V. for Euro 4,500 million. On 30 June 2015, Endesa, S.A. made a partial repayment of Euro 1,500 million on this loan. On 13 May 2022, Endesa, S.A. signed another long-term intercompany loan with Enel Finance International, N.V. for an amount of Euro 1,650 million. At 31 December 2022, outstanding interest accrued and outstanding under the two loans amounted to Euro 21 million (Euro 16 million at 31 December 2021) (see Notes 12.1 and 18.2).

(6) The Company has a cash pooling agreement with Endesa Financiación Filiales, S.A.U. that is automatically renewable for five-year periods at maturity unless either party notifies the other of its decision not to renew the agreement at least 13 months before the end of the period. The interest rate applicable to the current account will be determined by Endesa Financiación Filiales, S.A., and will be equal to the average cost of gross debt for the Endesa Group (or any other that may replace it in the future), as published by the Finance Department during the month immediately prior to the interest period concerned, and may be reviewed, where appropriate, depending on the actual rate at the end of the interest period. This contract stipulates that the Company may draw down the amounts required to cover its financial needs and invest its surpluses to regulate its cash flows. There is no limit on the cash drawdowns that can be made between the parties. At 31 December 2022 the balance of this current account amounted to Euro 4,696 million and interest pending payment Euro 31 million, which are classified under "*Current loans to Group companies and associates*" (see Notes 8.1.2 and 18.2). At 31 December 2021, accrued and unpaid interest in this credit line amounted to Euro 13 million (see Notes 12.1 and 18.2).

(7) This corresponds to the outstanding balance of Euro Commercial Paper (ECPs) pursuant to the new issuance programme registered by Endesa, S.A. on 10 May 2022.

(8) It mainly relates to interim dividends payable to Enel Iberia, S.L.U., amounting to Euro 371 million at 31 December 2021.

(9) It mainly relates to interim dividends payable to shareholders in the amount of Euro 158 million at 31 December 2021.

Bonds and other marketable securities

On 30 September 2020, Endesa, S.A. signed the novation of a bond with International Endesa, B.V. (Under liquidation), together with the fair value hedge derivative associated with this debt. This issuance has a par value of Euro 12 million and matures in November 2031 and has an interest rate of 5.74%. At 31 December 2022, this bond included the changes in value attributable to the hedged risk amounting to Euro 2 million (Euro 6 million at 31 December 2021).

Other debts

At 31 December 2022, "*Current debts to Group companies and associates*" include the loan granted by Nuclenor, S.A. for Euro 6 million (Euro 6 million at 31 December 2021) (see Note 18.2).
Furthermore, at 31 December 2022, "*Current debts to Group companies and associates*" also includes the amount payable to Enel Iberia, S.L.U. corresponding to value added tax (VAT) in the amount of Euro 14 million (Euro 13 million at 31 December 2021) (see Notes 15.9 and 18.2).

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

At 31 December 2022 and 2021, the breakdown of non-current and current financial liabilities, by nature and category, was as follows:

Millions of Euro

		31 December 2022			
	Note	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging derivatives	Total
Non-current debts		**5,753**	**14**	**87**	**5,854**
Bonds and other marketable securities		–	14	–	14
Bank borrowings		5,748	–	–	5,748
Finance lease payables		1	–	–	1
Derivatives	14	–	–	87	87
Other financial liabilities		4	–	–	4
Non-current debts to Group companies and associates	18.2	**5,100**	**–**	**–**	**5,100**
Debts to Group companies and associates		5,100	–	–	5,100
Total non-current		**10,853**	**14**	**87**	**10,954**
Current debts		**5,386**	**–**	**–**	**5,386**
Bank borrowings		390	–	–	390
Finance lease payables		1	–	–	1
Other financial liabilities		4,995	–	–	4,995
Current debts to Group companies and associates	18.2	**50**	**–**	**–**	**50**
Debts to Group companies and associates		41	–	–	41
Other financial liabilities		9	–	–	9
Trade and other payables		**191**	**–**	**–**	**191**
Total current		**5,627**	**–**	**–**	**5,627**
TOTAL		**16,480**	**14**	**87**	**16,581**
TOTAL FAIR VALUE		**16,687**	**14**	**87**	**16,788**

Millions of Euro

	Note	31 December 2021			
		Financial liabilities at amortised cost	**Financial liabilities at fair value through profit or loss**	**Hedging derivatives**	**Total**
Non-current debts		**2,707**	**518**	**13**	**3,238**
Bonds and other marketable securities		—	18	—	18
Bank borrowings		2,703	500	—	3,203
Finance lease payables		1	—	—	1
Derivatives	14	—	—	13	13
Other financial liabilities		3	—	—	3
Non-current debts to Group companies and associates	18.2	**4,835**	**—**	**—**	**4,835**
Debts to Group companies and associates		4,835	—	—	4,835
Total non-current		**7,542**	**518**	**13**	**8,073**
Current debts		**3,216**	**—**	**—**	**3,216**
Bank borrowings		134	—	—	134
Finance lease payables		1	—	—	1
Other financial liabilities		3,081	—	—	3,081
Current debts to Group companies and associates	18.2	**430**	**—**	**—**	**430**
Debts to Group companies and associates		48	—	—	48
Other financial liabilities		382	—	—	382
Trade and other payables		**149**	**—**	**—**	**149**
Total current		**3,795**	**—**	**—**	**3,795**
TOTAL		**11,337**	**518**	**13**	**11,868**
TOTAL FAIR VALUE		**11,622**	**518**	**13**	**12,153**

Pursuant to the measurement standards, items covered by fair-value hedging derivatives were included under *"Financial liabilities at fair value through profit and loss"*.

12.4. Classification by maturity

At 31 December 2022 and 2021, the breakdown of non-current financial liabilities, by maturity, were as follows:

Millions of Euro

31 December 2022	Note	2024	2025	2026	2027	Subsequent years	Total
Non-current debts		**2,278**	**229**	**440**	**862**	**2,045**	**5,854**
Bonds and other marketable securities		–	–	–	–	14	14
Bank borrowings		2,241	229	440	862	1,976	5,748
Finance lease payables		1	–	–	–	–	1
Derivatives	14	35	–	–	–	52	87
Other financial liabilities		1	–	–	–	3	4
Non-current debts to Group companies and associates	18.2	**3,000**	**450**	**–**	**1,650**	**–**	**5,100**
Debts to Group companies and associates		3,000	450	–	1,650	–	5,100
TOTAL		**5,278**	**679**	**440**	**2,512**	**2,045**	**10,954**

Millions of Euro

31 December 2021	Note	2023	2024	2025	2026	Subsequent years	Total
Non-current debts		**167**	**969**	**191**	**404**	**1,507**	**3,238**
Bonds and other marketable securities		–	–	–	–	18	18
Bank borrowings		165	968	191	404	1,475	3,203
Finance lease payables		1	–	–	–	–	1
Derivatives	14	–	1	–	–	12	13
Other financial liabilities		1	–	–	–	2	3
Non-current debts to Group companies and associates	18.2	**–**	**3,000**	**–**	**1,835**	**–**	**4,835**
Debts to Group companies and associates		–	3,000	–	1,835	–	4,835
TOTAL		**167**	**3,969**	**191**	**2,239**	**1,507**	**8,073**

In 2022, the average interest rate was 1.5% on bank borrowings (2.1% in 2021) and 1.2% on debt to Group companies (1.7% in 2021).

12.5. Items recognised in the income statement and in equity

In 2022 and 2021, the charges to the income statement and to equity arising from non-current and current financial liabilities, grouped by the different categories, are as follows:

Millions of Euro

	2022		2021	
	Income statement	Equity	Income statement	Equity
Financial liabilities at amortised cost	(95)	—	(129)	—
Financial liabilities at fair value through profit or loss	—	—	1	—
Financial assets held for trading	—	—	1	—
Fair value hedging derivatives	(87)	—	(1)	—
Cash flow hedging derivatives:	(8)	—	(8)	14
Other	—	—	2	—
TOTAL	**(190)**	**—**	**(135)**	**14**

12.6. Financial liabilities at fair value through profit or loss

In 2022 and 2021, the variation in fair value of this type of financial liabilities was as follows:

Millions of Euro

	Fair value at 31 December 2021	Change in fair value of derivatives	Settlement of derivatives	Other movements	Fair value at 31 December 2022
Financial liabilities held for trading	**—**	**—**	**—**	**—**	**—**
Non-current	—	—	—	—	—
Current	—	—	—	—	—
TOTAL	**—**	**—**	**—**	**—**	**—**

Millions of Euro

	Fair value at 31 December 2020	Change in fair value of derivatives	Settlement of derivatives	Other movements	Fair value at 31 December 2021
Financial liabilities held for trading	**1**	**—**	**(1)**	**—**	**—**
Non-current	—	—	—	—	—
Current	1	—	(1)	—	—
TOTAL	**1**	**—**	**(1)**	**—**	**—**

12.7. Fair value measurement

At 31 December 2022 and 2021, the non-current and current financial liabilities measured at fair value in the statement of financial position by fair value hierarchy were as follows:

Millions of Euro

	31 December 2022			
	Fair value	Level 1	Level 2	Level 3
Non-current debts	**101**	**—**	**101**	**—**
Bonds and other marketable securities	14	—	14	—
Derivatives	87	—	87	—
Interest rate hedges	87	—	87	—
Fair value hedges	101	—	101	—
Total non-current liabilities	**101**	**—**	**101**	**—**

Millions of Euro

	31 December 2021			
	Fair value	Level 1	Level 2	Level 3
Deudas a Largo Plazo	531	—	531	—
Bonds and other marketable securities	18	—	18	—
Bank borrowings	500	—	500	—
Derivatives	13	—	13	—
Interest rate hedges	13	—	13	—
Fair value hedges	1	—	1	—
Cash flow hedges	12	—	12	—
Total non-current liabilities	**531**	**—**	**531**	**—**

In 2022, there were no hierarchy level transfers among the aforementioned financial liabilities.
The fair value of financial liabilities is measured taking into account observable market variables, specifically by estimating discounted future cash flows using zero-coupon yield curves for each currency on the last working day of each close, translated to Euro at the exchange rate prevailing on the last working day of each close. All these measurements are made using internal tools.

At 31 December 2022 and 2021, the fair value of the Company's non-current financial assets classified under "*Financial liabilities at amortised cost*" did not differ from their carrying amount, except those that are the hedged item in a fair value hedge and have recognized in their carrying amount the changes in value attributable to the hedged risk.

12.8. Financial stipulations

Endesa, S.A.'s borrowings are subject to the usual covenants in contracts of this type. In no cases, would a breach of these covenants require early repayment of the debt.

At 31 December 2022 and 2021, Endesa, S.A. had not breached its covenants or any other financial obligations that would require the early repayment of its financial commitments.

In the case of the outstanding bond issues of Endesa, S.A. (Euro 12 million at 31 December 2022), these contain:

- Cross-default clauses ("cross-default") under which such debt must be prepaid in the event of default on payments (above a certain amount) on certain obligations of Endesa, S.A.

On the other hand, the commitments of the outstanding bond issues of Endesa, S.A. and the bank financing formalized by Endesa, S.A. have the following clauses:

- Clauses limiting the granting of guarantees ("negative pledge") where Endesa, S.A. cannot issue mortgages, liens or other charges on its assets (above a certain amount) to secure certain types of obligations, unless equivalent guarantees are issued in favor of the other debtors.
- "Pari passu" clauses, under which the bonds and bank financing rank pari passu with other present and future unsecured and unsubordinated debt issued by Endesa, S.A.

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

Millions of Euro

Clauses	Transactions	Covenants	Nominal debt	
			31 December 2022	31 December 2021
Related to credit ratings	Financial transactions with the European Investment Bank (EIB) and Official Credit Institute ("ICO")	Additional or renegotiated guarantees in the event of credit rating downgrades	2,554	1,887
Relating to change of control.	Loans and other agreements arranged with financial entities and Enel Finance International, N.V.	May be repaid early in the event of a change of control at Endesa, S.A.	7,654 (1)	4..887 (1)
Related to asset transfers	Loans and other agreements arranged with financial entities	Restrictions arise if a percentage of between 7% and 10% of Endesa's consolidated assets is exceeded (2)	6,178	3,336

(1) The amount signed was Euro 12,604 million at 31 December 2022 (Euro 7,137 million at 31 December 2021).

(2) Above these thresholds, the restrictions would only apply, in general, if no equivalent consideration is received or if there was a material negative impact on Endesa, S.A.'s solvency.

The Company's Directors do not consider that these clauses will change the current/non-current classification in the accompanying statement of financial position at 31 December 2022 and 2021.

12.9. Other matters

At 31 December 2022 and 2021, Endesa, S.A. had undrawn credit lines totalling Euro 8,314 million and Euro 4,817 million, respectively, of which Euro million 4,950 and Euro 1,700 million correspond to a committed and irrevocable lines of credit signed with Enel Finance International, N.V. (see Notes 12.2 and 13.3).

13. General risk control and management policy

Endesa, S.A. is exposed to certain risks which it manages by applying risk identification, measurement, control and supervision systems, all of which are implemented throughout the Group of which it is the parent company. The General Risk Control and Management Policy lays down the basic principles and the general framework to control and manage risks of any kind that could affect the attainment of targets, ensuring that they are systematically identified, analysed, assessed, managed and controlled within the risk levels set. The General Risk Control and Management Policy identifies the different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational, including those related to corruption) faced by the Company, including among the financial or economic risks, any contingent liabilities and other risks not included in the statement of financial position.

The aim of the General Risk Control and Management Policy is to guide and direct the series of strategic, organisational and operational actions that allow the Board of Directors at Endesa, S.A. to accurately define the acceptable level of risk, permitting managers in the different lines of business, staff and service functions to maximise the Company's profitability, preserve or increase its equity and guarantee that this is achieved above certain levels, preventing uncertain and future events from adversely affecting the achievement of the profitability targets defined, or the corresponding operations, sustainability, resilience or reputation in a sustained way over time, providing shareholders with adequate guarantees and safeguarding their interests, in addition to the interests of customers and other stakeholders.

The principles of Endesa S.A.'s Risk Control and Management Policy, aimed at controlling and mitigating the possible risks identified, were as follows:

	Principia
Endesa's General Risk Control and Management Policy.	Existence of a regulatory system, people, means and systems to be able to develop a continuous process of identification, quantification, mitigation and information regarding all relevant risks that might affect the Company.
	Ensure the adequate unbundling of functions, together with the coordination mechanisms between the different risk control areas and systems.
	The risks must be in line with the strategy, objectives and critical values of Endesa, S.A., ensuring the adaptation of the risk levels to the objectives and limits set by the Board of Directors.
	Optimisation of risk control and management from a consolidated perspective, giving the latter priority over the individual management of each of the risk.
	Continual assessment of hedging, transference and mitigation mechanisms to guarantee their suitability and the adoption of the best market practices.
	On-going monitoring of the prevailing legislation, including tax provisions, to guarantee that transactions are performed in accordance with the rules governing the business.
	Respect for and compliance with internal regulations, with a special focus on Regulatory Compliance, Corporate Governance and provisions for the Prevention of Criminal and Anti-Bribery Risks, in particular, the Code of Ethics and the Zero Tolerance Plan Against Corruption.
	Security is the number one value of Endesa in all the actions that must preserve the health and safety of the people who work for and at Endesa, S.A.
	Commitment to sustainable development, efficiency and respect for the environment and human rights.
	Responsible optimisation of the use of available resources, in order to provide profitability for our shareholders as part of a relationship based on the principles of loyalty and transparency.

The General Risk Control and Management Policy is implemented and supplemented with other specific risk policies of business lines, staff and service functions, as well as with the limits established for optimum risk management in each one of them.

The Internal Risk Control and Management System follows a model that is based, firstly, on the ongoing study of the risk profile, applying current best practices in the energy or reference sector in relation to risk management, based on the criteria of the uniformity of measurements for the same type of risk, on the separation of risk controllers and managers, and, secondly, ensuring the connection between risks assumed and the resources required to operate the business while ensuring respect for an adequate balance between the risk assumed and the targets defined by the Board of Directors at Endesa, S.A.

The risk control and management process consists of identifying, assessing, monitoring and managing the different risks over time, and envisages the main risks to which the Company is exposed, both endogenous (due to internal factors) and exogenous (due to external factors).

The purpose of risk management is to implement actions aimed at adjusting risk levels to optimum levels and respecting the limits set in all cases.

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

13.1. Interest rate risk

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

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

The goal to reduce the amount of borrowings subject to interest rate fluctuations is obtained through the arrangement of specific hedging transactions, generally through the use of interest rate derivatives. In any case, the structure of the contracts adapts to that of the underlying financial instrument, and never exceeds the maturity of the underlying financial instrument, so that any changes in the fair value or cash flows of these contracts are offset by changes in the fair value or cash flows of the underlying position. At 31 December 2022, the Company had arranged interest rate hedges amounting to Euro 2,366 million (Euro 1,497 million at 31 December 2021).

The Company set up a current account loan agreements with Endesa Financiación Filiales, S.A.U. in Euro, applying an interest rate that is applicable to the balances receivable and payable on the current account equal to the average cost of gross debt to Endesa in Spain (or any other that may replace it in the future), as determined in the month immediately prior to the interest period concerned, which may be reviewed, as appropriate, depending on the real rate at the end of the interest period.

Endesa, S.A.'s interest rate risk structure, taking into account the derivatives arranged, at 31 December 2022 and 2021, is as follows.

Millions of Euro

	Net position	
	31 December 2022	**31 December 2021**
Fixed interest rate	6,221	4,498
Floating interest rate	5,258	6,242
TOTAL	**11,479**	**10,740**

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

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

Analysis of interest-rate sensitivity

In 2022 and 2021, the impact of interest-rate fluctuations on the income statement and statement of recognised income and expense, all other variables remaining constant, was as follows:

Millions of Euro

	Basis points change	2022 Income statement	2022 Statement of recognised income and expense	2021 Income statement	2021 Statement of recognised income and expense
Finance costs of variable gross borrowings after derivatives					
Interest rate increase	+25	23	—	16	—
Interest rate reduction	-25	(23)	—	(16)	—
Fair value of derivative hedging instruments					
Fair value					
Interest rate increase	+25	(9)	—	(5)	—
Interest rate reduction	-25	9	—	4	—
Cash flow					
Interest rate increase	+25	—	11	—	11
Interest rate reduction	-25	—	(12)	—	(9)

13.2. Currency risk

The currency risks correspond, primarily, to debt contracted in foreign currency and payments to be made and received in international markets for the acquisition or sale of energy stocks or for investments in property, plant and equipment. Endesa, S.A. has arranged futures to mitigate its currency risk. The Company also strives to balance cash collections and payments for its assets and liabilities denominated in foreign currency.

At 31 December 2022 and 2021, Endesa, S.A. did not have a significant portion of debt in foreign currency or that was not hedged by derivatives and exchange rate insurance policies. Details of hedged financial assets and liabilities and the derivative financial instruments obtained to hedge them are provided in Notes 8, 12 and 14.

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

Analysis of exchange rate sensitivity

In 2022 and 2021, the impact on the income statement and statement of recognised income and expense of a 10% fluctuation of the Euro against all other currencies, other variables remaining constant, was not significant.

13.3. Liquidity risk

Liquidity risk is the risk of difficulties in meeting the Company's payment obligations in the ordinary course of business. Risk management ensures at all times a sufficient level of liquid resources, available lines of credit with first level counterparties and mitigation of refinancing risk with diversified maturity schedules. Additionally, Endesa's debt and liquidity structure allows it to have an investment grade credit rating, which allows efficient access to new financial resources. In the short term, liquidity risk is mitigated by maintaining an adequate level of unconditionally available resources, including cash and short-term deposits, available lines of credit and a portfolio of liquid assets.

Endesa maintains a liquidity policy consisting of unconditional and irrevocable long-term credit lines, both with first level banks and with Enel Group companies, cash and temporary financial investments for an aggregate amount sufficient to cover expected needs for a period that depends on the company's situation and expectations and on the debt and capital markets.
The aforementioned forecasted needs include gross financial debt maturities. For further details regarding the characteristics and conditions of the debt and derivative financial instruments, see Note 12.

The financial function is centralized in the Company and in Endesa Financiación Filiales, S.A.U., and cash forecasts are made to ensure that sufficient cash is available to meet operating needs, maintaining sufficient levels of availability in its loans and credit lines.
At 31 December 2022, Endesa, S.A.'s liquidity rose to Euro 8,340 million (Euro 5,195 million at 31 December 2021) as detailed below:

Millions of Euro

	Liquidity	
	31 December 2022	**31 December 2021**
Cash and cash equivalents	26	378
Unconditional availability in credit lines [1]	8,314	4,817
TOTAL	**8,340**	**5,195**

[1] At 31 December 2022 and 2021, Euro 4,950 and 1,700, respectively, relate to committed and irrevocable lines of credit arranged with Enel Finance International, N.V. (see Note 12.2).

At 31 December 2022, the Company has a negative working capital of Euro 600 million. The amount available in liquidity and long-term credit lines, as well as the Company's preferential access to financial markets, ensure that the Company has sufficient financial resources to continue its operations, realize its assets and settle its liabilities for the amounts shown in the Balance Sheet (see Note 2.4).

The Company has a solid financial position and unconditional and irrevocable credit lines contracted with first level entities available for significant amounts.
However, in order to strengthen its liquidity position and ensure business continuity, the Company has entered into a number of financial transactions (see Notes 12.2 and 21).
The classification of financial liabilities by contractual maturities is shown in Note 12.4.

13.4. Credit risk

Credit risk is generated when a counterparty does not meet its obligations set out in a financial or commercial contract, giving rise to financial losses. Endesa S.A. is exposed to credit risk from its operational and financial activities, including derivatives, deposits with banks, transactions in foreign currency and other financial instruments.
Unexpected changes to the credit rating of a counterparty have an impact on the creditor's position in terms of solvency (non-compliance risk) or changes to market value (spread risk).
The Company mainly trades with counterparties in the Endesa Group and therefore, it is exposed to limited credit risk.
Despite this, the Company monitors credit risk very closely, and takes measures including the following:

- Risk analysis, assessment and monitoring of counterparty credit quality
- Establishing contractual clauses guarantee requests, or contracting insurance where necessary.
- Exhaustive monitoring of trade receivables

As regards credit risk in relation to financial instruments, the risk policies followed by Endesa, S.A. consist in placing its cash surpluses as set forth in the risk management policy defined, which requires top-tier counterparties in the markets it operates in.
At 31 December 2022, the greatest exposure to cash positions held with a counterparty was Euro 7 million, of a total of Euro 26 million, with this counterparty having a rating of BBB- (Euro 252 million of a total of Euro 378 million at 31 December 2021, with this counterparty having a rating of BBB+).
Details of financial assets exposed to credit risk are provided in Note 8.

14. Derivative financial instruments

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

The Company classifies its coverage in the cash flow hedges category, which are those that enable the cash flows of the hedged underlying to be covered in the category of fair value hedges, which are those that cover exposure to the changes in the fair value of recognised assets and liabilities.

At 31 December 2022 and 2021, the details of the breakdown of the balances including the valuation of derivative financial instruments at those dates were as follows:

Millions of Euro

	31 December 2022			
	Assets (Note 8)		Liabilities (Note 12)	
	Current	Non-Current	Current	Non-Current
Hedging derivatives	**—**	**110**	**—**	**87**
Interest-rate hedges	—	110	—	87
Cash flow hedges	—	108	—	—
Fair value hedges	—	2	—	87
TOTAL	**—**	**110**	**—**	**87**

Millions of Euro

	31 December 2021			
	Assets (Note 8)		Liabilities (Note 12)	
	Current	Non-Current	Current	Non-Current
Hedging derivatives	**—**	**7**	**—**	**13**
Interest-rate hedges	—	7	—	13
Cash flow hedges	—	1	—	12
Fair value hedges	—	6	—	1
TOTAL	**—**	**7**	**—**	**13**

Cash flow and fair value hedges

At 31 December 2022 and 2021, the details of the derivatives designated as hedging instruments for accounting purposes arranged by the Company, their fair value and the breakdown by maturity of the notional or contractual values were as follows:

Millions of Euro

	31 December 2022							
		Notional amount						
	Fair value	2023	2024	2025	2026	2027	Subsequent years	Total
INTEREST RATE HEDGES								
Cash flow hedges:	**108**	**—**	**—**	**—**	**—**	**250**	**929**	**1,179**
Interest rate:	108	—	—	—	—	250	929	1,179
Swaps	108	—	—	—	—	250	929	1,179
Fair value hedges:	**(85)**	**—**	**500**	**—**	**—**	**675**	**12**	**1,187**
Swaps	(85)	—	500	—	—	675	12	1,187
TOTAL	**23**	**—**	**500**	**—**	**—**	**675**	**941**	**2,366**

Millions of Euro

	31 December 2021							
		Notional amount						
	Fair value	2022	2023	2024	2025	2026	Subsequent years	Total
INTEREST RATE HEDGES								
Cash flow hedges:	**(11)**	**—**	**—**	**—**	**—**	**—**	**985**	**985**
Interest rate:	(11)	—	—	—	—	—	985	985
Swaps	(11)	—	—	—	—	—	985	985
Fair value hedges:	**5**	**—**	**—**	**500**	**—**	**—**	**12**	**512**
Swaps	5	—	—	500	—	—	12	512
TOTAL	**(6)**	**—**	**—**	**500**	**—**	**—**	**997**	**1,497**

In 2022, *"Equity"* in the statement of recognised income and expense included Euro 112 million of increased equity (Euro 16 million of greater equity in 2021) and the *"Transfer to the income statement"* heading of the aforementioned statement includes the amount allocated to the income statement for an increased amount of Euro 8 million under "Financial expenses" and a higher amount of Euro 4 million under the heading "Financial Income" (Euro 8 million higher amount under the heading "Financial Expenses" in fiscal year 2021). In addition, Euro 2 million of income from the ineffective portion has been recorded under "Fair Value Change in Financial Instruments" in fiscal 2022.

15. Taxation

In 2022 and 2021, the Company filed consolidated tax returns as required under Law 27/2014 of 27 November on corporate income tax. The Company forms part of tax group 572/10, of which ENEL S.p.A. is the Parent and ENEL Iberia, S.L.U. the representative in Spain.

At 31 December 2022 and 2021, the credit with ENEL Iberia, S.L.U. for income tax expense amounted to Euro 9 million and Euro 56 million and was recognised under *"Current investment with Group companies and associates"* in the accompanying statement of financial position (see Notes 8.1.2, 15.9 and 18.2).

In 2022, the amount of corporate income tax resulted in an expense of Euro 11 million in the income statement (Euro 60 million of income in 2021) and a directly attributed expense of Euro 35 million in equity (expense of Euro 6 million in 2021).

The Company forms part of consolidated value added tax (VAT) group 45/10 headed by Enel Iberia, S.L.U. as the Parent. The Company also files consolidated returns for the Canary Islands Indirect Tax (IGIC) as the Parent of the group.

15.1. Reconciliation between accounting profit and tax loss

In 2022 and 2021 the reconciliation between accounting profit and taxable income/(loss) is as follows:

Millions of Euro

	Income statement			Income and expenses recognised directly in equity			Reserves		
2022	**Increases**	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**
Accounting profit after income tax			**697**			**104**			**–**
Income tax for the year			11			35			–
Accounting profit/(loss) before tax			**708**			**139**			**–**
Permanent differences	25	(678)	(653)	–	–	–	–	–	–
Temporary differences	31	(58)	(27)	–	(139)	(139)	–	–	–
Originating in the year	31	–	31	–	(104)	(104)	–	–	–
Originating in previous years	–	(58)	(58)	–	(35)	(35)	–	–	–
Taxable income			**28**			**–**			**–**

Millions of Euro

2021	Income statement			Income and expenses recognised directly in equity			Reserves		
	Increases	Decreases	Total	Increases	Decreases	Total	Increases	Decreases	Total
Accounting profit after income tax			**581**			**20**			**–**
Income tax for the year			(60)			6			–
Accounting profit/(loss) before tax			**521**			**26**			**–**
Permanent differences	23	(701)	(678)	–	–	–	–	–	–
Temporary differences	14	(67)	(53)	–	(26)	(26)	–	–	–
Originating in the year	14	–	14	–	(18)	(18)	–	–	–
Originating in previous years	–	(67)	(67)	–	(8)	(8)	–	–	–
Taxable income			**(210)**			**–**			**–**

2022

Permanent difference increases in 2022 originated from differences in valuation rules amounting to Euro 15 million, donations and gifts amounting to Euro 7 million and provisions for liabilities amounting to Euro 2 million and impairment on the value of an investee amounting to Euro 1 million. The decreases mainly relate to the application of the exemption of 95% to avoid double taxation on dividends received from Group companies and associates, in the amount of Euro 677 million (see Note 16.1).

The increases due to temporary differences reflect non-current employee provisions and workforce restructuring plans for Euro 29 million, and other provisions that are not deductible for tax purposes, in the amount of Euro 2 million. Decreases relate non-current employee provisions in the amount of Euro 57 million and reversal of expenses that have not been tax-deductible in prior years in the amount of Euro 1 million.

2021

The increases in permanent differences in 2021 related to differences in valuation rules amounting to Euro 15 million, to donations and gifts totalling Euro 7 million and to the loss arising as a result of the impairment on the value of the investees in the amount of Euro 1 million. The decreases were due to the application of the exemption of 95% to avoid double taxation on dividends received from Group companies and associates, in the amount of Euro 701 million (see Note 16.1).

The increases were due to temporary differences reflected non-current employee provisions and workforce restructuring plans for Euro 12 million and other provisions that are not deductible for tax purposes, in the amount of Euro 2 million. Decreases were due to the application of non-current provisions for employees in the amount of Euro 58 million, to the reversal of non-deductible provisions in prior years in the amount of Euro 8 million and to differences between tax and accounting amortisation in the amount of Euro 1 million.

15.2. Reconciliation between tax payable and income tax expense

In 2022 and 2021, the reconciliation between the tax payable and the income tax expense was as follows:

Millions of Euro	2022	2021
Taxable income	**28**	**(210)**
Income statement	28	(210)
Total taxable income	**28**	**(210)**
Tax rate	25,0	25,0
Tax payable	**7**	**(53)**
Application of tax credits and rebates	—	(3)
Effective tax	**7**	**(56)**
Changes in tax credit owing to deductions	(3)	—
Net tax effect, due to temporary differences	42	20
Prior years' adjustments and other	—	(18)
Income tax for the year	**46**	**(54)**
Income tax through profit and loss	11	(60)
Income tax in equity	35	6

Adjustments of previous years relate mainly to the adjustment of deferred taxes, the impact of income tax payments the previous year and the effect of the presentation of additional and amending tax statements for 2019 and 2020.

15.3. Deductions and rebates

In 2022, the Company applied credits and rebates for Euro 3 million, corresponding to credits for contributions to entities regulated by Law 49/2002, of 23 December (Euro 3 million in 2021). Of the tax credits confirmed in 2022, none were applied (Euro 3 million in 2021).

Likewise, in 2022 and 2021, no prior years' credits were taken.

15.4. Reconciliation between accounting profit and income tax expense

In 2022 and 2021, the reconciliation of accounting profit to the income tax expense was as follows:

Millions of Euro

	2022		
	Income statement	Income and expenses directly recognised in equity	Recognised income and expense
Accounting profit/(loss) before tax	**708**	**139**	**847**
Permanent differences	**(653)**	**—**	**(653)**
Total adjusted profit/(loss)	**55**	**139**	**194**
Tax rate of 25%	**14**	**35**	**49**
Tax credits	**(3)**	**—**	**(3)**
Charitable gifts and patronage	(3)	—	(3)
Total income tax expense	**11**	**35**	**46**

Millions of Euro

	2021		
	Income statement	Income and expenses directly recognised in equity	Recognised income and expense
Accounting profit/(loss) before tax	**521**	**26**	**547**
Permanent differences	**(678)**	**—**	**(678)**
Total adjusted profit/(loss)	**(157)**	**26**	**(131)**
Tax rate of 25%	**(39)**	**6**	**(33)**
Tax credits	**(3)**	**—**	**(3)**
Charitable gifts and patronage	(3)	—	(3)
Previous years' adjustments and other	**(18)**	**—**	**(18)**
Total income tax expense	**(60)**	**6**	**(54)**

15.5. Details of income tax expense

In 2022 and 2021, the breakdown of the income tax expense was as follows:

Millions of Euro

	2022				
		Change in deferred tax			
		Assets		Liabilities	
	Current tax	Temporary differences	Other credits	Temporary differences	Total
Recognition in profit and loss, of which:	**7**	**7**	**(3)**	**—**	**11**
Continuing operations	—	7	(3)	—	4
Recognition in equity, of which:	**—**	**9**	**—**	**26**	**35**
Cash flow hedges	—	3	—	26	29
Actuarial gains and losses and other adjustments	—	6	—	—	6
Total	**7**	**16**	**(3)**	**26**	**46**

Millions of Euro

	2021				
		Change in deferred tax			
		Assets		Liabilities	
	Current tax	Temporary differences	Other credits	Temporary differences	Total
Recognition in profit and loss, of which:	**(56)**	**14**	**—**	**—**	**(42)**
Continuing operations	(56)	14	—	—	(42)
Recognition in equity, of which:	**—**	**6**	**—**	**—**	**6**
Cash flow hedges	—	6	—	—	6
Previous years' adjustments and other	**1**	**(1)**	**—**	**(18)**	**(18)**
Total	**(55)**	**19**	**—**	**(18)**	**(54)**

15.6. Deferred tax assets

At 31 December 2022 and 2021, the origin of the deferred tax assets recognised in the accompanying statement of financial position was as follows:

Millions of Euro

Deferred tax assets arising from	31 December 2022	31 December 2021
Provisions for long-term employee benefits and workforce restructuring plans	77	88
Other provisions	20	20
Unused tax credits	3	—
Hedging derivatives	—	3
Total	**100**	**111**

In 2022 and 2021, the movements under *"Deferred tax assets"* in the accompanying statement of financial position were as follows:

Millions of Euro

	2022			2021		
	Temporary differences	Deductions pending	Total	Temporary differences	Deductions pending	Total
Opening balance	**111**	**—**	**111**	**130**	**—**	**130**
Temporary differences originating in the year	8	3	11	3	—	3
Application of temporary differences originating in previous years	(15)	—	(15)	(17)	—	(17)
Changes recognised in equity	(9)	—	(9)	(6)	—	(6)
Previous years' adjustments and other	—	—	—	1	—	1
Transfers and other	2	—	2	—	—	—
Closing balance	**97**	**3**	**100**	**111**	**—**	**111**

At 31 December 2022, the Company held deferred tax assets in the amount of Euro 100 million (Euro 111 million at 31 December 2021), most of which is expected to be recovered within a 10-year period. For those expected to be recovered over a longer period, the Company's tax consolidation group has deferred tax liabilities with the same tax authority and for a sufficient amount, which is expected to be reversed in the same tax year as the aforementioned deferred tax assets.

The Company has no unused tax loss carryforwards.

As of 31 December 2022, the Company has receivables pending application in future years amounting to Euro 3 million. The detail is as follows:

Millions of Euro

Year	31 December 2022	31 December 2021
2032	**3**	**—**
Total	**3**	**—**

The information relating to the deductions applied in 2022 and 2021 is included in Note 15.3.

15.7. Deferred tax liabilities

At 31 December 2022 and 2021, the origin of the deferred tax liabilities recognised in the accompanying statement of financial position was as follows:

Millions of Euro

Deferred tax liabilities arising from	31 December 2022	31 December 2021
Hedging derivatives	26	—
Other	16	16
Total	**42**	**16**

In 2022 and 2021, the movements under *"Deferred tax liabilities"* in the accompanying statement of financial position were as follows:

Millions of Euro

	2022	2021
Opening balance	**16**	**34**
Changes recognised in equity	26	—
Previous years' adjustments and other	—	(18)
Closing balance	**42**	**16**

15.8. Payables to public administrations

The Company did not have any receivables from public administrations at 31 December 2022 and 2021 corresponding to the value added tax (VAT).

Details of the payables to public administrations at 31 December 2022 and 2021 were as follows:

Millions of Euro

	31 December 2022	31 December 2021
Canary Islands indirect tax ("IGIC") payable	1	—
Spanish personal income tax (IRPF) payable	3	3
Payables to social security bodies	2	3
Other	2	—
TOTAL LIABILITIES	**8**	**6**

15.9. Balances with Group companies

At 31 December 2022 and 2021, the Company recognised an income tax expense credit for the current year with ENEL Iberia, S.L.U., for Euro 9 million and Euro 56 million under *"Current loans to Group companies and associates"* in the accompanying statement of financial position, as per the following breakdown (see Notes 8.1.2 and 18.2):

Millions of Euro

	31 December 2022	31 December 2021
Tax payable	7	(53)
Tax credits	—	(3)
Payments in instalments	(16)	—
TOTAL	**(9)**	**(56)**

At 31 December 2022 and 2021, there was no income tax expense credit with Enel Iberia, S.L.U. for the previous year (see Notes 8.1.2 and 18.2).

At 31 December 2022, the debt with Enel Iberia, S.L.U. for value added tax (VAT) recognised under *"Current debts to Group companies and associates"* in the accompanying statement of financial position amounted to Euro 14 million (Euro 13 million at 31 December 2021) (See Notes 12.2 and 18.2).

15.10. Years open to tax inspection

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed. At year-end 2022, the Company had its books open for administrative inspection for 2006, 2019 and onwards with respect to income tax and for 2019 and onwards in respect of all other applicable taxes.

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

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

15.11. Corporate restructuring undertaken under the special regime in Chapter VII, Title VII, of Corporate Income Tax Law 27/2014, of 27 November

The Notes to the Company's financial statements for 1999 to 2021 include the information required under Article 86 of Law 27/2014 of 27 November, regarding corporate restructuring operations in prior years.

16. Profit/(loss)

The amounts relating to 2022 and 2021 recognised under the Company's main income and expense headings are detailed below:

16.1. Revenue

In 2022 and 2021, the details of *"Revenue"* in the accompanying income statement, by activity and geographical market, were as follows:

Millions of Euro

2022	Note	Spain	Other EU	Rest	Total
Provision of services	18.1	276	2	—	278
Dividend income from Group companies and associates	8.1.1 and 18.1	713	—	—	713
TOTAL		**989**	**2**	**—**	**991**

Millions of Euro

2021	Note	Spain	Other EU	Rest	Total
Provision of services	18.1	263	3	—	266
Dividend income from Group companies and associates	8.1.1 and 18.1	737	—	—	737
TOTAL		**1,000**	**3**	**—**	**1,003**

"Dividend income from Group companies and associates" includes dividends distributed by the Group companies detailed (see Notes 8.1.1 and 18.2), as shown below:

Millions of Euro

Company	2022	2021
Endesa Red, S.A.U.	560	649
Endesa Financiación Filiales, S.A.U.	83	88
Endesa X Servicios, S.L.U.	70	—
TOTAL	**713**	**737**

16.2. Personnel expenses

In 2022 and 2021, the details of *"Personnel expenses"* in the accompanying income statement were as follows:

Millions of Euro

	Note	2022	2021
Wages and salaries		**120**	**111**
Termination benefits		**1**	**1**
Other employee benefits		**27**	**28**
Social security costs		19	19
Other		8	9
Provisions		**45**	**14**
Non-current employee benefit provisions		6	10
Provisions for contract suspensions	11.2.1	39	4
TOTAL		**193**	**154**

16.3. Other operating expenses

In 2022 and 2021, the details of *"Other operating expenses"* in the accompanying income statement were as follows:

Millions of Euro

	Note	2022	2021
External services		**105**	**98**
Leases and levies	7.1	6	8
Other repairs and upkeep costs		1	1
Independent professional services		22	19
Banking and similar services		1	1
Advertising and public relations		9	11
Other external services		66	58
Other current operating expenses		(4)	**67**
TOTAL		**101**	**165**

In 2022, *"Leases and royalties"* includes expenses relating to contracts of these characteristics, arranged with Group companies for Euro 6 million (Euro 7 million in 2021) (see Note 18.1).

In 2022 *"Other external services"* includes other services received from Group companies and associates in the amount of Euro 43 million (Euro 41 million in 2021) (see Note 18.1) to pass on the costs of overheads, auxiliary and other general service expenses.

Likewise, in 2022, *"Other current operating expenses"* in the accompanying income statement includes Euro 18 million of income relating to the reversal of the amounts accrued and not paid corresponding to Settlement 12 of financial year 2021, ultimately not issued by the Spanish Markets and Competition Commission ("CNMC") in relation to the financing and co-financing with the public administrations of the Social Bonus as a result of Supreme Court Ruling 202/2022 handed down in Appeal No. 687/2017 declaring the inapplicability of the system for financing the Social Bonus and the cost of electricity supply for consumers at risk of social exclusion established in article 45.4 of Law 24/2013, of 26 December, as being incompatible with Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity (see Notes 8.2.2, 11.3, 16.4 and 16.5).

16.4. Finance income and expenses

In 2022 and 2021, the details of financial income and expenses in the accompanying income statement are as follows:

Millions of Euro

	Note	2022	2021
Financial income		**90**	**20**
From marketable securities and other non-current credits		90	20
Interest on loans to Group companies and associates	18.1	40	–
Interest from loans to third parties		50	20
Loans and credits		14	17
Expected return on defined benefit	11.1	1	1
Obligations for workforce restructuring plans		18	2
Contract suspensions	11.2.1	18	2
Other provisions		1	–
Other financial income	16.5	16	–
Financial expenses		**205**	**151**
On debts to Group companies and associates	18.1	124	129
Interest on debts to third parties		77	21
Provision adjustments		4	1
Non-current employee benefit obligations		1	1
Provisions for pensions and other similar provisions	11.1	1	1
Contract suspensions	11.2.1	3	–

16.5. Other gains/losses

Ruling 202/2022 of 21 February 2022, handed down by the Supreme Court in Appeal No. 687/2017, acknowledges the right of Endesa, S.A. to be compensated for the amounts borne to finance and co-finance the Social Bonus with the public administrations during the whole term that the third financing system of the Social Bonus is in force, so that all amounts paid in this regard are refunded to the complainant by discounting the amounts that, where appropriate, had been passed on to customers. Endesa, S.A. has not passed on, either directly or indirectly, the cost of financing to customers, hence founded arguments exist to justify its entitlement to a full refund of all the amounts borne in this regard. In particular, with regard to the regulated segment of the supply activity, the reference suppliers cannot pass on that cost to customers since their remuneration system does not allow it, hence the recovery of such amounts must be automatic.

For this reason, Euro 152 million was recognised in this item in 2022. In addition, Euro 16 million was recognised for late-payment interest under *"Financial income"* in the accompanying income statement (see Notes 8.2.2, 11.3, 16.3 and 16.4).

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

17.1. Guarantees to third parties and other contingent liabilities

At 31 December 2022 and 2021, the guarantees and collaterals provided by Endesa, S.A. to the companies of its Business Group are as follows (see Note 18.2):

Millions of Euro

Company	Purpose of guarantee	31 December 2022	31 December 2021
Enel, S.p.A.	Derivative Financial Instruments Operations in Energy Markets [1]	2,000	–
Endesa Generación, S.A.U.	Long-term gas contracts	56	53
Endesa Energía, S.A.U.	Gas contracts	165	132
Endesa Generación, S.A.U.	Generation of Electricity of Elecgas, S.A. (*"Tolling"*)	334	353
Endesa Generación, S.A.U.	Energy contracts	287	81
Enel Green Power España, S.L.U. (EGPE) and Subsidiaries	Photovoltaic module supply contracts	277	–
Explotaciones Eólicas Santo Domingo de Luna, S.A.	Financing	–	21
Nuclenor, S.A.	Insurance	7	7
Endesa X Servicios, S.L.U.	Equipment supply contracts	23	8
Group companies	Workforce restructuring plans	7	13
Other Group companies	Other commitments	4,415	3,420
Enel Green Power España, S.L.U. (EGPE)		1,636	1,370
Endesa Energía, S.A.U.		1,334	1,244
Endesa Generación, S.A.U.		746	149
Energía XXI Comercializadora de Referencia, S.L.U.		143	166
Edistribución Redes Digitales, S.L.U.		96	104
Gas y Electricidad Generación, S.A.U.		107	32
Empresa Carbonífera del Sur, S.A.U.		4	11
Endesa Ingeniería, S.L.U.		6	7
Unión Eléctrica de Canarias Generación, S.A.U.		8	13
Other		335	324
TOTAL		**7,571**	**4,088**

[1] Corresponds to the counter-guarantee provided by Endesa, S.A. to Enel, S.p.A. to guarantee the guarantee previously provided by Enel, S.p.A. to Endesa Generación, S.A.U. (for compliance with the obligations of the latter with third parties, derived from the operating rules of the organized national or international gas and electricity markets in which it participates), for an amount of up to Euro 2,000 million, with a term until June 30, 2023.

Endesa, S.A.'s Management does not expect that its status as guarantor will result in significant liabilities for the Company.

17.2. Other commitments

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

In 2014, Endesa entered into two agreements with Corpus Christi Liquefaction, LLC to acquire liquefied natural gas (LNG) from 2019 for a total of 3 bcm/year. Endesa, S.A. signed both agreements with Enel Global Trading, S.P.A. and Endesa Energía, S.A.U., under which it will transfer to the latter gas of 1 bcm/year and 2 bcm/year, respectively, acquired in accordance with the contract, under the same terms and conditions as agreed with Corpus Christi Liquefaction, LLC. Enel, S.p.A. granted a guarantee in favour of Endesa, S.A. for USD 137 million (approximately Euro 128 million at 31 December 2022 and Euro 121 million at 31 December 2021) to comply with this contract (see Note 18.2).

18. Related party transactions

In 2022 and 2021, the Directors, or persons acting on their behalf, did not carry out any transactions with the Company (or its other subsidiaries) that were not part of their normal business activities or that were not carried out on an arm's length basis.
The amount of the transactions carried out with other parties related to certain members of the Board of Directors corresponds to the Company's normal business activities which were, in all cases, carried out on an arm's length basis.
Related party transactions in 2022 and 2021 formed part of the Company's ordinary business activities and were performed on an arm's length basis.

18.1. Related party transactions

In 2022 and 2021, the details of the transactions performed with related parties were as follows:

Millions of Euro

	Note	2022					
		Significant shareholders	Directors and Executives (Note 18.3)	Group companies	Associates and jointly controlled entities	Other related parties	Total
Leases	16.3	—	—	(6)	—	(1)	(7)
Services received	16.3	(7)	—	(36)	—	(6)	(49)
Financial expenses	16.4	—	—	(124)	—	—	(124)
Other expenses		—	—	6	—	—	6
Exchange gains/(losses)		—	—	6	—	—	6
TOTAL EXPENSES		**(7)**	**—**	**(160)**	**—**	**(7)**	**(174)**
Rendering of services	16.1	2	—	276	—	—	278
Financial income	16.4	—	—	40	—	—	40
Dividends received	8.1.1 and 16.1	—	—	713	—	—	713
TOTAL INCOME		**2**	**—**	**1,029**	**—**	**—**	**1,031**
Dividends and other distributions		**696**	**—**	**—**	**—**	**—**	**696**
Contributions to Pension Plans		**—**	**—**	**—**	**—**	**11**	**11**
Other transactions: Purchase of intangible assets	5	**—**	**—**	**20**	**—**	**—**	**20**

Millions of Euro

	Note	2021					
		Significant shareholders	Directors and Executives (Note 18.3)	Group companies	Associates and jointly controlled entities	Other related parties	Total
Leases	7.1 and 16.3	—	—	(7)	—	—	(7)
Services received	16.3	(7)	—	(34)	—	—	(41)
Financial expenses	16.4	—	—	(129)	—	—	(129)
Other expenses		—	—	2	—	—	2
Exchange gains/(losses)		—	—	2	—	—	2
TOTAL EXPENSES		**(7)**	**—**	**(168)**	**—**	**—**	**(175)**
Rendering of services	16.1	1	—	265	—	—	266
Dividends received	8.1.1 and 16.1	—	—	737	—	—	737
TOTAL INCOME		**1**	**—**	**1,002**	**—**	**—**	**1,003**
Dividends and other distributions	3	**1,494**	**—**	**—**	**—**	**—**	**1,494**
Contributions to Pension Plans		**—**	**—**	**—**	**—**	**10**	**10**
Other transactions: Purchase of intangible assets	5	**—**	**—**	**21**	**—**	**—**	**21**

The Company has signed with Endesa Energía, S.A.U. and Enel Global Trading, S.p.A. contracts for the sale of liquefied natural gas (LNG) through which it transfers, under the same conditions, the purchases made by the Company from Christi Liquefaction, LLC to execute the aforementioned contracts (see Note 17.2). This arrangement is considered to be an intermediation and is netted in the income statement under *"Procurements"*. In 2022, the amount was Euro 1,280 million (Euro 744 million in 2021).

18.2. Balances with related parties

At 31 December 2022 and 2021, the balances with related parties recognised in the accompanying statement of financial position were as follows:

Millions of Euro

		31 December 2022					
	Note	Significant shareholders	Directors and Executives (Note 18.3)	Group companies	Associates andjointly controlled entities	Other related parties	Total
Non-current financial investments	8	–	–	18,926	–	–	18,926
Equity instruments		–	–	18,926	–	–	18,926
Trade and other receivables		1	–	82	–	–	83
Current financial investments	8	9	–	4,744	–	–	4,753
Loans to companies		9	–	4,744	–	–	4,753
Non-current debts	12	**–**	**–**	**(5,100)**	**–**	**–**	**(5,100)**
Non-current debts to Group companies and associates		–	–	(5,100)	–	–	(5,100)
Current debts	12	(15)	–	(29)	(6)	–	(50)
Current debts to Group companies and associates		(14)	–	(21)	(6)	–	(41)
Other financial liabilities		**(1)**	**–**	**(8)**	**–**	**–**	**(9)**
Trade and other payables		**(12)**	**–**	**(38)**	**–**	**–**	**(50)**
Guarantees received	17.2 and 18.3	**128**	**–**	**–**	**–**	**–**	**128**
Guarantees provided	17.1 and 18.3	**2,000**	**7**	**5,564**	**7**	**–**	**7,578**
Financing agreements	18.3	**–**	**1**	**–**	**–**	**–**	**1**

Millions of Euro							
		31 December 2021					
	Note	Significant shareholders	Directors and Executives (Note 18.3)	Group companies	Associates andjointly controlled entities	Other related parties	Total
Non-current financial investments	8	–	–	18,924	–	–	18,924
Equity instruments		–	–	18,924	–	–	18,924
Trade and other receivables		3	–	165	–	–	168
Current financial investments	8	56	–	14	–	–	70
Loans to companies		56	–	14	–	–	70
Other financial assets		–	–	–	–	–	–
Non-current debts	12	–	–	(4,835)	–	–	(4,835)
Non-current debts to Group companies and associates		–	–	(4,835)	–	–	(4,835)
Current debts	12	(385)	–	(39)	(6)	–	(430)
Current debts to Group companies and associates		**(13)**	**–**	**(29)**	**(6)**	**–**	**(48)**
Other financial liabilities		(372)	–	(10)	–	–	(382)
Trade and other payables		**(9)**	**–**	**(24)**	**–**	**–**	**(33)**
Guarantees received	17.2 and 18.3	**121**	**–**	**–**	**–**	**–**	**121**
Guarantees provided	17.1 and 18.3	**–**	**7**	**4,074**	**7**	**–**	**4,088**
Financing agreements	18.3	**–**	**1**	**–**	**–**	**–**	**1**

At 31 December 2022 the Guarantees and Guarantees provided with Significant Shareholders in the amount of Euro 2,000 million correspond to the counter-guarantee provided to Enel, S.p.A. by Endesa, S.A. to secure the guarantee previously provided by Enel, S.p.A. to Endesa Generación, S.A.U. (for compliance with the obligations of the latter with third parties, deriving from the operating rules of the organized national or international gas and electricity markets in which it participates), for an amount of up to Euro 2,000 million, with a term until June 30, 2023.

At 31 December 2022, Endesa, S.A. had 4 committed and irrevocable intercompany credit lines with Enel Finance International, N.V. (one intercompany credit line at 31 December 2021) for the sum of Euro 5,400 million (1,700 million at 31 December 2021). Euro 450 million had been drawn on these credit lines at 31 December 2022 (no amount drawn down at 31 December 2021) (see Note 12.2).

18.3. Information on Directors and Senior Management

18.3.1. Remuneration of the Board of Directors

Article 40 of the corporate bylaws states that *"the remuneration of the Directors will comprise the following items: a monthly fixed salary and subsistence allowances for each meeting of the governing bodies of the Company and its committees.*
Maximum global and annual compensation, for the Board as a whole and including all aforementioned items, shall be established by the General Shareholders' Meeting and will remain in effect until it resolves upon an amendment thereof.
The Board itself shall be in charge of determining the exact amount to be paid in each accounting year, subject to the limits set forth by the General Shareholders' Meeting, as well as distributing such amount between the aforementioned items and between the Directors in the manner, time and proportion as freely determined, taking into account the functions and responsibilities entrusted to each Director, whether they belong to any of the Board's Committees and all other relevant objective circumstances.

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

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

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

Members of the Board of Directors of Endesa, S.A. therefore received remuneration in their capacity as Directors of the Company.

- In 2022 and 2021, the monthly fixed salary for each Director was Euro 15.6 thousand gross.
- The fees to attend meetings of the Board of Directors, Appointments and Remuneration Committee, the Audit and Compliance Committee and the Sustainability and Corporate Governance Committee amounted to Euro 1.5 thousand gross per meeting in 2022 and 2021.
- In addition to the remuneration established for the members of the Board of Directors, the following remuneration criteria shall be applicable to the posts indicated:
  - Non-executive Chairman of the Board of Directors: shall receive a fixed monthly remuneration of Euro 50,000 (gross) (rather than the fixed monthly remuneration of Euro 15,642.56 (gross) provided for the other members).
  - Chairman of the Audit and Compliance Committee: shall receive a monthly fixed remuneration of Euro 3,000 (gross) (in addition to the monthly fixed remuneration as member).
  - Chairmen of the Appointments and Remuneration Committee and of the Sustainability and Corporate Government Committee: shall receive a monthly fixed remuneration of Euro 2,000 (gross) (in addition to the monthly fixed remuneration as member).
    - Coordinating Director: shall receive a monthly fixed remuneration of Euro 2,083 (gross) (in addition to the monthly fixed remuneration as member) .
- The members of the Board of Directors and Executive Directors receive remuneration for performing duties other than in their capacity as Directors in accordance with the salary structure of Senior Management of Endesa. The main components of this remuneration are:
  - Fixed annual remuneration: cash remuneration paid monthly in accordance with the complexity and responsibility of the functions entrusted.
  - Short-term variable remuneration: cash remuneration that is not guaranteed, subject to compliance with annual targets established through the Company's assessment systems.
  - Long-term variable remuneration: cash remuneration that is not guaranteed, subject to compliance with multi-year targets.
  - Social and other benefits: remuneration (normally non-cash), received in accordance with certain special conditions or requirements determined voluntarily, legally, contractually or through collective bargaining.

Remuneration accrued by Directors

The remuneration accrued by the Directors in 2022 and 2021 was as follows:

(1) With the termination of the mandate of Mr Miquel Roca Junyent at the last General Meeting on 30 April 2021, the Board of Directors approved at the proposal of the Appointments and Remuneration Committee, that the position of Coordinating Director would not be renewed taking into account the independent status of the Chairman of the Board of Directors.

Thousands of Euro

Item	Directors	
	Amount	
	2022	2021
Remuneration for belonging to the Board of Directors and/or board committees	2,081	2,235
Salaries	960	960
Variable remuneration in cash	922 (1)	848 (2)
Share-based payment plans	259 (3)	173 (4)
Indemnities	—	—
Long-term saving systems	6	29
Other items (5)	158	127
TOTAL	**4,386**	**4,372**

(1) Corresponding to short-term variable remuneration and long-term variable remuneration for one third of the Loyalty Plan 2020-2022 and one third of the Strategic Incentive Plans 2021-2023 and 2022-2024. The vesting of the payment in 2022 amounted to Euro 1,367 thousand, corresponding to the short-term variable remuneration (Euro 680 thousand) and the long-term variable remuneration (Euro 687 thousand). In 2022, the effective payment of 70% of the Loyalty Plan 2018-2020 and the right to payment of 30% of the Loyalty Plan 2019-2021 have been consolidated.
(2) Corresponding to the short-term and long-term variable compensation for one third of the Loyalty Plan for one third of the 2019-2021 Loyalty Plan and one third of the 2020-2022 and 2021-2023 Strategic Incentive Plans. The consolidation of the payment in 2021 amounted to Euro 1,016 thousand, corresponding to short-term variable compensation (Euro 520 thousand) and long-term variable compensation (Euro 496 thousand corresponding to 70% of the 2017-2019 Loyalty Plan and 30% of the 2018-2020 Loyalty Plan).
(3) Relating to the long-term variable remuneration accrued for a third of the 2020-2022 Strategic Incentive Plan, a third of the 2021-2023 Strategic Incentive Plan and a third of the 2022-2024 Strategic Incentive Plan.
(4) Relating to the long-term variable remuneration accrued for a third of the 2020-2022 Strategic Incentive Plan and a third of the 2021-2023 Strategic Incentive Plan.
(5) Includes remuneration in kind and life insurance.

Remuneration for membership on the Board of Directors and/or Board Committees, salaries and attendance fees

Details of the annual monetary remuneration received by the members of the Board of Directors, based on the post held, in 2022 and 2021 are as follows:

Thousands of Euro

	2022			2021		
	Remuneration for belonging to the Board of Directors and/or Board committees	Attendance fees (4)	Salaries	Remuneration for belonging to the Board of Directors and/or Board committees	Attendance fees (4)	Salaries
Mr Juan Sánchez-Calero Guilarte	624	29	—	624	29	—
Mr José Bogas Gálvez	—	—	960	—	—	960
Mr Francesco Starace	—	—	—	—	—	—
Mr Alejandro Echevarría Busquet (1)	—	—	—	62	7	—
Mr Alberto de Paoli	—	—	—	—	—	—
Mr Miquel Roca Junyent (1)	—	—	—	71	16	—
Mr Ignacio Garralda Ruiz de Velasco	211	38	—	211	33	—
Mr Francisco de Lacerda	224	51	—	224	43	—
Ms Maria Patrizia Grieco (2)	62	10	—	188	27	—
Mr Antonio Cammisecra	—	—	—	—	—	—
Ms Eugenia Bieto Caubet	188	50	—	188	50	—
Ms Pilar González de Frutos	188	51	—	188	50	—
Ms Alicia Koplowitz y Romero de Juseu	188	19	—	188	36	—
Ms Cristina de Parias Halcón (3)	126	22	—	—	—	—
Ms Francesca Gostinelli (3)	—	—	—	—	—	—
TOTAL	**1,811**	**270**	960	**1,944**	**291**	**960**

(1) Left ton 30 April 2021.
(2) Left on 29 April 2022.
(3) Joined on 29 April 2022.
(4) Allowances for attending each meeting of the Board of Directors and its Committees.

Variable remuneration in cash

The variable remuneration accrued in 2022 and 2021 by the Chief Executive Officer, for performing his executive tasks, was as follows:

Thousands of Euro

	2022		2021	
	Current	Non-current	Current	Non-current
Mr José Bogas Gálvez	680	242	520	328
TOTAL	**680**	**242** [1]	**520**	**328** [2]

[1] Corresponding to the long-term variable remuneration, in cash, accrued for one third of the Strategic Incentive Plans 2020-2022, 2021-2023 and 2022-2024. The consolidation of the payment in fiscal year 2022 amounted to Euro 687 thousand corresponding to the effective payment of 70% of the Loyalty Plan 2018-2020, and the right to payment of 30% of the Loyalty Plan 2019-2021.

[2] Corresponding to the long-term variable compensation, in cash, accrued for one third of the 2019-2021 Loyalty Plan, and one third of the 2020-2022 and 2021-2023 Strategic Incentive Plans. The vesting of the payment in 2021 amounted for this item to Euro 496 thousand (30% of the Loyalty Plan 2018- 2020 and 70% of the Loyalty Plan 2017-2019).

Long-term saving systems

During 2022, the contribution to funds and pension plans of Executive Directors totalled Euro 6 thousand (Euro 29 thousand in 2021).

Other items

The Executive Director and the Chairman, in accordance with Endesa's Director Remuneration Policy, receive remuneration in kind, including a group healthcare policy subsidising 100% of the cost of the payment of the holder and dependent family members, the assignment of a company vehicle under a renting system, together with other social benefits and attendance fees for the Executive Director.

Life and accident insurance premiums

The Executive Director has a life and accident insurance policy that guarantees certain capital and/or income, according to the contingency in question (death and disability coverage).
In 2022, the premium totalled Euro 85 thousand (Euro 71 thousand in 2021).

Advances and loans

At 31 December 2022 the Executive Director had a loan of Euro 230 thousand with an average interest rate of 0.0167% (Euro 230 thousand at 31 December 2021 with an average interest rate of 0.0386%) and an interest-free loan of Euro 166 thousand (Euro 166 thousand at 31 December 2021) which has been increased by the granting of an advance of Euro 256 thousand (the interest subsidy is classified as remuneration in kind).

Pension funds and schemes: obligations assumed

At 31 December 2022, the Executive Director held accumulated fund and pension plan rights for the amount of Euro 13,868 thousand (Euro 13,387 thousand at 31 December 2021).

Guarantees provided by the Company to the Executive Director

At 31 December 2022, as regards remuneration, the Company had arranged guarantees in the form of collateral to the Chief Executive Officer amounting to Euro 6,951 thousand to cover early retirement entitlements (Euro 6,527 thousand at 31 December 2021) (see Note 18.2).

18.3.2. Remuneration of Senior Management

Identification of members of Senior Management at Endesa, S.A. who are not Executive Directors.

	Senior Management in 2022
Name	Position [1]
Mr Ignacio Jiménez Soler	General Manager - Communications
Mr Juan María Moreno Mellado	General Manager - Energy Management
Mr Paolo Bondi	General Manager of People and Organisation
Mr Rafael González Sánchez	General Manager - Generation
Mr Jose Manuel Revuelta Mediavilla	General Manager - Infrastructure and Networks
Mr Francisco de Borja Acha Besga	General Secretary to the Board of Directors and General Manager of Legal and Corporate Affairs
Mr José Casas Marín	General Manager - Institutional Relations and Regulation
Mr Pablo Azcoitia Lorente	General Manager - Media
Mr Gonzalo Carbó de Haya	General Manager - Nuclear Power
Ms Patricia Fernández Salís	General Manager of Audit
Ms María Malaxechevarría Grande	General Manager - Sustainability
Mr Ignacio Mateo Montoya	General Manager - Purchasing
Mr Luca Passa [2]	General Manager - Administration, Finance and Control

[1] List of persons included in this table as per the definition of Senior Management in CNMV Circular 5/2013, of 12 June.
[2] Left on 31 December 2022 and was replaced by Mr Marco Palermo on 1 January 2023.

	Senior Management in 2021
Name	Position [1]
Mr Ignacio Jiménez Soler	General Manager - Communications
Mr Juan María Moreno Mellado	General Manager - Energy Management
Mr Paolo Bondi	General Manager of People and Organisation
Mr Rafael González Sánchez	General Manager - Generation
Mr Gianluca Caccialupi (2)	General Manager - Infrastructure and Networks
Mr Jose Manuel Revuelta Mediavilla [3]	General Manager - Infrastructure and Networks
Mr Francisco de Borja Acha Besga	General Secretary to the Board of Directors and General Manager of Legal and Corporate Affairs
Mr José Casas Marín	General Manager - Institutional Relations and Regulation
Mr Pablo Azcoitia Lorente	General Manager - Media
Mr Gonzalo Carbó de Haya	General Manager - Nuclear Power
Ms Patricia Fernández Salís	General Manager of Audit
Ms María Malaxechevarría Grande	General Manager - Sustainability
Mr Ignacio Mateo Montoya	General Manager - Purchasing
Mr Luca Passa	General Manager - Administration, Finance and Control

[1] List of persons included in this table as per the definition of Senior Management in CNMV Circular 5/2013, of 12 June.
[2] He left on 28 February 2021 and was substituted by Mr Jose Manuel Revuelta Mediavilla.
[3] He joined on 1 March 2021, replacing Mr Gianluca Caccialupi.

Remuneration of Senior Management

Details of the remuneration of Senior Management members who is not also an Executive Director in 2022 and 2021 are as follows:

Thousands of Euro

	Remuneration			
	At the Company		For membership on Boards of Directors of Endesa companies of the Endesa Group	
	2022	**2021**	**2022**	**2021**
Fixed remuneration	3,918 [(1)]	3,771	—	—
Variable remuneration	2,563 [(2)]	2,773 [(3)]	—	—
Attendance fees	—	—	—	—
Bylaw-stipulated emoluments	—	—	—	—
Options on shares and other financial instruments	785 [(4)]	570 [(5)]	—	—
Other	223	209	—	—
TOTAL	**7,489**	**7,323**	**—**	**—**

(1) Remuneration received by Senior Management includes the amount corresponding to the discount for the purchase of shares, Euro 84 thousand and the discount corresponding to the canteen, Euro 3 thousand under the Flexible Remuneration Plan.
(2) Corresponding to short-term variable remuneration and long-term variable remuneration for one third of the Loyalty Plan 2020-2022 and one third of the Strategic Incentive Plans 2021-2023 and 2022-2024. The consolidated payment in 2022 amounted to Euro 3,791 thousand, corresponding to short-term variable remuneration (Euro 1,829 thousand) and long-term variable remuneration (Euro 1,962 thousand). In the financial year 2022, the effective payment of 70% of the Loyalty Plan 2018-2020 and the right to payment of 30% of the Loyalty Plan 2019-2021 have been consolidated.
(3) Corresponding to the short-term variable remuneration and long-term variable remuneration, in cash, for one third of the 2019-2021 Loyalty Plans for one third of the 2020-2022 and 2021-2023 Strategic Incentive Plans. The consolidation of the payment in 2021 amounted to Euro 3,037 thousand, corresponding to short-term variable remuneration (Euro 1,732 thousand) and long-term variable remuneration (Euro 1,305 thousand corresponding to 30% of the 2018-2020 Loyalty Plan and 70% of the 2017-2019 Loyalty Plan).
(4) Corresponding to the long-term variable remuneration accrued for one-third of the 2020-2022 Strategic Incentive Plan, one-third of the 2021-2023 Strategic Incentive Plan and one-third of the 2022-2024 Strategic Incentive Plan.
(5) Corresponding to the accrual of long-term variable remuneration, in shares, accrued for one third of the 2020-2022 and 2021-2023 Strategic Incentive Plans.

Thousands of Euro

	Other benefits			
	At the Company		For membership of Boards of Directors of Endesa Group companies	
	2022	**2021**	**2022**	**2021**
Advances	412	189	—	—
Loans	—	—	—	—
Pension funds and schemes: contributions	590	570	—	—
Pension funds and schemes: obligations assumed	12,813	11,955	—	—
Life and accident insurance premiums	197	198	—	—

Guarantees provided by the Company to Senior Management

At 31 December 2022 and 2021, in terms of remuneration, the Company had not issued any guarantees to Senior Managers who are not also Executive Directors.

18.3.3. Guarantee clauses: Board of Directors and Senior Management

Guarantee clauses for dismissal or changes of control

These types of clauses were approved by the Board of Directors after a report from the Appointments and Remuneration Committee ("CNR") and include cases of compensation for termination of the employment relationship and post-contractual non-competition covenant.

The contract signed with the Chief Executive Officer does not envisage compensation for termination in his position. Notwithstanding the above, when the Chief Executive Officer ceases in his position, his previous relationship will be automatically terminated, that is, his Senior Management contract, suspended since his appointment as Chief Executive Officer, in which case, due to the termination of his Senior Management employment relationship, Mr José Bogas Gálvez will be entitled to receive a net amount of Euro 6,951 thousand, this amount being the result of reducing the gross consolidated compensation in the amount for withholdings on account of personal income tax and, where appropriate, the Social Security contributions applicable on the date of their payment. This amount will be increased in accordance with the Consumer Price Index (CPI) for the previous year.

This remuneration is incompatible with the receipt of any other remuneration originating in the termination of the director's relationship. This net amount of Euro 6,951 thousand includes 2-year post-contractual agreement not to work for any competitors, included in the Chief Executive Officer's Senior Management contract.

This indemnification or guaranteed compensation is compatible with the Chief Executive Officer's defined benefit savings system. Termination in the event of death or retirement recognises the right of the Chief Executive Officer or his successors in title to the guaranteed compensation

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

The regime for these clauses is as follows:

Clauses	Regime
Dissolution.	• By mutual agreement: termination benefit equal to an amount from 1 to 3 times the annual remuneration, on a case-by-case basis. Endesa's 2022-2024 Remuneration policy establishes that when there are new recruits to the Company or its Group in Senior Management, a maximum limit of two years of total and annual remuneration accrued will be established for payments for termination of the contract, including amounts not previously consolidated from long-term savings systems and amounts paid under agreements for non-post-contractual competition, applicable in any case, and in the same terms, to contracts with Executive Directors. • Upon the unilateral decision of the Executive: no entitlement to termination benefit, unless the decision to terminate the employment relationship is based on the serious and culpable breach by the Company of its obligations, the position is eliminated, or in the event of a change of control or any of the other causes for compensation for termination foreseen in Royal Decree 1382/1985 of 1 August. • As a result of termination by the Company: termination benefit equal to that described in the first point. • At the decision of the Company based on the serious wilful misconduct or negligence of the Executive in discharging his duties: no entitlement to termination benefit. These conditions are alternatives to those arising from changes to the pre-existing employment relationship or its termination due to early retirement for Senior Managers.
Post-contractual non-competition clause:	• In the vast majority of contracts, Senior Managers are required not to engage in a business activity in competition with Endesa for a period of 2 years; as consideration, the Executive is entitled to an amount equal to up to one hundred per cent of the annual fixed remuneration.

At 31 December 2022 and 2021, Endesa had 10 Executive Directors and Senior Managers with guarantee clauses in their employment contracts.

18.3.4. Other disclosures concerning the Board of Directors

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

	31 December 2022			
Director	**Personal or company tax ID**	**Company**	**Stake (%)**	**Position**
Mr Francesco Starace	00811720580	Enel, S.p.A.	0.00576855	Managing Director and General Manager
Mr Francesco Starace	B85721025	Enel Iberia, S.L.U.	—	Chairman
Mr José Bogas Gálvez	B85721025	Enel Iberia, S.L.U.	—	Director
Mr Alberto de Paoli	00811720580	Enel, S.p.A.	0.00069644	Administration, Finance and Control Manager
Mr Antonio Cammisecra	00811720580	Enel, S.p.A.	—	Enel Grids S.r.l Division Manager
Mr Antonio Cammisecra	00811720580	Enel, S.p.A.	—	Sole Director of Enel Grids S.r.l
Ms Francesca Gostinelli	00811720580	Enel, S.p.A.	0.00026177	Global Head of Strategy, Economics and Scenario Planning

	31 December 2021			
Director	**Personal or company tax ID**	**Company**	**Stake (%)**	**Position**
Mr Francesco Starace	00811720580	Enel, S.p.A.	0.00576855	Managing Director and General Manager
Mr Francesco Starace	B85721025	Enel Iberia, S.L.U.	—	Chairman
Mr José Bogas Gálvez	B85721025	Enel Iberia, S.L.U.	—	Director
Mr Alberto de Paoli	00811720580	Enel, S.p.A.	0.00059016	Administration, Finance and Control Manager
Mr Antonio Cammisecra	00811720580	Enel, S.p.A.	—	Head of Infrastructure and Global Networks
Mr Antonio Cammisecra	00811720580	Enel, S.p.A.	—	Sole Director of Global Infrastructure and Networks S.r.l
Mr Ignacio Garralda	00811720580	Enel, S.p.A.	0.00027540	—

In accordance with Article 229 of the Corporate Enterprises Act, members of the Board of Directors reported no situations of direct or indirect conflict with the interest of the Company in 2022.

Distribution by gender: At 31 December 2022, the Board of Directors of Endesa, S.A. comprised 12 Directors, five of which were female (11 Directors, four of which were female at 31 December 2021).

In 2022 and 2021, the Company had arranged third-party liability insurance policies for Directors and Senior Managers for a gross amount of Euro 1,772 thousand and Euro 1,550 thousand, respectively. This insures both the Company's Directors and employees with management responsibilities.

In 2022 and 2021 there were no damages caused by acts or omissions of the Directors that would have required use to be made of the third-party liability insurance premium held through the Company.

18.3.5. Share-based payment schemes tied to the Endesa, S.A. share price

Endesa's long-term variable remuneration is based on long-term remuneration schemes, known as "Loyalty and Strategic Incentive Plans", aimed primarily at strengthening the commitment of employees, who occupy positions of greater responsibility in the attainment of the Group's strategic targets. The Plan is structured through successive triennial programs, which start every year from 1 January 2010. Long-term remuneration accrued in 2022 (2020-2022 Loyalty Plan) carries a deferral of the payment. Specifically, in 2023 30% of the incentive will be paid and the remaining 70% in 2024. In order for payment to be made, the Executive Director will need to be in active service (only in case of retirement or termination of a fixed-term contract is payment envisaged for completed incentives for which payment is pending and will be made on the corresponding date).

Strategic Incentive Plan 2020-2022

On 5 May 2020, the Ordinary General Shareholders' Meeting of Endesa, S.A. approved a long-term variable remuneration plan called "*Strategic Incentive Plan 2020-2022*" that aims primarily to reward the contribution to the sustainable compliance of the Strategic Plan of the people who hold the greatest responsibility, including the Company's Executive Directors. The main features of this plan are as follows:

	Main features
Strategic Incentive Plan 2020-2022.	• The performance period will be 3 years, starting from 1 January 2020.
	• The Plan provides for the allocation of an incentive comprising the right to receive: (i) a number of ordinary shares of Endesa, S.A. and (ii) a cash amount, referenced to a base incentive target, subject to the conditions and possible variations under the Plan mechanism.
	• The Plan envisages a deferred payment: 30% of the incentive will be paid in the year following the end of the Plan, and the remaining 70%, where applicable, will be paid 2 years after the end of the Plan.

With respect to the total incentive accrued, the Plan envisages up to 50% of the target incentive to be disbursed entirely in shares.
The amount of money to be paid is calculated as the difference between the total amount of the accrued incentive and the share payable in shares.

The accrual of the "*2020-2022 Strategic Incentive*" is linked to the fulfilment of 3 objectives during the performance period:

	Targets
Accrual of 2020-2022 Strategic Incentive.	1. Performance of the average *Total Shareholder Return* (TSR) of Endesa, S.A. in relation to the performance of the average TSR of the Eurostoxx Utilities index, selected as the benchmark for the peer group. This parameter will be weighted at 50% of the total incentive.
	2. Target for the cumulative *Return on Average Capital Employed* (ROACE)(1) during the accrual period. Endesa's cumulative ROACE(2) target represents the relationship between cumulative Ordinary Profit from Operations (Ordinary EBIT) and the cumulative average Net Capital Invested (Average NCI)(3), during the 2020-2022 period. This parameter will be weighted at 40% of the total incentive.
	3. Reduction of Endesa's carbon dioxide (CO_2) emissions. This parameter will be weighted at 10% of the incentive.

(1) Return On Average Capital Employed" (ROACE) (%) - Ordinary Operating Income (Ordinary EBIT) / Average Net Capital Invested (Average NCI).
(2) Ordinary Operating Income (Ordinary EBIT) (Millions of Euro) - Operating Income (EBIT) corrected for extraordinary unbudgeted purposes.
(3) Average Net Capital Invested (Average NCI) (Millions of Euro) = ((Equity + Net Financial Debt - Cash and Cash Equivalents) $_n$ + (Equity + Net Financial Debt - Cash and Cash Equivalents) $_{n-1}$) / 2.

A threshold level beyond which the target is considered to have been met and 2 performance levels for targets that have been overachieved is established for each target: performance above the first level equals 150%; and performance beyond the second constitutes maximum achievement of 180%. Therefore, the level of variable remuneration would be between 0% and 180% of the base incentive.

Strategic Incentive Plan 2021-2023

On 30 April 2021, the General Shareholders' Meeting of Endesa, S.A. approved a long-term variable remuneration scheme known as the *Strategic Incentive Plan 2021-2023*:

The purpose and characteristics of this plan are the same as those set forth in the "*Strategic Incentive Plan 2020-2022*" described in the previous section, while the performance period and objectives to which its accrual is tied differ.

Therefore, the accrual of the "*Strategic Incentive 2021-2023*" is linked to the fulfilment of 4 objectives during the performance period, which shall be 3 years starting on 1 January 2021:

	Targets
Accrual of 2021-2023 Strategic Incentive.	1. Performance of the average *Total Shareholder Return* (TSR) of Endesa, S.A. in relation to the performance of the average TSR of the Eurostoxx Utilities index, selected as the benchmark for the peer group. This parameter will be weighted at 50%
	2. Target for the cumulative *Return on Average Capital Employed* (ROACE)(1) during the accrual period. Endesa's cumulative ROACE target represents the relationship between cumulative Ordinary Profit from Operations (Ordinary EBIT)(2) and the cumulative average Net Capital Invested (Average NCI)(3), during the 2021-2023 period. This parameter will be weighted at 25% of the total incentive.
	3. Net installed capacity for renewable sources, represented by the relationship between the net installed capacity for renewable sources and Endesa's total accumulated net installed capacity in 2023. This parameter will be weighted at 15% of the total incentive.
	4. Reduction of Endesa's carbon dioxide (CO_2) emissions. This parameter will be weighted at 10% of the incentive.

(1) Return On Average Capital Employed" (ROACE) (%) - Ordinary Operating Income (Ordinary EBIT) / Average Net Capital Invested (Average NCI).
(2) Ordinary Operating Income (Ordinary EBIT) (Millions of Euro) - Operating Income (EBIT) corrected for extraordinary unbudgeted purposes.
(3) Average Net Capital Invested (Average NCI) (Millions of Euro) = ((Equity + Net Financial Debt - Cash and Cash Equivalents) $_n$ + (Equity + Net Financial Debt - Cash and Cash Equivalents) $_{n-1}$) / 2.

Strategic Incentive Plan 2022-2024

On 29 April 2022, the General Shareholders' Meeting of Endesa, S.A. approved a long-term variable remuneration scheme known as the *Strategic Incentive Plan 2022-2024:*

The purpose and characteristics of this plan are the same as those set forth in the "*Strategic Incentive Plan 2020-2022*" and the *Strategic Incentive Plan 2021-2023* described in the previous section, while the performance period and objectives to which its accrual is tied differ.

Therefore, the accrual of the *Strategic Incentive 2022-2024* is linked to the fulfilment of 5 objectives during the performance period, which shall be 3 years starting on 1 January 2022:

	Targets
Accrual of 2022-2024 Strategic Incentive.	1. Performance of the average *Total Shareholder Return* (TSR) of Endesa, S.A. in relation to the performance of the average TSR of the Eurostoxx Utilities index, selected as the benchmark for the peer group. This parameter will be weighted at 50% of the total incentive.
	2. Target for the cumulative *Return on Average Capital Employed* (ROACE)[1] during the accrual period. Endesa's cumulative ROACE target represents the relationship between cumulative Ordinary Profit from Operations (ordinary EBIT)[2] and Net Capital Invested (NCI)[3] during the 2022–2024 period. This parameter will be weighted at 25% of the total incentive.
	3. Net installed capacity for renewable sources, represented by the relationship between the net installed capacity for renewable sources and Endesa's total accumulated net installed capacity in 2024. This parameter will be weighted at 10% of the total incentive.
	4. Reduction of Endesa's carbon dioxide (CO_2) emissions in 2024 (see Note 5.1). This parameter will be weighted at 10% of the incentive.
	5. Percentage of women in the management succession plans in 2024. This parameter will be weighted at 5% of the incentive.

[1] Return On Average Capital Employed" (ROACE) (%) - Ordinary Operating Income (Ordinary EBIT) / Average Net Capital Invested (Average NCI).
[2] Ordinary Operating Income (Ordinary EBIT) (Millions of Euro) - Operating Income (EBIT) corrected for extraordinary unbudgeted purposes.
[3] Average Net Capital Invested (Average NCI) (Millions of Euro) = ((Equity + Net Financial Debt - Cash and Cash Equivalents) $_n$ + (Equity + Net Financial Debt - Cash and Cash Equivalents) $_{n-1}$) / 2.

The amount accrued by the Plans in force in 2022 for all of these plans was Euro 2,3 million (Euro 3 million in 2021), with Euro 1,2 million corresponding to the estimate of share-based payments to be settled in equity instruments (Euro 1 million in 2021).

"Other equity instruments" under equity in the statement of financial position includes the changes in 2022, and the balance at 31 December 2022 was Euro 4 million.

19. Other information

19.1. Headcount

In 2022 and 2021, the Company's average headcount, by category and gender, was as follows:

Number of employees

	2022			2021		
	Male	Female	Total	Male	Female	Total
Executives	78	26	104	86	28	114
Middle management	460	463	923	439	449	888
Administration and management personnel and workers	78	139	217	87	169	256
TOTAL EMPLOYEES	**616**	**628**	**1,244**	**612**	**646**	**1,258**

At 31 December 2022 and 2021, the breakdown of the headcount by category and gender was as follows:

Number of employees

	31 December 2022			31 December 2021		
	Male	Female	Total	Male	Female	Total
Executives	64	20	84	82	27	109
Middle management	471	482	953	450	464	914
Administration and management personnel and workers	74	130	204	76	149	225
TOTAL EMPLOYEES	**609**	**632**	**1,241**	**608**	**640**	**1,248**

In 2022 and 2021, the average number of people employed with an incapacity greater than or equal to 33%, by category and gender, was as follows:

Number of employees

	2022			2021		
	Male	Female	Total	Male	Female	Total
Middle management	6	5	11	3	4	7
Administration and management personnel and workers	4	4	8	3	5	8
TOTAL EMPLOYEES	**10**	**9**	**19**	**6**	**9**	**15**

19.2. Audit fees

The fees for the services provided by the audit company KPMG Auditors, S.L. and other companies of KPMG for the financial statements of Endesa, S.A. for the years ended 31 December 2022 and 2021, regardless of their billing date, were as follows:

Thousands of Euro

	2022	2021
Audit of the financial statements	1,101	981
Audits other than of the financial statements and other audit-related services	622	616
TOTAL	**1,723**	**1,597**

19.3. Information on the average payment period to suppliers. Third additional provision. "Duty of information" of Law 15/2010, of July 5, as amended by Law 18/2022, of September 28

Pursuant to Law 15/2010, of 5 July, amended by Law 18/2022, of 28 September, the details of the degree of compliance by the Company with the statutory limits on payment to suppliers in 2022 and 2021 were as follows:

Number of days

	2022	2021
Average payment period to suppliers	37	33
Ratio of transactions paid	39	33
Ratio of transactions pending payment	20	31

	2022	2021
Number of invoices paid within a period shorter than the maximum allowed	10,191	6,628
% of Total invoices	77	69
Monetary volume of invoices paid within a period shorter than the maximum allowed	89,382	130,372
% of monetary total of payments to suppliers	87	86

Thousands of Euro

	2022	2021
Total payments made	102,733	150,854
Total payments pending	13,807	9,280

19.4. Insurance

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

The possible loss of profits that could result from outages at the facilities is also covered by certain assets.
Possible claims against the Company by third parties due to the nature of its activity are also covered.

20. Environmental information

In 2022 and 2021, no current operating expenses were recognised associated with environmental activities.
At 31 December 2022 and 2021, the Company did not have any environment assets and it did not acquire or have any environmental assets or receive any grants for that purpose during 2022 and 2021.

At the date of authorisation for issue of these financial statements, the Company's Directors consider that there are no known or probable expenses in relation to these risks for which provisions should be recognised at the aforementioned date in this regard.

21. Events after the reporting period

In relation to the New Temporary Energy Tax, introduced by Law 38/2022, of December 27, for the establishment of temporary energy taxes and taxes on credit institutions and financial credit establishments and which creates the temporary solidarity tax on large fortunes, and amending certain tax regulations, according to the best estimate available at the date of preparation of these Financial Statements, it is expected that Euro 208 million will be recorded for accounting purposes and paid to the State Administration in 2023, based on the net turnover for the year 2022.

On January 17, 2023, a loan has been formalized with the European Investment Bank (EIB), which incorporates sustainability objectives, in the amount of Euro 250 million.
Other than the events described above, no other significant events took place between 31 December 2022 and the date of authorisation for issue of these financial statements that have not been reflected therein.

22. Explanation added for translation to English

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

Formulation Signatures ENDESA, S.A. of the Annual Financial Statements for the year ended 31 December 2022

The Annual Financial Statements (Balance Sheet, Income Statement, Statement of Changes in Equity: Statement of Recognized Income and Expenses, Statement of Total Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements) for the year ended 31 December 2022 of Endesa, Sociedad Anónima have been prepared in electronic format by the Board of Directors of Endesa, Sociedad Anónima, Sociedad Anónima at its meeting held on February 22, 2023, following the format requirements established in the EU Delegated Regulation 2019/815 of the European Commission, and are signed below by all the Directors, in compliance with Article 253 of the Capital Companies Act.

Mr. Juan Sánchez-Calero Guilarte Chairman	**Mr. Francesco Starace** Vice-president
Mr. José Damián Bogas Gálvez Chief Executive Officer	**Ms. Eugenia Bieto Caubet** Board Member
Mr. Antonio Cammisecra Board Member	**Mr. Ignacio Garralda Ruiz de Velasco** Board Member
Ms. Pilar González de Frutos Board Member	**Ms. Francesca Gostinelli** Board Member
Ms. Alicia Koplowitz y Romero de Juseu Board Member	**Mr. Francisco de Lacerda** Board Member
Mr. Alberto de Paoli Board Member	**Ms. Cristina de Parias Halcón** Board Member

Madrid, 22 February 2023

3.

Management Report

1. Business performance

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

Revenue in 2022 amounted to Euro 991 million, of which Euro 713 million correspond to income from dividends from Group companies and associates, and Euro 278 million to income for the provision of services to independent companies.

The details of Endesa, S.A.'s income from dividends in 2022 were as follows:

Millions of Euro

Company	**Dividends**
Endesa Red, S.A.U.	560
Endesa Financiación Filiales, S.A.U.	83
Endesa X Servicios, S.L.U.	70
TOTAL	**713**

In 2022, operating income amounted to Euro 1,145 million, while operating expenses totalled Euro 333 million, generating profit from operations for the year of Euro 812 million.

A financial loss amounting to Euro 104 million was reported for 2022, primarily as a consequence of the financial expenses on loans from Group companies and associates amounting to Euro 124 million.

The pre-tax profit for the period was Euro 708 million.

In 2022, Euro 11 million of expense was recognised from accrued income tax. This is because the dividends received from Group companies, which are the Company's main source of income, are not taxed. These companies' profits have already been taxed in the consolidated income tax return filed for the Group, represented in Spain by Enel Iberia, S.L.U.

The net income for 2022 amounted to Euro 697 million.

2. Main financial transactions

The main financial transactions carried out during 2022 are detailed in Notes 12.2 and 21 of the Notes to the Financial Statements of Endesa, S.A. for the year ended 31 December 2022.

3. Events after the reporting period

Information concerning events after the reporting period is provided in Note 21 to the financial statements for the year ended 31 December 2022.

4. Russia-Ukraine conflict and macroeconomic environment

Russia-Ukraine conflict

On 24 February 2022, the Russian president announced "*a special military operation*" in Ukrainian territory, which led a conflict to break out between the two countries.

The invasion of Ukraine and the response of the international community has been felt in numerous areas, including raw materials markets, financial markets, the system of international sanctions for individuals and legal entities and the security of infrastructure and essential services.

Not only has the conflict persisted and its effects deepened, but there is also the risk of further escalation or expansion beyond the warring countries. Everything appears to suggest that the situation will continue and there is as yet no prospect of negotiations between the parties. Thus, the effects of the conflict, as well as the consequences of the embargoes imposed on Russia, continue to impact the world economy, and particularly Europe's own.

The recovery of demand following the pandemic and the Russia-Ukraine conflict, with the subsequent restrictions on the marketing of Russian crude and oil products, has generated a deficit between the supply and demand of these products in Europe. This has led to a rise in prices and certain difficulties supplying specific products, especially gasoil, in which Russia is the leading source of supply of imports to the European Union. Endesa's subsidiaries met their its fuel oil and gasoil supply needs for the Non-mainland Territory ("TNP") plants with companies of acknowledged solvency and with their own refinancing capacity However, it could be the case that existing market tensions hinder these supplies in the future.

With regard to gas, Endesa's subsidiaries have no counterparties that might be affected by the sanctions, nor has it taken out gas supply contracts with Russia; hence, the Company's gas supply is secured. However, the gradual reduction of Russian gas export volumes towards Europe led to an ongoing rise in gas prices on European markets, particularly *the Title Transfer Facility* (TTF). In this regard, Endesa's subsidiaries have arranged positions on this index as a result of its strategy of hedging expected revenue from the sale of gas, as well as the costs of its long-term supply contracts, and the upward trend in the commodities markets has pushed up Endesa's greater liquidity needs arising from the net position subject to the margination of financial instruments on organised markets.

With respect to uranium (UF_6), Endesa's subsidiaries have concluded contracts with various uranium suppliers to compensate the possible cessation of supply from a Russian supplier, having now secured its refuelling requirements for 2023 and 2024. Moreover, through Enusa Industrias Avanzadas, S.A., S.M.E., it analysed the impacts on orders for the supply of nuclear fuel from Russia from 2024, although this company is passing on the manufacturing orders to other suppliers.

Also as a result of the rise in raw material prices and the increase in inflation expectations, long-term Euro interest rates have risen sharply, which has therefore pushed up the cost of financing public and corporate debt.

Amid this unfortunate situation in the energy market, on 28 December 2022, Spanish Law 38/2022 of 27 December was published in the Official State Gazette, ushering in temporary energy taxes and taxes on credit institutions and lending institutions, creating a temporary solidarity tax on large fortunes, and amending certain tax regulations. Furthermore, on 28 December 2022, Royal Decree Law 20/2022, of 27 December was published, on measures in response to the economic and social consequences of the war in Ukraine and to support the reconstruction of the island of La Palma and other situations of vulnerability.

These difficulties have also increased with a higher level of technological risks, to which companies and authorities are exposed, which has likewise led to the adoption of adequate defence measures and maximum internal controls to protect digital infrastructures.

Lastly, a worsening of the crisis caused by the conflict between Russia and Ukraine may cause possible delays in supplies and the breach of contracts at supply chain level.

Considering this scenario, and in line with the recent recommendations of the European Securities and Markets Authority (ESMA) of 14 March, 13 May, and 28 October 2022, Endesa and its subsidiaries have been keeping close track of the situation and ensuing crisis to manage the potential risks.

To this end, the analyses carried out are aimed at assessing the indirect impacts of the conflict on business activity, financial situation and economic performance, with particular reference to the generalized increase in raw material prices and, if applicable, the reduced availability of material supplies from conflict-affected areas:

Macroeconomic environment

The current macroeconomic environment is the result of a combination of pandemic-related effects, a sharp increase in inflation, rising interest rates, geopolitical risks, including those arising from the Russia-Ukraine conflict described in the previous section, and market and regulatory uncertainty.

In accordance with the above, and in line with the recommendations of the European Securities and Markets Authority (ESMA) dated 28 October 2022, Endesa monitors changes in macroeconomic, financial and commercial variables in the current environment, as well as regulatory measures in force, in order to update the estimate of possible impacts on the Financial Statements.

Analysis and impacts

The analysis and impacts indicated in the preceding paragraphs are detailed in the following Notes to the Financial Statements for the year ended 31 December 2022:

Aspectos	Notas	Contenido
Going Concern	2.4	Impact of the conflict and the macroeconomic environment on the activities carried out by Endesa's subsidiaries.
Impairment of Non-financial Assets	4.d	Monitoring of the current context.
Provisions	11	Actuarial assumptions used.
Financial Instruments	8 and 14	Modification of the business model and the characteristics of the contractual cash flows of the financial assets, as well as reclassification between their categories. Evolution of the valuation and settlement of derivatives, detail of financial instruments and compliance with the criteria established by the regulations for the application of hedge accounting.
Financial Debt	12 and 13	Detail of financial debt.
Liquidity Risk	13.3	Detail of liquidity position.
Credit Risk	13.4	Impairment analysis of financial assets.
Fair Value Measurement	8.7 and 12.7	Detail of financial assets and liabilities valued at fair value.

In relation to the Russia-Ukraine conflict, in fiscal year 2022 the effects of the conflict did not have a significant impact on EBITDA or EBIT of Endesa's subsidiaries, although the net position subject to margining in the organised markets in which Endesa and its subsidiaries arrange their financial instruments did have an impact on their liquidity position due to the upward trend in the gas market, with collateralisation requirements of Endesa's subsidiaries amounting to Euro 6,724 million at 31 December 2022.

In a scenario of constant change, also characterised by high regulatory uncertainty and a context of high volatile prices, Endesa and its subsidiaries constantly monitor the macroeconomic and business variables to obtain the best estimate of the potential impacts in real time, also taking into account the various recommendations of the national and supranational supervision bodies.

5. Outlook

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

The Company's Directors believe that the dividend policy to be established for the subsidiaries will be sufficient to cover Endesa S.A.'s operating and financial costs.

As a result of this economic-financial strategy, unless any exceptional circumstances arise, which will be duly announced, at a meeting on 22 November 2022 the Board of Directors of Endesa, S.A. approved the following shareholder remuneration policy for 2022-2025:

- For 2022, Endesa, S.A.'s Board of Directors will seek to ensure that the ordinary dividend per share agreed to be distributed with a charge to the year is equivalent to 70% of the ordinary net profit attributed to the Parent in the Group's Consolidated Financial Statements. The intention of the Board of Directors is that the ordinary dividend should be paid solely in cash in a single instalment in July 2023.
- For the 2023, 2024 and 2025 financial years, the Board of Directors of Endesa, S.A. will attempt to ensure that the ordinary dividend per share that is agreed to be distributed for the year is equivalent to 70% of the ordinary net profit attributable to the Parent as per the Group's Consolidated Financial Statements. The intention of the Board of Directors is that the ordinary dividend should be paid solely in cash in two instalments (January and July) on a given date to be determined in each case, which will be duly notified.

Notwithstanding the foregoing, Endesa's ability to distribute dividends to its shareholders depends on numerous factors, including the generation of profits and the availability of distributable reserves and its liquidity situation, and there can be no assurance as to what dividends, if any, will be paid in future years or what the amount of such dividends will be.

6. Climate Change Climate strategy

6.1. Climate Change

The key performance indicators (KPIs) related to Climate Change defined in Endesa's 2023-2025 Strategic Plan are:

	Line of action	2025 objectives	Results 2022	Actions to be highlighted
Decarbonisation of Endesa's activity [1]	Scope 1 Specific Greenhouse Gases (GHG) emissions from the electricity generation process (gCO_2e/kWh)	145	205	Reduction of specific emissions by 54% compared to 2017.
	Specific Greenhouse Gases (GHG) emissions from electricity commercialization (electricity generation process plus electricity purchases from the market) (gCO_2e/kWh)	140	213	An objective of 100% reduction of Scope 1 + Scope 3 emissions related to electricity has been set for 2040.
	Greenhouse gases (GHG) emissions from natural gas commercialization ($MtCO_2e$) - Scope 3.	10.7	14.2	An objective of 100% reduction of Scope 3 emissions related to gas trading has been set for 2040.
	Carbon Dioxide (CO_2)-free Production (% Production)	77.0	59.6	Emissions neutrality throughout the value chain by 2040.
	Renewable Installed Capacity (MW Installed)	13,874	9,293	The investment foreseen for the development of renewable power will add 4,400 MW of power, of which 3,000 MW are solar and 1,400 MW are wind installations.
	Fossil Thermal Installed Capacity (MW Installed)	7,762	9,423	Cessation of coal activity in 2027.

[1] Source: In-house.

Endesa's commitment to Climate Change

International and national context

The most important milestones in the global commitment to fighting Climate Change are:

Milestone	Description
Paris Agreement	• Its main objective is to limit the increase in global temperature to 2ºC, with the aim of not exceeding 1.5ºC compared to the pre-industrial period, and introduces the condition of carbon neutrality, which was to be achieved in the second half of the century.
United Nations Conference on Climate Change at Sharm el-Sheikh, Egypt (COP27)	• This conference took place in 2022 against the difficult backdrop of the conflict in Ukraine, inflation and the energy crisis. It achieved progress on the agenda related to governance of the Paris agreement in relation to solidarity, with the signature of a number of alliances. However, there was no increase in ambition relating to mitigation. The final decision, known as the Sharm el-Sheikh Implementation Plan, maintains the ambition of the Glasgow Climate Pact of limiting the temperature increase to 1.5ºC, recognising the role of renewable energy in the fight against Climate Change.

At the European level, the energy crisis unleashed in 2022, largely caused by the war between Russia and Ukraine, has added the need for energy independence as an additional reason to the emergency to abandon the use of fossil fuels as soon as possible and tested the capacity for coordination and consensus of European energy policy, the operability of the measures implemented, solidarity, and the ambition and climate leadership of the European Union; generating a scenario for next year that will be based on 3 premises: the first is that the price crisis is far from abating, the second is that the probability of a supply crisis in the countries most dependent on Russia will remain, and the third is that during the year many extraordinary energy policy measures will be taken at European and national level to address both crises.

In this context, during 2022 progress has been made in the processing of the legislative proposals of the "Fit for 55" package and adopted the "RePower EU Plan" that seeks to eliminate dependence on Russian gas as soon as possible. As the best summary of the implications of the advances in climate regulation, during COP27 the European Commission announced that the climate ambition would be raised above the 55% initially planned, to reach 57%.

With respect to Spain, the transposition of the objectives to combat Climate Change is developed in the following Plans:

Plan	Description
National Integrated Energy and Climate Plan 2021-2030 (PNIEC).	• This Plan, which is currently being reviewed, sets an ambitious target for renewable penetration, expecting 74% of total electricity generation to be renewable in 2030, consistent with a path towards a 100% renewable electricity sector by 2050, complemented by increasing storage capacity. One of the pillars of the Plan is improvement of energy efficiency, with a target improvement of 39.5% by 2030.
National Climate Change Adaptation Plan ("PNACC") 2021-2030.	• It is the basic planning instrument to promote coordinated action against the effects of Climate Change in Spain. • Endesa has been working for more than a decade on various projects to advance in generating knowledge and reducing vulnerability to Climate Change in all its facilities, sharing and exchanging impressions on the results obtained and promoting continuous learning and climate resilience to optimize the management of its businesses.

Endesa and the Energy Transition

In In recent years, Endesa has oriented its strategy in line with the context of climate urgency and the call for increased ambition, setting ambitious targets through the successive Strategic Plans drawn up since the Paris Agreement was adopted. The results obtained by the Company and the decarbonization path it has been following in recent years demonstrate its ambition in terms of decarbonization, and its efforts to exceed its committed targets year after year. In 2021, through its Strategic Plan, Endesa committed itself to being a company with fully decarbonized generation by 2040, thus bringing the previous target forward by ten years. Endesa thus contributed to the goal set at group level by its parent company, Enel. The company thus accelerated the exit of its fossil fuel generation business, as well as the sale of gas, to become a 100% renewable electricity company that is not linked to emitting production technologies or fossil fuels.

In 2022 Endesa has adopted additional, more ambitious commitments, also motivated by the need for energy independence from fossil fuels, maintaining the path towards a completely decarbonized mix, extending the zero emissions target to all its marketed electricity, which includes both its own generation and that acquired from third parties.

Endesa, through the update of its Strategic Plan for the period 2023-2025, reaffirms its energy transition strategy, which is based on increasing the installed capacity of renewable sources, to reach a volume of renewable capacity of 13,900 MW in 2025 (this figure includes 241 MW of BESS and H_2), 50% more than at the end of 2022. This will mean that 91% of electricity production on the Iberian Peninsula will be emission-free, up from 60% at the end of this year. The new renewable capacity that will be added to Endesa's energy mix during this period will amount to 4,400 MW, which will enable growth of 1,500 MW per year on average.

Endesa in 7 years since the adoption of the Paris Agreement has reduced its emissions by 60% since 2015 (76% since 2005, when the Kyoto Protocol came into force).

Management of Climate Change at Endesa

As a consequence of the work and ongoing dialogue with stakeholders, and aware of the economic, social and environmental repercussions of its activities, Endesa has put in place a sustainable development strategy aligned with implementation its Strategic Plan that aims to generate sustainable value, based on the sustainability, environmental, biodiversity and human rights policies approved by its Board of Directors. It promotes initiatives that contribute to a fairer, healthier and more equal society and achieving the Sustainable Development Goals (SDG), particularly Goals 7 (Affordable and clean energy) and 13 (Climate action). Endesa believes that the transition to a carbon-neutral economy by 2050 is technologically possible, economically viable and socially necessary.
Endesa promotes the transparency of its disclosures on Climate Change and works to make visible to its stakeholders that it is addressing Climate Change with diligence and determination. To this end, the company has prepared the Sustainability and Non-financial Information and Sustainability 2022 (see section 15 of this Consolidated Management Report) following the recommendations of the Financial Stability Board's *"Task Force on Climate-related Financial Disclosures"* (TCFD) and the European Commission's June 2019 *"Guidelines on Climate-Related Reporting"*, which, together with the *"Standard Global Reporting Initiative"* (GRI) and the guidelines on the presentation of non-financial information, provide the main framework for Endesa's Climate Change information. Accordingly, the Climate Change information in this Management Report is fully aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), including the recommended elements: Corporate Governance, Strategy, Risks, Metrics and Objectives.

6.2. Corporate governance focused on sustainability objectives

Endesa is aware of the effects that Climate Change has on its business and integrates this vision not only as an element in its environmental and climate management policy, but as a major component in decision-making at business level, and the determination of its strategic plans. To address this, Endesa integrates its Climate Change action plan into its Strategic Plan. In this regard, Endesa's Strategic Plan is oriented and prepared based on the fight against Climate Change, and is approved each year by the Board of Directors, and developed and implemented by the Company's Senior Management. Specifically, the Chief Executive Officer is the most responsible for the execution of the Company's Strategic Plan and therefore for the Company's climate strategy.
Endesa establishes its strategic plans taking into account geopolitical, regulatory and technological macro tendencies, with particular emphasis on the markets in which it operates, and considering the risks and opportunities it faces (taking into account operational, technological, market and transition aspects, and physical risks, among others).
The Board of Directors, in addition to its competencies in the approval of the Strategic Plan that integrates the Climate Change Action Plan, has the competencies to determine the risk control and management policy, including Climate Change risks. However, as a further demonstration of its firm and unavoidable commitment in this area, in February 2022 a modification of the Board of Directors Regulations was approved to expressly include the competencies of the governing body in the area of Climate Change.

Appointments and Remuneration Committee ("CNR")

The Appointments and Remuneration Committee ("CNR") is responsible, inter alia, for informing and/or proposing the appointments of Directors and the Remuneration Policy to the Board of Directors for submission to the General Shareholders' Meeting. This Committee proposes to the Board of Directors of Endesa, S.A. and monitors carbon dioxide (CO_2) emission reduction targets linked to the variable remuneration of the Executive Directors.

Endesa has an incentive system in place for its Executives related to the Company's performance in Climate Change management. To date, the Long-Term Incentive Plan, whose participants are Endesa's Executive Directors, as well as Executives whose participation is considered essential in the achievement of the Strategic Plan, establishes for them the following objectives directly related to the management of Climate Change:

Targets	Description
Net installed renewable energy capacity.	• The relationship between Endesa's net installed renewable capacity and its total net cumulative installed capacity for a particular period. This parameter is weighted as 15% of the total incentive.
Carbon dioxide (CO_2) reduction targets.	• CO_2 emission reductions, calculated as the reduction in specific CO_2 (gCO_2/kWh) of Endesa for a specific period. This is defined as the ratio between the absolute carbon dioxide (CO_2) emissions from Endesa's electricity generation and its net total production for that year. This parameter is weighted as 10% of the total incentive.

These objectives are reviewed annually, with each long-term incentive plan, with the latest objective set at the end of this Management Report being that of the 2022-2024 Plan (see Note 18.3.5. Share-based payment schemes tied to the Endesa, S.A. share price, in the Notes to the Financial Statements for the year ended 31 December 2022).

The Nomination and Compensation Committee also has among its functions to establish a welcome program for the orientation of new Board Members, as well as programs to update knowledge when circumstances make it advisable. In this regard, it is worth mentioning the session organized during 2022 for the Sustainability and Corporate Governance Committee for an update on Climate Change.

Audit and Compliance Committee ("CAC")

The Audit and Compliance Committee ("CAC") is responsible for overseeing and monitoring the preparation and presentation of financial and non-financial information, auditor independence and the effectiveness of the internal control and risk management systems. In the area of risk management, the risk control and management model implemented at the Company, which expressly includes the risks associated with Climate Change, is aligned with international standards, following a methodology based on the three-line model.

Sustainability and Corporate Governance Committee

The Company has established a Sustainability and Corporate Governance Committee with responsibility for ensuring the strictest compliance with, and implementation of, actions and strategies to combat Climate Change. The main duty of this Committee is to advise the Board of Directors of Endesa, S.A. on supervision and monitoring of issues related to the environment, including Climate Change. Its competencies include reviewing the Company's environmental policies, supervising the objectives included in the Sustainability Plan, periodically evaluating the degree of compliance therewith and reviewing and reporting the Statement of Non-financial Information Statement to verify that its content is in line with Endesa's Sustainability Plan, and that it includes information on the Company's risks and objectives regarding Climate Change, prior to its review and report by the Audit and Compliance Committee and its subsequent formulation by the Board of Directors of Endesa, S.A.

In the modification of the Regulations of the Sustainability and Corporate Governance Committee in February 2022, the Committee's competencies in the area of Climate Change have been reinforced, expressly including its responsibility in the periodic review of Climate Change policies, as well as in verifying that the Statement of Non-financial Information includes information on the Company's risks and objectives in the area of Climate Change. During the year 2022, issues related to Climate Change have been discussed in 4 of the 5 meetings of the Sustainability and Corporate Governance Committee.

6.3. Climate strategy. Long-term scenarios

Climate Strategy

Endesa promotes a model based on the use of renewable energies, smart grids, efficient energy storage and the promotion of demand electrification as vectors for competitive and efficient decarbonization.

To ensure the success of the company's commitment to conduct its business in harmony with nature, Endesa works on four fronts that together address its main impacts:

Action fronts	Description
Climate Action.	• Climate action: establishes the strategy, work plans and objectives for the reduction of emissions and the fight against Climate Change, based on solid growth in renewable generation, a broad portfolio of energy products and services of value for our customers, and the digitalization of distribution networks.
Just Transition.	• A just and inclusive transition of shared value with society and aligned with the objectives of the Paris Agreement.
Protection of Biodiversity and Natural Capital.	• To integrate biodiversity conservation and the preservation of natural capital into decision making.
Circular Economy.	• To integrate the sustainable use of resources by increasing the life of its assets and reducing the use of raw materials and waste generation.

One of Endesa's fundamental strategic pillars is the energy transition towards the total decarbonization of electricity generation, foreseeing the complete cessation of coal-fired power generation in 2027. After the closure in 2020 of the coal-fired power plants of Compostilla (1,052 MW of installed capacity), Teruel (1,098 MW), and Litoral de Almería (1,120 MW) in 2021, in September 2022 Endesa will close the coal-fired power plants in September 2022. 120 MW, in September 2022 a proposal has been received for a resolution to close two of the four groups of the As Pontes thermal power plant, which represent a total of 702 MW, conditioning the closure of the other two groups to power availability variables of the electricity system, and also leaving groups 3 and 4 of the Alcudia thermal power plant, which would operate a maximum of 500 h/year from 17 August 2021 as a back-up element of the island of Mallorca's electricity system.

Along with the closure of the main greenhouse gases emitting centers, an important growth in renewable generation is being undertaken. Endesa's development and management of renewable energies in Spain is carried out through Enel Green Power España, S.L.U. (EGPE) (100% owned by Endesa).

In 2022 In 2022, Endesa has increased its renewable power capacity by 904 MW to 9,293 MW, of which 4,746 MW correspond to large hydro, 2,882 MW correspond to wind power and 1,665 MW to solar photovoltaic.

Description of the Climate Scenarios

Energy Transition and Climate Change Scenarios

Endesa, through the Enel Group to which it belongs, participated in a working group to develop specific recommendations to support the implementation of the "Task Force on Climate-Related Financial Disclosures" (TCFD) guidelines regarding the use of scenarios for conducting analyses. The company has been involved in several scenario analysis initiatives, sharing its expertise to support an increasingly widespread and transparent implementation of these practices in a growing number of companies.

Scenario-based analysis

Scenarios are used in the processes of planning, strategic positioning, and assessing the risks and resilience of the strategy. Scenario-based strategic planning is based on the definition of alternative futures, defined on the basis of certain key variables, such as, for example, compliance with the objectives defined in the Paris Agreement. Compared to a forecasting approach, scenarios offer greater flexibility and allow us to prepare for risks and take advantage of opportunities. The forecasting approach provides projections based on past trends, which therefore do not anticipate changes, nor do they incorporate risk assessments or uncertainties. In contrast, scenario development allows alternative plausible futures to be analysed and modelled, enabling different paths, timelines and options to be designed and ultimately supporting the strategic decision-making process with the objective of maximizing opportunities and mitigating risks. This aspect is particularly relevant in the event of significant potential disruptions arising from the evolution of key uncertainties.

Trend analysis

As part of the scenario definition process, medium and long-term trends were identified and analyzed in depth, providing an overview of the current context and macro trends, scenario drivers and expected impacts on the energy sector. The work carried out is considered a reference for defining actions aimed at orienting, preventing and adapting to changes and evolutions in the main businesses, as well as taking advantage of the opportunities associated with them.

1 THE EXTERNAL CONTEXT

- Geopolitics
- Macroeconomics
- Commodity and energy prices
- Strategic raw materials and supply chain
- Scientific outlook sixth IPCC report Scenario benchmarking

2 SCENARIO DRIVERS

- The Russia-Ukraine conflict
- Pandemic COVID-19
- Climate action

3 FUTURE PERSPECTIVES

- Energy Transition:
  - Climate ambition
  - Orderly or disorderly transition
  - Clean Electrification
  - Decentralisation
  - Circularity
- Technological innovation
- The future of work
- Economic interest groups

Scenario benchmarking

Benchmarking external scenarios is a useful starting point for building robust internal scenarios. There are many global, national and regional energy transition scenarios published by different agencies and designed for multiple purposes, from government planning to supporting business decision-making processes. The benchmarking activity consists of the analysis of scenarios prepared by organizations in order to compare the results in terms of energy mix, emission levels and technology options, and to identify for each of them the main drivers of the energy transition.

The activity of comparative analysis of energy transition scenarios is carried out in 3 steps:

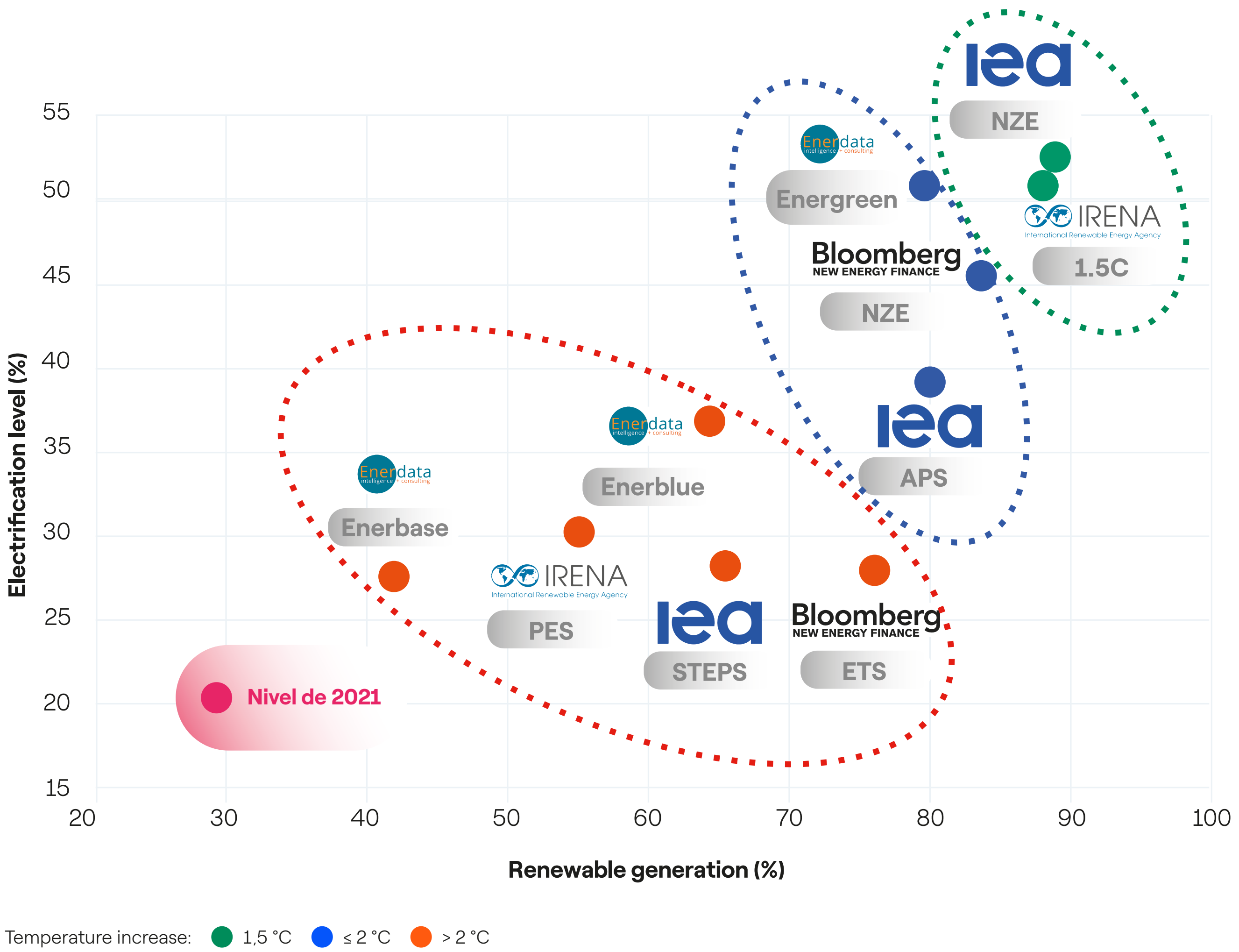
1. **Context analysis of global and national scenarios.**
   The scenario analysis, beyond the analysis of reports and databases, is reinforced by a constant dialogue with the analysts of the main agencies that design the scenarios.
   The global energy scenarios are classified by scenario categories, depending on the level of climate ambition:

Scenario Families	Description
Current "Business as Usual" policies.	• Energy scenarios based on current policies. They provide a conservative benchmark for the future, representing the evolution of the Energy System without additional climate and energy policies. These scenarios fall short of meeting the Paris Agreement targets.
Aligned with the Paris Agreement "Paris Aligned".	• Energy scenarios aligned with the Paris Agreement, i.e. including an objective of limiting the overall increase in global average temperature to well below 2°C compared to pre-industrial levels. To achieve this objective, the scenarios in this category consider new and ambitious policies to boost the electrification of energy end uses, as well as the development of renewables.
More ambitious goal of the Paris Agreement "Paris Ambitious".	• Global energy scenarios that establish a transition to 0 net Greenhouse Gas (GHG) emissions in 2050, consistent with the most ambitious objective of the Paris Agreement, i.e. achieving a global average temperature increase of no more than 1.5°C, considering various probability ranges.

This classification of scenario categories is the result of work developed over the years and enriched in 2021 through collaboration with a working group coordinated by the World Business Council for Sustainable Development (WBCSD), in which the Company participated. The project aimed to develop a common and transparent approach for the use of public scenarios by energy system companies and to support them in their use for the assessment of risks and opportunities related to Climate Change, as required by the Task Force on Climate-Related Financial Disclosures (TCFD). The final output of this work, completed in August 2022, consists of a report that contextualizes the energy scenarios and describes the agreed definition of the different scenario categories, and an online platform that collects the variables of a broad set of scenarios.

2. **Data collection and analysis, and identification of drivers of the energy transition.**
Data collection covers all key metrics of the energy system, including but not limited to: primary energy, total and sectoral final energy, total and by technology electricity capacity, total and by technology electricity generation, hydrogen production, electric vehicle fleet, etc. The data analysis has enabled the agencies designing the scenarios of the key elements of the Business as usual scenarios to identify the drivers enabling an acceleration of the energy transition in the "Paris Aligned" and "Paris Ambitious" scenarios. By way of example, comparing the level of electrification of demand and the share of renewables in the different scenarios, there is a unanimous consensus among energy analysts that the main drivers for achieving more ambitious climate targets are precisely these variables, both in the medium and long term. Specifically, in scenarios compatible with a global average temperature increase of no more than 1.5°C, the level of electrification of demand rises above 50% in 2050, compared to 20% in 2021[1]; and additionally, the share of renewable generation should reach at least 88% of the global electricity mix, compared to 28% in 2021[2].
3. **Preparation of a summary document of the analysis carried out, which serves as a support to Senior Management for the selection of the scenario framework.**

Global energy transition scenarios



1 IEA, 2022, WEO: 52%; IRENA, 2022, World Energy Transition Outlook: 51%.
2 IEA, 2022, WEO, Net Zero Scenario: 52%; IRENA, 2022, World Energy Transition Outlook: 51%.

One climate scenario, several energy transition scenarios

An energy transition scenario represents how the contribution of various energy sources could evolve within a specific economic, social, regulatory and political context and depending on the technological options available. Social and macroeconomic assumptions determine demand, while regulatory and cost constraints define the optimal mix of technologies needed to meet that demand. Each scenario is associated with an evolution of greenhouse gases emissions.

Each energy scenario represents, approximately, a specific climate trajectory defined by the Intergovernmental Panel on Climate Change (IPCC) and, consequently, a range of temperature increases estimated with a certain degree of probability over a given period of time.

In turn, various increases in global temperatures by the year 2100 (and thus various future global warming scenarios) also modify the trends of other climate variables (e.g., precipitation, wind, etc.), leading to changes in the intensity and frequency of physical manifestations (e.g., heat waves, extreme precipitation, etc.). It should be noted that these changes affect the entire planet, but the physical manifestations vary regionally and locally.

A global energy transition scenario is aligned with the Paris Agreement when the global outcome, in terms of greenhouse gases emission trends, can be associated with an increase in global average temperature in line with the objective of keeping the increase in global average temperature well below 2°C compared to pre-industrial levels" and continuing action aimed at limiting this increase to 1.5°C.

Long-term scenarios

Endesa's scenarios are built with the objective of having a general framework to ensure consistency between the Energy Transition Scenarios and the Physical Scenario:

Scenarios	Defining Aspects
Physical Scenarios.	• Issues related to future trends in climate variables (in terms of frequency and intensity of acute and chronic events) define the so-called "Physical Scenario".
Transition Scenarios.	• This scenario describes how energy production and consumption in the various sectors evolve in a specific economic, social, political and regulatory context.

Endesa's scenarios are built within a general framework that ensures consistency between transition assumptions and climate projections. These scenarios allow analysing the impact of the modification of climate variables and the evolution of technological and regulatory aspects, in terms of:

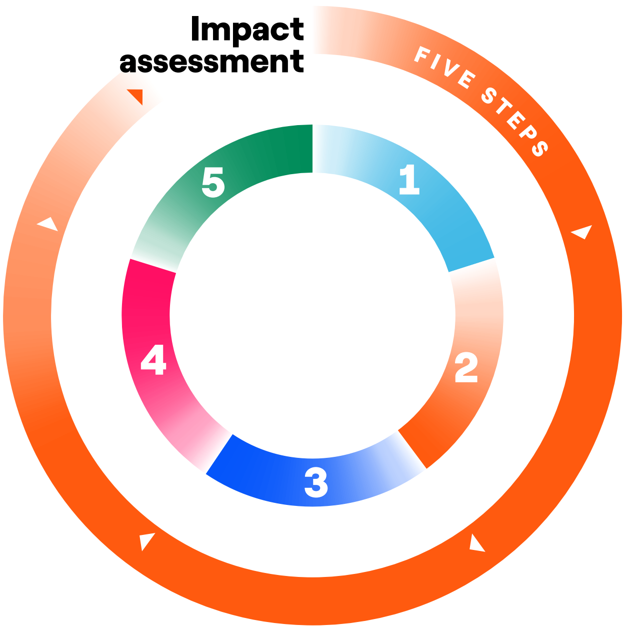
Description		
Physical Phenomena.	• Acute Phenomena (Extreme Events)	• These are events of short duration but high intensity, such as torrential rains, hurricanes, etc. with a potential impact on facilities (e.g. damage and interruption of service).
	• Chronic Phenomena	• Gradual changes in climatic conditions, such as increase in average temperature, sea level rise, etc. affecting the production of power generation plants, and consumption profiles.
Transition Aspects.	• Market, regulatory, technological and reputational aspects of the different sectors towards a green, decarbonized economy.	

Aspects related to the projections of climate variables, in terms of chronic phenomena and extreme events, define the physical scenarios, and aspects related to the industrial and economic transition to decarbonized solutions define the transition scenarios. These scenarios are constructed to provide a reference framework to ensure consistency between climate projections and transition scenarios.

Strategic planning based on the use of scenarios is based on the definition of alternative futures, defined on the basis of certain key variables, such as, for example, compliance with the objectives defined in the Paris Agreement, or technological development. Compared to a forecasting approach, scenarios offer greater flexibility and make it possible to prepare for risks and take advantage of opportunities.

The adoption of the aforementioned scenarios and their integration into the Company's day-to-day management, as recommended by the Task Force on Climate-Related Financial Disclosures (TCFD), allow the risks and opportunities associated with Climate Change to be assessed.

The process that translates the conclusions from the application of the scenarios into useful information for industrial and strategic decisions can be summarized in 5 steps:



1. **Identification of trends** and business drivers (e.g. electrification of demand, heat waves, etc.)
2. Development of **connectors** between **climate and transition scenarios and operating variables**
3. Identification of **risks and opportunities**
4. **Calculation of business impacts** (e.g. changes in results, losses, investments)
5. **Strategic actions** (definition and implementation (e.g. capital allocation, resilience plans).

Transition Scenarios

Description and frame of reference

A Transition Scenario represents the possible evolution of the energy mix in a given economic, social and regulatory context, and according to the different technological options available. This corresponds to an evolution of Greenhouse Gases (GHG) emissions, and therefore to a certain temperature increase at the end of the century with respect to pre-industrial values. It should be noted that according to carbon dioxide (CO_2) emissions, the scenario that will materialize is not deterministic. "The Intergovernmental Panel on Climate Change (IPCC) always specifies for each climate scenario both the average values of global warming in 2100 and the very likely range (i.e. the interval formed by the 5-95 percentiles).
The main assumptions used to define the Transition Scenarios are as follows:

Assumption	Description
Related to the Regulatory Context in terms of Climate Change, Energy Security and Sustainable Development.	• Measures to reduce carbon dioxide (CO_2) emissions and fossil fuel consumption to increase energy efficiency, electrification of demand, and penetration of renewable electricity generation.
Related to the Macroeconomic and Energy Context (e.g., in terms of Gross Domestic Product (GDP), Population and Commodity Prices).	• They consider international references, such as the International Energy Agency (IEA), Bloomberg New Energy Finance (BNEF), International Institute for Applied Systems Analysis (IIASA) [(1)], etc.
Related to the Technological Context.	• The evolution of energy production, transformation and consumption technologies, in terms of technical operating and cost parameters.

(1) IIASA data was used as a reference in relation to the demand for raw materials and the underlying population in the "Shared Socioeconomic Pathways (SSPs)", in which different scenarios are projected that describe the socio-economic changes and the changes in the regulatory framework, in line with the climate scenarios. The data taken from the *Shared Socioeconomic Pathways* are used, together with the internal modelling, to support long-term forecasts such as, for example, those related to electricity demand and raw materials prices.

During 2022 Endesa has revised the reference framework of the medium-long term Energy Transition Scenarios, based on the 3 main factors of uncertainty regarding macroeconomic and energy evolution: the achievement of the Paris Agreement objectives, the evolution of geopolitical tensions in relation to the Russia-Ukraine conflict, and the management of the COVID pandemic.

The reference scenario for long-term planning is a scenario that considers:

	Factors Uncertainty
1. Alignment with Paris.	• It envisages achieving the objectives of the Paris Agreement, i.e. that the global average temperature increase remains below 2°C compared to pre-industrial levels, which provides a higher level of climate ambition than "Business as usual",, but without considering that the global "Net Zero" target will necessarily be achieved in 2050, given the current level of ambition at the global level • Based on the Integrated Energy and Climate Plan 2021-2030 (PNIEC), which is currently under review, the reference scenario built considers a level of electrification of final energy consumption of 32% (compared to 24% in 2021), and a development of renewable capacity to achieve 80% coverage of electricity demand with renewable sources (compared to 53% in 2021).
2. Local and Long-Term Conflict.	• It assumes that the geopolitical tensions exacerbated by the Russia-Ukraine conflict will have prolonged effects, resulting in an acceleration of electrification and the penetration of renewables, and an increased use of liquefied natural gas to increase the level of security of supply in the new context, especially at the European level.
3. Coexistence with COVID.	• With low or endemic COVID, high vaccination rate and no need for mass confinement.

As for the climate ambition that characterizes the reference scenario, it assumes an increasing electrification of demand and a higher penetration of renewables, following the policies implemented for energy security (e.g. "REPowerEU", "Inflation Reduction Act"). In this scenario, at a global level, governments, companies, organizations and citizens are effectively participating in the common effort to mitigate greenhouse gas emissions.

With respect to the possibility of assuming as a reference scenario for long-term planning that the most ambitious objective of the Paris Agreement is achieved, i.e., that the global average temperature is kept below 1.5 °C, there is some uncertainty that some countries will maintain inertial trajectories, delaying the decarbonization process to reach net zero emissions in 2050.

Taking into account the aforementioned premises in terms of the external context, Endesa has established a strategic approach aligned with the maximum ambition of the Paris Agreement targets, i.e. consistent with a global average temperature increase of 1.5 °C in 2100, as certified by the Science-Based Targets (SBTi) initiative for the targets set at Enel Group level, to which Endesa contributes. Endesa has set targets for 2040 for all of its electricity generation to be renewable, and for all of its electricity trading to be of renewable origin.

The assumptions on the evolution of raw material prices used in the reference scenario are consistent with external scenarios that achieve the objectives of the Paris Agreement. A maintained growth in the price of carbon dioxide (CO_2) is considered until 2030, due to the progressive reduction in the supply of permits in the face of a growing demand, and a progressive decrease in the price of coal, due to a decrease in demand. As for gas, price tensions are expected to ease in the coming years as a result of a realignment between supply and demand at the global level. Finally, oil prices are expected to gradually stabilize, with peak demand expected around 2030.

The key assumptions concerning energy commodity prices and their evolution in 2022 and 2030 (long-term planning) are detailed below:

	2022	2030			
	Endesa	Endesa	Average Benchmark [1][2]	Max. Benchmark [1]	Min. Benchmark [1]
Price of Brent (USD/bbl)	98.8	~68	~80	~100	~44
Average coal price Api2 EUR/MWh)	289.9	~75	~75	~80	~65
Carbon dioxide (CO_2/EUR/t)	80.8	~110	~125	~166	~100
TTF gas price (EUR/MWh)	—	—	—	—	—
PVB gas price (EUR/MWh)	120.5	~25	~44	~55	~31

[1] Note: the scenarios used as benchmarks have been published at different times of the year, so they may not be updated according to the latest market dynamics.

[2] Source: International Energy Agency - "Sustainable Development Scenario" and "Net Zero Scenario", Bloomberg New Energy Finance (BNEF), "HIS Green Case Scenario", "Enerdata Green Scenario".

In addition to the baseline scenario, two alternative scenarios have been defined for strategic stress analysis, risk assessment and identification of business opportunities. The two scenarios are:

Escenarios Alternativos	Description
"Slower Transition":	• Characterized by a slower energy transition, in particular in relation to policies that should enable a higher penetration of renewables and electrification of demand, such as electric mobility.
"Accelerated Transition":	• Characterized by an increase in ambition with respect to the reference scenario, in particular with regard to some characteristic variables of the energy transition, such as the level of electrification of demand, the penetration of green hydrogen or changes in customer habits towards more sustainable consumption patterns (e.g. change in the use of transport from private to public transport). In particular, it foresees an acceleration in the authorization processes for renewable installations, a significant incentive for the electrification of buildings and the full implementation of the national strategy on green hydrogen, which will accelerate the construction of renewable installations associated with electrolyzers by 2030.

Physical scenarios

Description and reference framework

For the evaluation of physical risks, 3 Climate Scenarios have been selected, consistent with those published in the sixth report of the Intergovernmental Panel on Climate Change (IPCC))[3]. These scenarios are characterized by a level of emissions according to the so-called "Representative Concentration Pathway" (RCP), and each of them is related to one of the 5 scenarios defined by the scientific community as "Shared Socioeconomic Pathways" (SSP), which consider general hypotheses on population, urbanization, etc. Accordingly, the 3 scenarios considered are described as follows:

Scenarios	Description
1. "Shared Socioeconomic Pathways" 1 (SSP 1) - "Representative Concentration Pathway" 2.6 (RCP 2.6).	• Scenario compatible with a global temperature increase well below 2 °C in 2100 with respect to pre-industrial levels (1850-1900). The Intergovernmental Panel on Climate Change (IPCC) projects an average temperature increase of ~+1.8 °C with respect to the period 1850-1900. For the analysis that takes into account both physical and transition variables, the Group associates the SSP1 - RCP 2.6 Scenario to the Shared Socioeconomic Pathways 1 (SSP 1) - Representative Concentration Pathway 2.6 (RCP 2.6) Scenario to the Paris and Accelerated Transition Scenario.
2. "Shared Socioeconomic Pathways" 2 (SSP 2) - "Representative Concentration Pathway" 4,5 (RCP 4,5).	• Scenario compatible with an Intermediate Scenario, which estimates an average temperature increase of about 2.7°C in 2100, with respect to the period 1850-1900. This scenario is considered to be the most representative of the current global climatic and geopolitical context. This scenario projects a global warming consistent with the estimates resulting from current and projected global policies [44]. For the analysis that takes into account both physical and transition variables, the Group associates the "Shared Socioeconomic Pathways" Scenario 2 (SSP 2) - "Representative Concentration Pathway" 4.5 (RCP 4.5) with the "Slower Transition" Scenario.
3. "Shared Socioeconomic Pathways" 5 (SSP 5) - "Representative Concentration Pathway" 8,5 (RCP 8,5).	• This scenario is compatible with a scenario that assumes that no specific measures to combat Climate Change will be implemented. In this scenario, the global temperature increase with respect to pre-industrial levels is estimated to be about 4.4 °C in 2100.

[3] IPCC Sixth Assessment Report (2021), "The Physical Science Basis".
[4] Climate Action Tracker thermometer, estimates of global warming in 2100 considering current "Policies & action" and "2030 targets only" (November 2021 update).

Shared Socioeconomic Pathways Scenario 5 (SSP 5) - Representative Concentration Pathway 8.5 (RCP 8.5) is considered the worst-case scenario, having been used to assess the consequences of climate impacts in an extreme scenario. The Shared Socioeconomic Pathways Scenario 1 (SSP 1) - Representative Concentration Pathway 2.6 (RCP 2.6) is used to assess the consequences of climate impacts associated with an Energy Transition that achieves ambitious mitigation targets.

The work done with the Climate Scenarios considers both chronic phenomena and extreme events. For the description of specific complex phenomena, data and analyses carried out by private, public and academic entities are taken into account.

Analysis of physical scenarios at Endesa

The scenarios used are global, but in order to define the effects at the level of the specific areas in which Endesa operates, they must be analysed at the local level.

Collaboration with the Department of Earth Sciences of the International Centre for Theoretical Physics (ICTP) in Trieste (Italy) has made it possible to provide projections of the most important climatic variables with a grid resolution of between 12 and 100 km2 in length, for a time horizon between 2020 and 2050. The main variables considered are temperature, snow and rain precipitation and solar radiation. In order to achieve a more robust analysis, we are currently working on the basis of the regional climate model defined by the "Centre for Theoretical Physics" (ICTP) together with 5 other models selected from among the most representative of the reference climate models. Working with several models allows for more robust analyses based on average assumptions of the individual models. For some specific climate variables, such as wind gusts, we work with specialized entities in the field. In 2022, the analysis of projections for Spain has continued on the basis of the aforementioned set of models, which has provided a better defined representation of the physical scenarios.

The "Centre for Theoretical Physics" (ICTP) also acts as scientific support in the interpretation of any climate data considered.

The analysis of certain aspects depends not only on climate projections, but also on the characteristics of the territory, making more specific modeling necessary to achieve a high-resolution representation. To achieve this, in addition to the climate scenarios developed by the Centre for Theoretical Physics (ICTP), "Natural Hazard" maps are used. Thanks to the use of these maps, it is possible to obtain, with a high spatial resolution, the expected frequencies for a series of climatic events such as storms, hurricanes or floods. The conclusions of this type of analysis using historical series are being used to optimize the strategy in the field of insurance. Work is currently underway to integrate these conclusions with the Climate Scenario projections.

Endesa has equipped itself with the tools and acquired sufficient knowledge to work independently with the raw data published by the scientific community, which provides a global and high-level view of the long-term evolution of the climatic variables of interest. The sources used are the outputs of the CMIP6 (https://www.wcrp-climate.org/wgcm-cmip/wgcm-cmip6) and CORDEX (https://cordex.org/) climate and regional models. CMIP6 is the sixth assessment of the Coupled Model Intercomparison Project (CMIP), a project of the World Climate Research Programme (WCRP) and the Working Group of Coupled Modelling (WGCM) that provides raw climate data from global climate models, which are used to assess standard metrics on a global scale, with a resolution of about 100 km x 100 km. "Coordinated Regional Climate Downscaling Experiment" (CORDEX) also falls under the scope of the "World Climate Research Programme" (WCRP), and provides regional climate projections with higher resolution.

Conclusions in relation to the territories in which Endesa operates

The work carried out has led to the following conclusions regarding the territories in which Endesa operates:

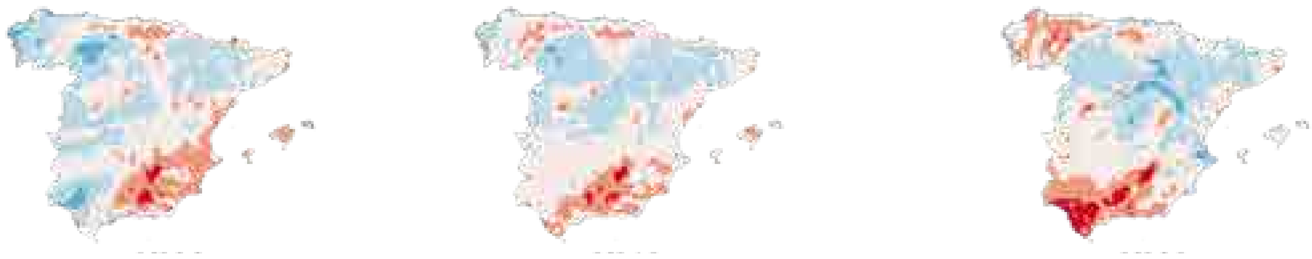
Extreme Events

- The **phenomenon of torrential rains** has been analysed, calculated as the average annual millimeters in a certain reference period [5]. As can be seen in the image, which compares the period 2030-2050 with respect to the historical period 1990-2020, this extreme event will undergo variations throughout the territory even in the scenario "Shared Socioeconomic Pathways" 1 (SSP 1) - "Representative Concentration Pathway" 2.6 (RCP 2.6). Specifically, torrential rainfall will increase in the north,

[5] Torrential rains are considered when the sum of daily rainfall is above the ninety-fifth percentile of the historical series in a given period.

and decrease in the southeast. In the other scenarios, torrential rainfall will decrease throughout the country (in the scenario "Shared Socioeconomic Pathways" 5 (SSP 5) - "Representative Concentration Pathway" 8.5 (RCP 8.5) the reduction also affects the northwest).

Percentage variation of torrential rainfall in the different scenarios - "Representative Concentration Pathway" (RCP) for the period 2030-2050 with respect to the historical series 1990-2020.



RCP 2.6 **RCP 4.5** **RCP 8.5**

Δ Days – RCP Historical 10 • 15 | 5 • 10 | 0 • 5 | (-5) • 0 | (-10) • (-5) | (-16) • (-10)

- In reference to fire risk, in all the scenarios studied, the area of Spain that will suffer the greatest increase, with respect to the historical period, in the number of days per year with a "Fire Weather Index" (FWI)[6] higher than 45, i.e., with extreme risk, is the central-southern area.

This increase will be more pronounced in the most unfavorable scenarios "Representative Concentration Pathway" 8.5 (RCP 8.5) than in the scenario "Representative Concentration Pathway" 2.6 (RCP 2.6).

Percentage change in the number of days per year with FWI>45 for the different scenarios - "Representative Concentration Pathway" (RCP) (2030-2050) and with respect to the historical series (1990-2010).

RCP 2.6 **RCP 4.5** **RCP 8.5**

Δ Days – RCP v. Historical (-1) • 0 | 0 • 2 | 2 • 4 | 4 • 6 | 6 • 8 | 8 • 10 | 10 • 12 | 12 • 14 | 14 • 16

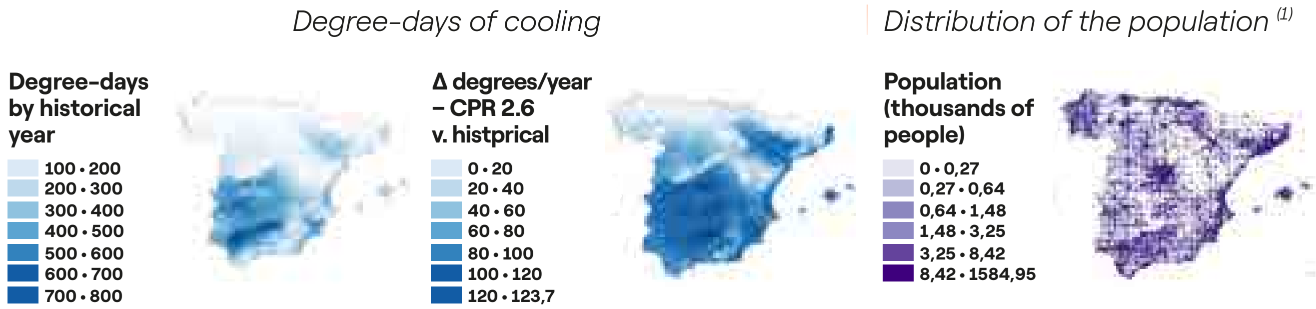
[6] Fire Weather Index: Meteorological index of fire risk, an indicator widely used internationally that takes into account aspects such as temperature, humidity, rainfall and wind to estimate fire risk.

With regard to heat waves, as already indicated in previously published analyses, they are expected to occur more generally and frequently in the 2030-2050 period, especially in the southern part of the country.

Chronic phenomena

- The analysis of potential cooling and heating needs has been updated and refined, leading to the conclusion that in the period 2030-2050, compared to the period 1990-2020, Heating Degree Days (HDD)[7] will be reduced in all scenarios, from -8% in the "Representative Concentration Pathway" scenario 2.6 (RCP 2.6) to -19% in the "Representative Concentration Pathway" scenario 8.5 (RCP 8.5). The results obtained also predict an increase in Cooling Degree Days (CDD)[8] in all scenarios, from +34% in the "Representative Concentration Pathway" 2.6 (RCP 2.6) scenario to +61% in the "Representative Concentration Pathway" 4.5 (RCP 4.5) and +87% in the "Representative Concentration Pathway" 8.5 (RCP 8.5) scenario.

Cooling Degree Days (CDD) in the historical series 1990-2020 and expected variation in the Representative Concentration Pathway 2.6 (RCP 2.6) scenario.



(1) The image on the right represents the distribution of the population in the same period (1990-2020) and in the same grid as the climate models, and shows the most populated areas that have the greatest weight in the calculation of the indicator at the country level.

With respect to rainfall, its variation in the basins of interest for Endesa's hydroelectric production has been analyzed and, after a preliminary analysis, the conclusions do not show significant variations when comparing the "Representative Concentration Pathway" 2.6 (RCP 2.6) scenario (2030-2050) with respect to the 1990-2009 period, presenting a general trend of a slight decrease.
It should be noted that Endesa has been a pioneer in the use of Climate Scenarios. In 2009 it launched its first project to analyze and assess the vulnerability of all its businesses and facilities at a global level, for which it was chosen by the former Ministry of Agriculture and Fisheries, Food and the Environment (now the Ministry for Ecological Transition and the Demographic Challenge ("MITECO")) as the representative of the Energy Sector for the ADAPTA I and II initiative.
After that, Endesa has continued to deepen in the subject, participating in multiple international initiatives and developing projects related to different areas.

[7] Heating Degree Days (HDD): annual sum of the difference between the indoor temperature (estimated at 18 °C) and the outdoor temperature, considering all the days of the year that have an outdoor temperature less than or equal to 15 °C.
[8] Cooling Degree Days (CDD): annual sum of the difference between the indoor temperature (estimated at 21 °C) and the outdoor temperature, considering all the days of the year that have an outdoor temperature greater than or equal to 24 °C.

Joint effect of the Transition Scenarios and Physical Scenarios on electricity demand

By using integrated Energy System models, it is possible to quantify the country's demand. This level of detail makes it possible to discriminate the specific effects that a change in temperatures can have on energy needs.

	Physical scenarios	Temperature ▲ Effect	Definition of base strategic scenario[1]
Change in temperatures	Scenario «Paris» Scenario «Slower Transition» «Accelerated Transition»	• Quantified through Heating Degree Days (HDD) and Cooling Degree Days (CDD). • Impact on total energy demand, not just electricity, for cooling and heating needs in the residential and commercial sectors.	• Associate Heating Degree Days (HDD) and Cooling Degree Days (CDD) consistent with Representative Concentration Pathway Scenario 2.6 (RCP 2.6) to the Paris and Accelerated Transition scenarios. • Associate the "Heating Degree Days" (HDD) and "Cooling Degree Days" (CDD) consistent with the "Representative Concentration Pathway" Scenario 4.5 (RCP 4.5) to the "Slower Transition" Scenario. • To further stress the analysis, the latter scenario has also been associated with a Representative Concentration Pathway Scenario 8.5 (RCP 8.5).

(8) Strategic base scenario aligned with compliance with the Paris Agreement and with the emission reduction commitments assumed at the European level.

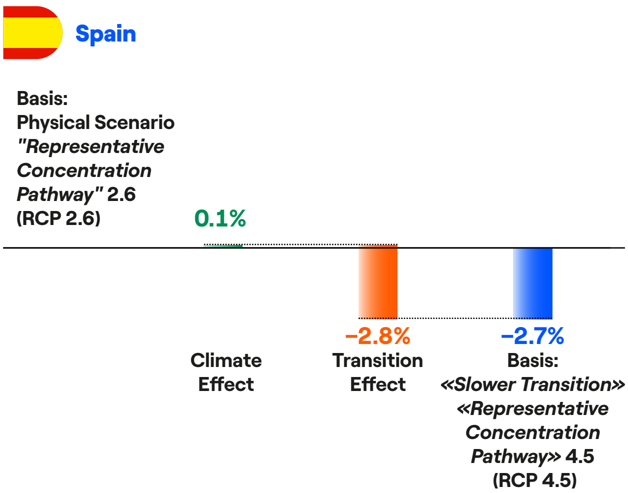
In line with current policies and the significant commitment of the European Union (EU) to achieve carbon neutrality by 2050:

- The 3 scenarios ("Paris", "Slower Transition" and "Accelerated Transition") converge with that outcome; although the "Slower Transition" Scenario is associated with a different and higher "Representative Concentration Pathway" (RCP) Scenario, which corresponds to a slower trend in the decrease of Greenhouse Gases (GHG) emissions.
- If the effect of the Transition Scenarios is analysed independently, the faster speed in reaching carbon neutrality of the "Paris" scenario makes it a more electrified scenario compared to the "Slower Transition" scenario, which estimates, for the period 2030-2050, lower average values of electricity demand of around 2.7% in Spain.
- In addition, a faster penetration of green hydrogen, especially in the short term, and a higher electrification of buildings mean that electricity demand in the "Accelerated Transition" scenario is 2.6% higher than in the "Paris" baseline scenario. If electricity demand for hydrogen production is not considered, the total electricity demand differential is -1.6% in the Slower Transition scenario and remains unchanged in the Accelerated Transition scenario, because the electricity demand for green hydrogen in both scenarios is equivalent to that considered in the Paris scenario, changing only the speed of technology penetration.

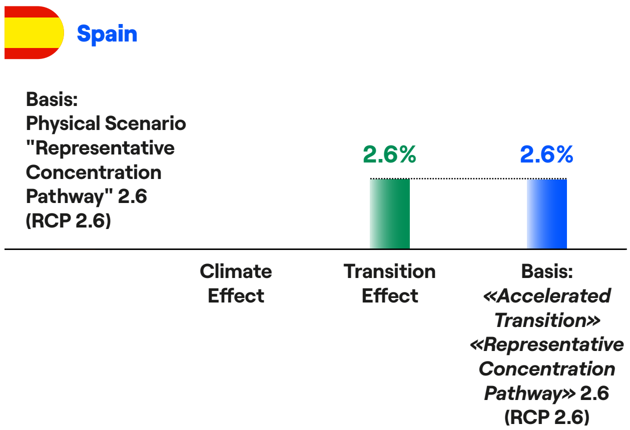
The speed of the Energy Transition has a much greater impact on the level of electricity demand than the increase in temperature as a consequence of Climate Change. Decarbonization policies together with technological innovation and social responsibility will play an active role in the evolution of electricity demand and the energy mix in general. In any case, it is clear from the analysis carried out that the increase in temperature as a consequence of Climate Change implies an increase in electricity demand, although with a reduced impact.

Average effect on electricity demand (2031-2050) of the 3 Transition Scenarios together with the Physical Scenarios "Representative Concentration Pathway" 2.6 (RCP 2.6) and "Representative Concentration Pathway" 4.5 (RCP 4.5).

Transition Scenario *"Paris"* and Physical Scenario *"Representative Concentration Pathway"* 2.6 (RCP 2.6) to *"Slower Transition"* Transition Scenario and "Representative Transition Scenario "Slow Transition" and Physical Scenario *"Representative Concentration Pathway"* 4.5 (RCP 4.5)



Transition Scenario *"Paris"* and Physical Scenario *"Representative Concentration Pathway"* 2.6 (RCP 2.6) to *"Accelerated Transition"* Transition Scenario and *"Representative Concentration Pathway"* Physical Scenario 2.6



Sensitivity analysis

In order to determine the impact of temperature on the Transition Scenarios and, at the same time, to widen the range of hypotheses related to Climate Change, a sensitivity analysis has been carried out associating the "Slower Transition" Scenario to the "Representative Concentration Pathway" Scenario 8.5 (RCP 8.5) instead of the "Representative Concentration Pathway" 4.5 (RCP 4.5). Assuming an additional temperature increase, under equal Energy Transition conditions, leads to a lower demand variation of about 0.4% for temperature effect, and -2.4% in total.

6.4. Metrics and targets

Reporting model: Transparency

Endesa promotes a reporting model based on transparency, with the aim of making it clear to stakeholders that its commitment and ambition in the fight against Climate Change is firm, decisive and realistic.

Carbon Footprint

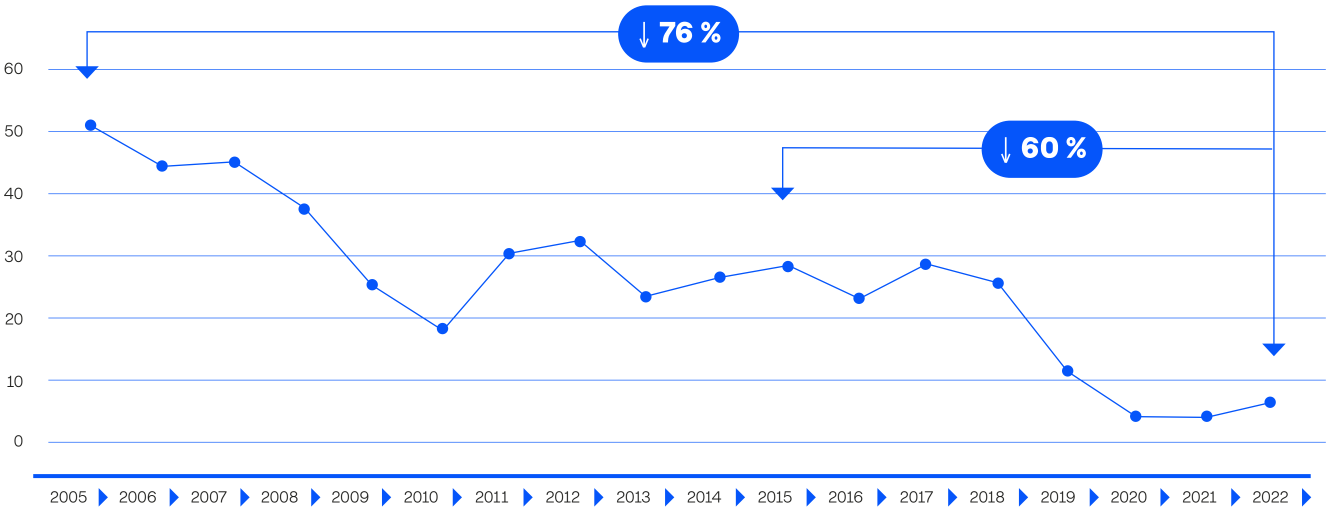
The current scenario of energy crisis, coupled with the scientific evidence that annually reminds us that the window of opportunity to keep the temperature increase below 1.5 °C is closing, puts the implementation of climate action to the test. A context that evidences the need to accelerate decarbonization, and in which companies must rise to the occasion and make significant changes in their operations, promoting sustainable transformation plans.

Endesa, as an electric utility, plays a crucial role in the energy transformation and is prepared to address the climate challenges that lie ahead. To this end, it has launched the 2023-2025 Strategic Plan, which updates its commitment to the Energy Transition to become a totally emission-free company in its electricity generation and energy trading (electricity and gas) by 2040. The Plan places decarbonization at the center of Endesa's strategy, and confirms an ambitious emissions reduction pathway, thus enabling its alignment with the 1.5 °C Scenario of the Science Based Target initiative (SBTi) for the Electricity Sector.

Again, Endesa closes 2022 consolidating the cumulative reduction of emissions, in 6 years since the adoption of the Paris Agreement it has reduced its emissions by 60% since 2015 (76% since 2005, when the Kyoto Protocol came into force) as shown in the graph below:

Endesa's ETS emissions under the EU ETS (European Union Emissions Trading Scheme)

(Millions of tCO_2)



Endesa has been calculating and verifying its Carbon Footprint voluntarily since 2009. This process includes:

- The development of a calculation methodology and a proprietary software tool.
- The implementation of a management system and the determination of an emissions inventory.
- Removal of Greenhouse Gases (GHG) emissions to the full extent.

Endesa has had its Carbon Footprint registered since 2013 and has demonstrated a reduction path of its emissions, according to the criteria established by the Spanish Climate Change Office.

During 2022, Endesa has verified its Carbon Footprint for 2021 and has published the corresponding report https://www.endesa.com/content/dam/endesa-com/home/prensa/publicaciones/otraspublicaciones/documentos/huella-de-carbono-2021-es.pdf.

The Ministry for Ecological Transition and the Demographic Challenge (MITECO) has once again recognized the efforts and results already obtained by Endesa in its 2021 Carbon Footprint, awarding for another year the triple seal of the Carbon Footprint Registry granted by the Spanish Climate Change Office to those organizations committed to calculating, reducing and offsetting their emissions..

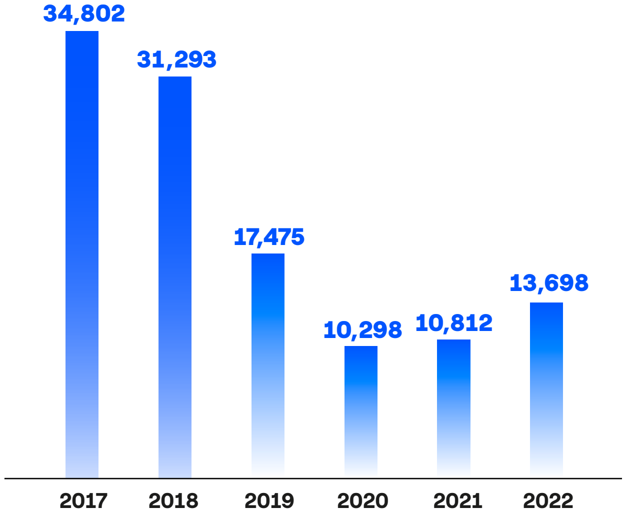
Direct and indirect greenhouse gases (GHG) emissions

Endesa is constantly working to advance along the path defined to become a company with completely decarbonized generation and commercialization activities by 2040, progressively increasing its ambition to reach the defined objective. Proof of this is the reduction in Endesa's Greenhouse Gas (GHG) emissions in recent years (49% reduction compared to 2017), even exceeding the targets committed to in the different Strategic Plans.

The evolution of emissions is detailed below by year and by type of scope:

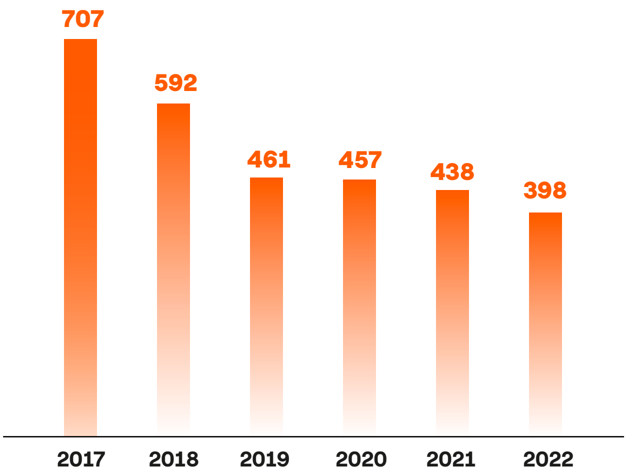
Scope 1

($ktCO_2$)



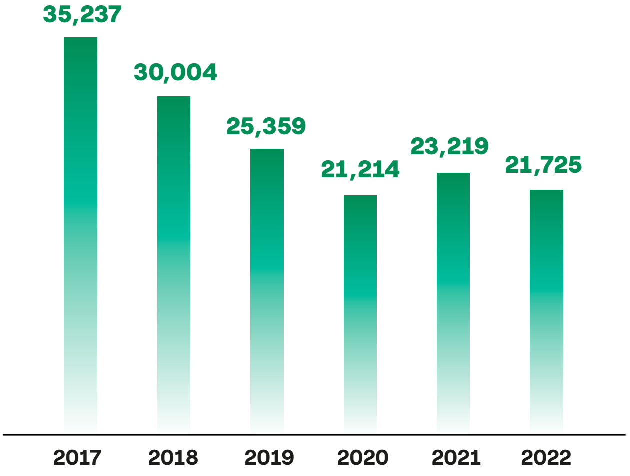
Scope 2

($ktCO_2$)



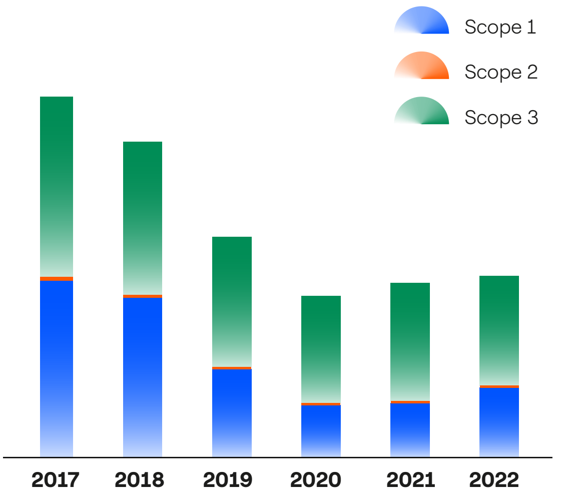
Scope 3

($ktCO_2$)



Emission trends

($ktCO_2$)



Source: Data corresponding to the years 2017 to 2021 are values with external verification according to the UNE EN ISO 14,064 standard. At the date of formulation of this Management Report, the calculation of Endesa's Carbon Footprint results for the year 2022 is in the process of verification. Endesa calculates and verifies its emissions according to the guidelines set out in the GHG Protocol, with the market-based approach applied to electricity consumption [1] and the location-based [2] approach applied to the technical losses produced during electricity distribution.

Note: Scope 3 emissions of the 2022 Carbon Footprint include emissions associated with the manufacture of new equipment installed and services provided.

[1] "Market based": calculation methodology that uses the emission factor of the electricity supply company.

[2] Location based": calculation methodology that uses the emission factor of the electrical grid to which the installations are connected.

In 2022, carbon dioxide emissions CO_2 (t) Scope 2 have been calculated with a "market based" approach, and their value is 728,921 tCO_2eq, and with a "location based" approach, and their value is 393,958 tCO_2eq.

In relation to the increase observed in direct emissions in 2022, it is necessary to highlight the context of the energy crisis, which began in 2021 as a result of the reactivation of activity in the exit of the crisis caused by the pandemic and has worsened in 2022 as a result of the conflict between Russia and Ukraine, which has led to a regulatory and market context that has meant a greater operation of Endesa's mainland facilities that use fossil fuels.

Below is the detail of the Carbon Footprint in 2022 and 2021:

Scope	Activities	CO_2eq (t) 2022	CO_2eq (t) 2021
1	Emissions of carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O) derived from fuel consumption (coal, fuel/diesel, natural gas, biogas) to produce electricity at generation plants.	13,329,484	10,559,022
1	Fugitive methane (CH_4) emissions at Endesa-owned reservoirs associated with hydroelectric generation.	154,921	154,921
1	Emissions of carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O) derived from fuel consumption in the vehicle fleet itself.	3,977	3,684
1	Emissions of carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O) derived from fuel consumption in vessels fleeted by Endesa to transport liquefied natural gas (LNG).	126,505	48,485
2	Emissions related to the generation of the electricity necessary to offset the technical losses caused during the distribution of electricity not generated by Endesa (location based).	387,822	428,798
2	Emissions related to the generation of the electricity necessary to offset the technical losses caused during the distribution of electricity not generated by Endesa (market based).	719,411	801,318
2	Emissions generated due to electricity consumption at non-generator centres (location based).	6,136	5,014
2	Emissions generated due to electricity consumption at non-generator centres (market based).	9,510	8,936
3	Emissions associated with the extraction, production and transport of fuels consumed at Endesa's thermal generation plants.	3,762,466	2,953,445
3	Emissions associated with the extraction, production, transport and use of marketed natural gas by the end user.	14,190,593	14,988,899
3	Emissions associated with the portion of electricity marketed that has not been generated at plants owned by ENDESA.	2,146,673	5,261,295

Emissions intensity

The intensity of emissions associated with the electricity generation process is calculated from Scope 1 emissions derived from the consumption of fossil fuels for electricity production, divided by net electricity production. The Greenhouse Gases (GHG) emissions intensity of the electricity generation process is a target set in the 2023-2025 Strategic Plan.

The following table shows the evolution of emissions intensity by typology:

	Types of Emissions	
	Absolute (tons CO_2)	Specific [(1)] ($kgCO_2/kWh$)
2020	10,127,975	0.180
2021	10,512,071	0.182
2022	13,271,636	0.205

(1) The emissions intensity associated with the electricity generation process is calculated from the Scope 1 emissions from the consumption of fossil fuels for electricity production divided by the net electricity production.

Greenhouse gases (GHG) emission reduction targets

Endesa's short, medium and long-term greenhouse gases (GHG) emission reduction targets are as follows:

Time horizon	Year	Targets
Short Term	2025	• Scope 1 specific greenhouse gas (GHG) emissions from the electricity generation process: 145 (gCO_2e/kWh) (~-67% compared to 2017). • Scope 1 and 3 specific GHG emissions from electricity trading (electricity generation process plus electricity purchases from the market): 140 gCO_2eq/kWh).
Medium Term	2030	• Scope 1 specific greenhouse gas (GHG) emissions from electricity generation process: <95 gCO_2eq/kWh) (~-80 % compared to 2017). • Scope 1 and 3 specific GHG emissions from electricity trading (electricity generation process plus electricity purchases from the market): <90 gCO_2eq/kWh).
Long Term	2040	• Total decarbonisation of electricity generation without using carbon dioxide (CO_2) offsetting instruments.

In 2021, Endesa made a commitment to become a company with a totally emission-free generation mix by 2040. With the definition of the 2023-2025 Strategic Plan, it increased its ambition by additionally establishing an integrated target for electricity generation and marketing, so that by 2040 all electricity marketed will also be emission-free. Ninety percent of the investment envisaged in the Plan is directly related to the United Nations Sustainable Development Goals, and more than 80 percent is aligned with the European Union's Taxonomy.

Endesa's strategy, which has been implemented through its 2023-2025 Strategic Plan, responds to the current climate urgency and defines a decarbonization pathway aligned with the 1.5 °C target that covers the main direct and indirect emissions. Endesa thus contributes to the goal certified by the Science Based Target initiative (SBTi) at Group level by its parent company, Enel. The company thus accelerates the exit of its fossil fuel generation business, as well as the sale of gas, to become a 100% renewable electricity company and without being linked to emitting production technologies or fossil fuels, additionally setting intermediate emissions targets for the years 2025 and 2030.

It should also be noted that, following the "Science Based Target initiative" (SBTi) methodology for setting emission reduction targets and assuming Scope 2 accounts for less than 5% of emissions (Scope 1 + 2), no reduction target has been set for Scope 2 emissions as they are not considered material.

Regarding the rest of the emissions, as part of the "Science Based Target initiative" (SBTi) certified at Enel Group level, Endesa aims to become "NET Zero" in 2040. In keeping with the aspiration to reach 0 emissions, the use of neutralization instruments will eventually be considered for those emissions for which there is no emission-free technological solution.

6.5. Climate Change Initiatives

CDP

In fiscal year 2022, more than 680 institutional investors with assets worth USD 130 billion, and more than 280 large clients with USD 6.4 trillion in purchasing volume have urged companies to disclose their performance on environmental impacts, risks and opportunities through the CDP platform on Climate Change, water security and forests. This year, more than 19,000 companies and 1,100 companies from cities, states and regions have responded to the proposed questionnaires disclosing their environmental impacts.

Endesa has participated since 2006 in the "CDP Climate Change" initiative, the most prestigious index on Climate Change, which provides global information on the management of risks and opportunities identified by the world's largest companies.

Endesa, in the year 2022, has renewed its "Leadership" rating for the sixth consecutive year.

Climate projects

Endesa continues to participate in the Climate Projects led by the Spanish Climate Change Office and, for the fourth consecutive year, has obtained the "Certificate of Recognition of Verified Emission Reductions" from the Ministry for Ecological Transition and the Demographic Challenge ("MITECO"), after an exhaustive verification process of its projects during the year 2022.

The Climate Projects are projects promoted by the Ministry for Ecological Transition and the Demographic Challenge ("MITECO") through the Carbon Fund for a Sustainable Economy (FES-CO_2), with the primary objective of reducing Greenhouse Gases (GHG) emissions in the so-called "Diffuse Sectors" and to mark a path of transformation of the productive system towards a low-carbon model.

In the 2022 fiscal year, Endesa has seen its verified emission reductions recognized thanks to 3 activities focused on the fields of mobility and sustainable engineering.

Areas	Activities	Description
Mobility.	Electric Mobility Plan for 2018 and 2019 employees.	• These plans offer workers the possibility of having an electric vehicle at a lower cost for a period of 3 years, which can be extended.
	Electric Mobility Plan for construction site vehicles.	• The purpose of the plan is to replace combustion vehicles used in the construction of new renewable energy plants with 100% electric vehicles, thus reducing carbon dioxide (CO_2) emissions.
Sustainable Engineering.	Sustainable engineering on site with solar energy.	• This project consists of the installation of photovoltaic panels at construction sites of new renewable energy plants to generate electricity, thus reducing the consumption of fossil fuel in the generators.

Thanks to the participation in Climate Projects, Endesa has achieved the recognition of the reduction of more than 437 tons of carbon dioxide (CO_2) in 2022, totalling almost 2,300 tons of carbon dioxide (CO_2) avoided since the beginning of the recognition of Climate Projects.

7. Main risks and uncertainties associated with Endesa's activity

Information on Endesa, S.A.'s General Risk Control and Management Policy is included in Note 13 to the financial statements for the year ended 31 December 2022.

7.1. General Risk Control and Management Policy

The General Risk Control and Management Policy lays down the basic principles and the general framework to control and manage risks of any kind that could affect the attainment of targets, ensuring that they are systematically identified, analysed, assessed, managed and controlled within the risk levels set. The General Risk Control and Management Policy identifies the different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational, including those related to corruption) faced by the Company, including among the financial or economic risks, any contingent liabilities and other risks not included in the statement of financial position.

The aim of the General Risk Control and Management Policy is to guide and direct the series of strategic, organisational and operational actions that allow the Board of Directors at Endesa, S.A. to accurately define the acceptable level of risk, permitting managers in the different lines of business, staff and service functions to maximise the Company's profitability, preserve or increase its equity and guarantee that this is achieved above certain levels, preventing uncertain and future events from adversely affecting the achievement of the profitability targets defined, or the corresponding operations, sustainability, resilience or reputation in a sustained way over time, providing shareholders with adequate guarantees and safeguarding their interests, in addition to the interests of customers and other stakeholders.

The General Risk Control and Management Policy is implemented and supplemented with other specific risk policies of business lines, staff and service functions, as well as with the limits established for optimum risk management in each one of them.

The General Risk Control and Management Policy materialises through an Internal Control and Risk Management System, which comprises an organisation, principles, a regulatory system and a risk control and management process.

The Internal Control and Risk Management System (SCIGR) follows a model that is based: firstly, on the ongoing study of the risk profile, applying current best practices in the energy or reference sector in relation to risk management, based on the criteria of uniform measurement for the same type of risk, and separation of risk controllers and managers; and, secondly, on ensuring the connection between risks assumed and the resources required to operate the business while ensuring an adequate balance between the risk assumed and the targets defined by the Board of Directors at Endesa, S.A.

The risk control and management model implemented at the Company is aligned with international standards, following a methodology based on the three-line model.

The Internal Control and Risk Management System is organised through independent risk control and management functions, which ensure an adequate separation of functions. The main governing bodies in the risk control process are as follows:

Main Governing Bodies	Description
Risk Committee.	1. Oversees the management and monitoring of all risks, specifically including tax risks, and excluding those of a criminal nature and those related to the Internal Control Information System (SCII), transferring the results of its deliberations and conclusions to the Audit and Compliance Committee (ACC).
Transparency Committee.	2. It is chaired by the Chief Executive Officer and made up of Endesa's main Executives, including all the members of the Executive Management Committee together with other members of Endesa's management directly related to the preparation, verification and disclosure of financial and non-financial information. Its main objective is to ensure compliance and correct application of the general principles of financial and non-financial information (confidentiality, transparency, consistency and responsibility), to evaluate the facts, transactions, reports or other relevant aspects that are communicated to the outside world, as well as to determine the form and deadlines for presenting public information. Likewise, the Transparency Committee is the Endesa Management body that evaluates the conclusions on the compliance and effectiveness of the controls of the Internal Information Control System (SCII) and the internal controls and procedures for disclosure of information to the outside, formulating corrective and/or preventive actions in this regard. The conclusions of the Transparency Committee are transferred to the Audit and Compliance Committee (ACC).
Oversight Committee of the Criminal Risk Prevention and Anti-Bribery Model.	3. This is the collegiate body with autonomous powers of initiative and control with regard to criminal risks, which is directly supervised by the Audit and Compliance Committee (ACC). It supervises the compliance and updating of the Model to prevent criminal risks from which Endesa, S.A. may derive criminal liability.

The General Risk Control and Management Policy defines the Internal Control and Risk Management System as an inter-linked network of legislation, processes, controls and IT systems, in which global risk is defined as the risk resulting from the complete vision of all risks to which it is exposed, taking into account the mitigating effects between the various risk exposures and risk categories, enabling the risk exposure of the Company´s different units to be consolidated and evaluated, and the corresponding management information to be drawn up for decision-making on risk and the appropriate use of capital.

The risk control and management process consists of identifying, assessing, monitoring and managing the different risks over time, and envisages the main risks to which the Company is exposed, both endogenous (due to internal factors) and exogenous (due to external factors):

Risk Control and Management Process	Description
Identification.	• Its purpose is to generate the risk inventory based on the events that could prevent, degrade or delay the achievement of the objectives. The identification should include risks whether their origin is under the control of the organization or whether they are due to unmanageable external causes.
Evaluation.	• The objective is to obtain the parameters that allow the measurement of the economic and reputational impact of all risks for their subsequent prioritization. The evaluation includes different methodologies adjusted to the characteristics of the risk, such as, for example, the assessment of scenarios and the estimation of the potential loss based on the evaluation of the distributions of impact and probability.
Monitoring.	• The objective is the monitoring of risks and the establishment of management mechanisms to keep risks within the established limits, as well as to take the appropriate management actions.
Management.	• The objective is the execution of actions aimed at adjusting risk levels to optimal levels and respecting, in any case, the limits set.

Endesa, S.A. constitutes the central element of the system, from which other documents and specific policies arise, for example, the Tax Risk Management and Control Policy or the Criminal Regulatory and Anti-Bribery Compliance Policy, which are approved by Endesa, S.A.'s Board of Directors, in which the risk and control catalogues are defined.

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

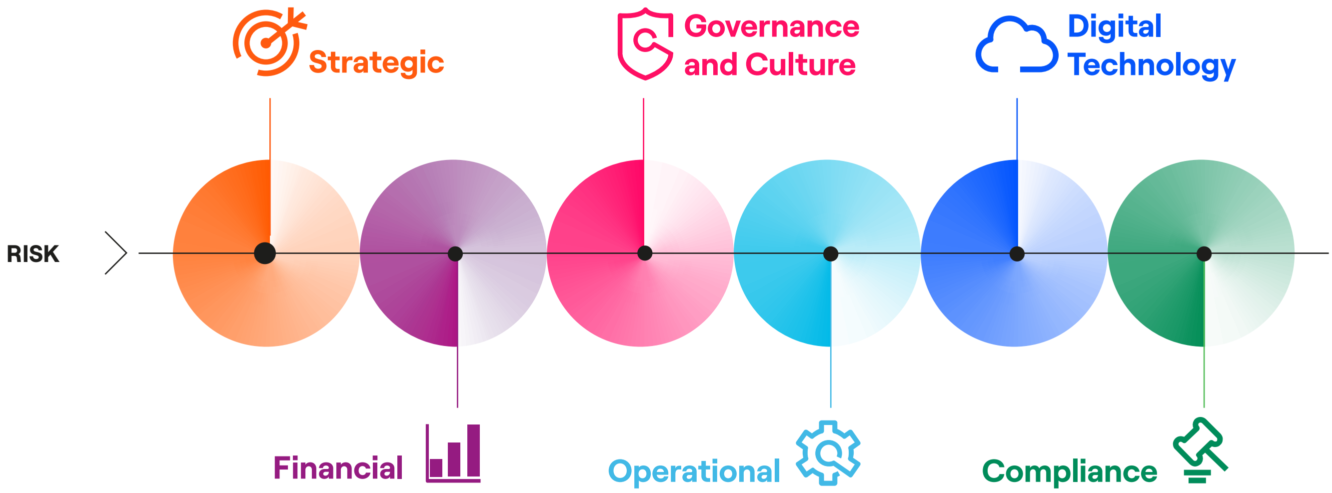
The information regarding Endesa's risk management and the use of derivative financial instruments is provided in Notes 13.1 and 14 to the financial statements for the year ended 31 December 2022.

The Annual Corporate Governance Report describes in Section E. "Risk Control and Management System" the risk control and management systems of Endesa, S.A., and forms an integral part of this Management Report (see Section 14 Annual Corporate Governance Report of this Management Report).

For further information on risk management, see the General Risk Control and Management Policy published on the Company's website (https://www.endesa.com/es/accionistas-e-inversores/gobierno-corporativo/politicas-corporativas.html).

7.1.1. Risk catalog

Endesa classifies the risks to which it is exposed into 6 categories: Strategic, Financial, Operational, Compliance, Corporate Governance and Culture and Digital Technology related.



The risk catalog serves as a reference for all areas of the Company involved in management processes. The adoption of a common language facilitates the mapping and organic representation of risks within Endesa, thus allowing the identification of those that impact the Company's processes and the functions of the organizational units involved in their management.

Section 7.5 of this Management Report sets out the risks that may affect the Company's activity..

7.2. Endesa's Criminal Risk Prevention and Anti-Bribery Model

EEndesa, S.A. is aware that sustainable compliance with its corporate responsibilities should also include constantly striving for excellence in terms of business ethics in all decision-making processes. This must be understood in a corporate environment that strictly complies with the most-advanced national and international standards, practices and principles in this area, as a basic pillar of company operations.

Organic Law 5/2010, of 22 June, amending Organic Law 10/1995, of 23 November, of the Criminal Code not only included offences applicable to legal persons, but also referred to the need to establish surveillance and control measures to prevent and detect them. This legal system was reformed by Organic Law 1/2015, of 30 March, detailing the requirements for management and control systems that allow legal persons to prove their diligence in the field of criminal prevention and detection. Organic Law 1/2019, of 20 February, newly amended Organic Law 10/1995, of 23 November, on the Criminal Code, to transpose European Union Directives in the areas of finance and terrorism and to address international matters. More recently, Organic Law 10/2022, of 6 September, on the comprehensive guarantee of sexual freedom, has further modified certain aspects of the criminal liability of legal persons.

In line with these legal requirements, Endesa, S.A. has internal regulations that meet the need for adequate control and management systems for the detection and prevention of criminal behaviour.

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

Standards	Description
Criminal and Anti-Bribery Risk Prevention Model	• Document that provides Endesa with a control system that prevents the commission of crimes within the company, in compliance with the provisions of the applicable regulations on criminal liability of legal entities.
Protocol in case of Authority Action under Article 31 Bis of the Penal Code.	• Procedure for an adequate response in case of risk of criminal liability of any Endesa Company.
Code of Ethics.	• Document that sets out the commitments and ethical responsibilities, in the management of business and corporate activities, assumed by Endesa's collaborators, whether Directors or employees, of any kind, in these companies.
Zero Tolerance to Corruption Plan.	• This document represents Endesa's firm commitment to the fight against corruption, and is the result of its adherence to the United Nations Global Compact.
Corporate Integrity Protocols.	• Protocol for conflicts of interest, exclusive dedication and commercial concurrence. • Protocol for accepting and offering gifts, presents and favors. • Protocol for dealing with public officials and authorities.

These internal rules are supplemented, among others, by the Criminal Risk and Anti-Bribery Compliance Policy, which, together with those we have already mentioned, make up Endesa's Criminal and Anti-Bribery Compliance Management System. This is an integrated body of provisions that not only respects Spanish legal requirements in this area, but is also sufficient to meet the expectations reasonably placed on organisations that operate with the highest levels of commitment in advanced markets, such as Endesa, S.A.

At 31 December 2022, 720 employees had received training in anti-bribery policies and procedures (58%), compared to 540 employees (43%) at 31 December 2021.

Since October 2017, Endesa, S.A.'s Criminal and Antibribery Compliance Management System has been accredited by AENOR, in accordance with UNE 19601 (Compliance Management) and UNE-ISO 37001 (Antibribery Management) Standards, which were successfully renewed on a periodic basis from that date, and which were in force at the date of preparation of the management report.

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

Endesa has a Whistleblowing Channel as part of its Criminal Risk Prevention and Anti-Bribery System, through which it receives reports of breaches in relation to the prevention of criminal risks and bribery, among other issues. In 2022, the Company fully complied with all of the processes put in place to apply the Code of Ethics correctly.

Below are details of the number of reports of different types of breaches received by the Whistleblowing Channel, and the number of violations found to have occurred, indicating which of them related to corruption or fraud:

	Number		% Var
	2022	2021	
Total Complaints Received through the Ethics Channel for Possible Violations	3	1	200%
Proven breaches	—	—	—
Related with corruption and/or fraud	—	—	—

7.3. The Internal Control over Financial Reporting System (ICRS)

The quality and reliability of the financial and non-financial information that listed companies publish on the market is a critical element for the Company's credibility, which significantly affects the value that the market assigns it. Any dissemination of incorrect or low-quality financial or non-financial information could provoke a significant decrease in the Company's value, with the consequential detriment to shareholders.

The Internal Control Over Reporting System (ICRS) for financial and non-financial information is a part of the Company's internal control, comprising a comprehensive set of processes through which the company provides reasonable assurance with respect to the reliability of its internal and external financial and non-financial information. The Internal Control Unit of Endesa, S.A. is the area responsible for identifying the most relevant processes, activities, risks and controls of the Internal Control Over Reporting System considered material to provide reasonable assurance that the financial and non-financial information disclosed by Endesa, S.A. to the market is reliable and adequate.

The documentation of the processes that form part of Endesa's Internal Control Over Reporting System (ICRS) includes detailed descriptions of the activities relating to the financial and non-financial reporting process and their subsequent disclosure, including authorisation and processing, with the following basic objectives:

- Identification of the critical processes related directly and indirectly to generation of the information
- Identification of the risks intrinsic to these processes that could give rise to material financial reporting errors (typically related to completeness, validity, recognition, cut-off, measurement and presentation) or significant errors in non-financial information.
- Identification and categorisation of the controls in place to mitigate these risks.

Every six months, the Internal Control Over Reporting System (ICRS) is subject to an assessment process at Endesa, S.A., as part of which each control manager assesses both its design and its effectiveness. Within the model, an on-going verification process is additionally performed of the Internal Control Over Reporting System (ICRS) by an independent expert. The findings of both processes are reported to:

a) The Board of Directors which, in conformity with the Corporate Enterprises Act ("LSC"), has the indelegable power to supervise the internal information and control systems; and
b) The Audit and Compliance Committee, the functions of which, in accordance with the Corporate Enterprises Act, include supervision of the effectiveness of the Company's internal control.

Endesa has been developing its Internal Control Over Financial Reporting System (ICFRS) methodology since 2020 to include sustainability and non-financial information, to have a single Internal Control Over Reporting System (ICRS). This ensures supervision of all processes and systems, risk identification and the design and implementation of adequate controls for Endesa, S.A.'s financial and non-financial information.

7.4. Risk control and management

Endesa, S.A. has established a risk control and management process that enables it to obtain a complete vision of all the risks to which it is exposed, taking into account the mitigating effects between the various risk exposures and risk categories, and the corresponding management information to be drawn up for decision-making on risk and appropriate use of capital.

The Risk Committee supervises the management and monitoring of all the risks, specifically including tax risks, and excluding criminal risks and those relating to the Internal Control Over Reporting System. The mission of the Risk Committee is as follows:

Committee	Mission
Risk Committee	• Actively participating in drawing up the risk strategy and in important decisions regarding management of the same.
	• Ensure the proper functioning of the risk control and management systems and that all important risks that affect the Company are appropriately identified, managed and quantified.
	• Ensure that the Internal Control and Risk Management System appropriately mitigates the risks;
	• Ensure that Senior Management participates in strategic risk management and control decisions.
	• Regularly provide the Board of Directors with a comprehensive view of current and foreseeable risk exposure.
	• Ensure coordination between the risk management units and the units responsible for its control.
	• Encourage a culture in which risk is a factor to take into account in all decisions and at all Company levels.

The Risk Committee supervises is convened at least quarterly and meets to analyse the main results and conclusions related to risk exposure in Endesa, overseeing the management and monitoring of all risks. It reports its deliberations and conclusions to the Audit and Compliance Committee of Endesa, S.A.

The Risk Committee receives information regularly on the key risk-monitoring indicators and events relevant to risk management and control. The members of the Committee may convene meetings at any time to authorise or propose risk management strategies in the event of extraordinary or significant business.

The Risk Control Area is the area delegated by the Risk Committee to define the procedures and rules of the Internal Control and Risk Management System to ensure the adequate identification, definition, management and quantification of all risks that affect the Company in a homogenous and periodic manner and to monitor risk exposure and the control activities implemented.

In line with that stipulated in the procedures and internal operating instructions, the Risk Control area is tasked with preparing the following documents for the risks in their scope of application:

Reports	Description
Risk Appetite Framework.	• Determines the main risk indicators, the levels of risk considered acceptable and the management and mitigation mechanisms. It is approved by the Board of Directors of Endesa, S.A.
Risk Map.	• Provides a prioritised view of significant risks. It is approved by the Board of Directors of Endesa, S.A.
Monitoring reports.	• Ensure compliance with the limits set and the effectiveness of the mitigation measures to provide a response to the risks, the conclusions of which are reported regularly to the Audit and Compliance Committee.

To carry out its functions, the Risk Control area is supported by other areas and committees that have specific and complementary risk control and management models and policies. Accordingly, for example, in the tax area, Endesa, S.A.'s Board of Directors has also approved a Tax Risk Management and Control Policy to guide and direct strategic, organisational and operating activities to enable Tax Affairs employees and the different departments at the organisation whose work involves the company's taxation, to attain the objectives set as part of the Company's Tax Strategy in terms of tax risk management and control.

Endesa is one of the listed companies and companies in the electricity sector most closely aligned with applicable best practices, according to a report by PWC following assessment of the performance of its internal risk control and management function at the end of 2021, thus complying with the regulation of the Audit and Compliance Committee ("CAC"), which indicates that a periodic assessment is to be carried out of the internal function of risk control and management by an independent external auditor to be selected by the Audit and Compliance Committee.

7.5. Main risks and uncertainties.

As the Parent of a group of companies, Endesa, S.A. is exposed to the same risks as the Endesa Group, as any risk occurring at a subsidiary will affect the value of Endesa, S.A.'s portfolio of investments and associated dividend payments.
Endesa, S.A.'s activities are carried out against a backdrop in which outside factors may affect the performance of its operations and its earnings.
As a result of the conflict between Russia and Ukraine and the path of the COVID-19 pandemic, which has yet to run its full course, Endesa must contend with greater uncertainty and its business could be affected by adverse economic conditions in Spain, Portugal, the Eurozone and international markets, as well as by the regulatory environment.

In this environment of spiralling energy prices, high inflation and interest rate hikes, there are certain risks that are hard to predict or control, including regulatory changes in the electricity sector, fiscal impacts due to the introduction of temporary measures in the energy sector, cybersecurity, delays in delivering supplies and in honouring contracts, and greater restrictions on access to credit. These issues could add further pressure to the challenge of meeting the objectives in the Strategic Plan.
Prioritization of the main risks that may affect Endesa's operations, including those arising from the conflict between Russia and Ukraine, are summarised below:

Category	Section	Risk	Definition	metrics	Relevance [3]
Strategic risks	a.1, a.2, a.3, a.4 and a.5	Legislative and regulatory developments	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.	Scenarios [1]	High
		Climate Change	Endesa is affected by Climate Changes arising from human action, which has an impact on both physical and transitional aspects.		
		Strategic Plan	Endesa is making decisions that will affect the future of the company and its sustainability. These decisions are subject to significant risks and uncertainties, and changes in circumstances and other factors that may be beyond Endesa's control or that may be difficult to predict.		
		Macroeconomic and geopolitical trends	Endesa's business could be affected by adverse economic or political conditions in Spain, Portugal, the Eurozone and in international markets.		
		Competition in its Activities	Endesa is exposed to competition in its business activities.		

Category	Section	Risk	Definition	metrics	Relevance (3)
Financial risks	b.1, b.2, b.3, b.4, b.5 and b.6	*"Commodities"*	Endesa's business is largely dependent on: the constant supply of large amounts of fuel to generate electricity; the supply of electricity and natural gas used for its own consumption and supply; and the supply of other raw materials, the prices of which are subject to market forces which may affect the price and the amount of energy sold by Endesa.	Stochastic (2)	High
			Endesa's activities could be affected by changes in natural resources and climate and weather conditions.	Stochastic (2)	Moderate
		Exchange rate	Endesa is exposed to foreign currency risk.	Stochastic (2)	High
		Interest rates	Endesa is exposed to interest rate risk.	Stochastic (2)	High
		Capital adequacy and access to finance	Endesa's business depends on its ability to obtain the funds necessary to refinance its debt and finance its capital expenses.		
		Liquidity			
		Credit and counterparty	Endesa is exposed to credit and counterparty risk. Credit risk is generated when a counterparty does not meet its obligations set out in a financial or commercial contract, giving rise to financial losses.	Stochastic (2)	High
Risks associated with digital technologies	c.1 and c.2	Cybersecurity	Endesa is exposed to cybersecurity risks.	–	(4)
			Endesa manages its activities with information technology that guarantees operating efficiency, as well as the continuity of the businesses, systems and processes that contribute to attaining its corporate objectives.		
Risks Operational	d.1, d.2, d.3, d.4, d.5 and d.6	Business interruption	Endesa is exposed to risks associated with the construction of new electricity generation and distribution facilities.	Scenarios (1)	Low
			Endesa's activity may be affected by failures, breakdowns, problems in carrying out planned work or other problems that cause unscheduled non-availability and other operational risks.	Scenarios (1)	Moderate
		Asset assets	Endesa's insurance cover and guarantees may not be adequate or may not cover all damage.	–	(4)
		People and Organisation	The success of Endesa's business depends on the continuity of the services provided by the Company's management and by Endesa's key workers.		
			Endesa considers occupational health and safety (OHS) and fluid social dialogue to be priority objectives. The inability to meet these objectives could adversely affect Endesa's business, image, results, financial position and cash flows.		
		Procurement, logistics and supply chain	Endesa's business could be adversely affected by a possible inability to maintain its relations with suppliers or because the available supplier offering is insufficient in terms of quantity and/or quality, as well as supplier failures to maintain the conditions of the service provided, limiting the possibilities of operability and business continuity.	Stochastic (2)	Moderate

Category	Section	Risk	Definition	metrics	Relevance [3]
Compliance Risk	e.1, e.2, e.3, e.4, e.5, e.6 and e.7	Data protection	Endesa uses the highest security and contingency standards according to the state of the art, such that it guarantees personal data protection.	–	[4]
		Compliance with antitrust and consumer rights regulations	Past or future infringements of competition and antitrust laws could adversely affect Endesa's business activities, results, financial position and cash flows.		
		Compliance with other laws and regulations	Endesa's activities are subject to wide-reaching environmental regulations. Any inability to comply with current environmental regulations or requirements or any changes to applicable environmental regulations or requirements could adversely affect its business activities, results, financial position and cash flows.		
			Endesa is involved in court and arbitration proceedings.		
			The ENEL Group controls the majority of Endesa's share capital and voting rights and the interests of the ENEL Group could conflict with those of Endesa.		
		Tax compliance	Endesa could be affected by tax risks arising from interpretations of the regulations by the tax authorities that differ from those adopted by the Company or by an incorrect understanding by third parties of the tax position adopted by the Company.		
			Endesa could be held liable for income tax and value added tax (VAT) charges corresponding to the tax group of which it forms part or has formed part.		
Corporate governance and culture risk	f.1	Reputation	Endesa is exposed to image and reputation risk.	–	[4]

[1] Scenario: calculated as the loss arising from the different hypothetical situations.
[2] Stochastic: calculated as the loss that could be incurred with a certain degree of probability or trust.
[3] The significance of the risks is measured based on the expected potential loss: High (exceeding Euro 75 million), Average (between Euro 10 million and Euro 75 million) and Low (less than Euro 10 million).
[4] They relate to risks whose impact may be difficult to quantify economically (in general, high impact and probability, following the mitigation mechanisms implemented, very low or very difficult to determine).

a) Strategic risks

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

Endesa's subsidiaries are subject to wide-ranging regulations on their tariffs and other aspects of their activities in Spain and Portugal. These regulations in many ways determine the manner in which Endesa performs its business and the revenues it receives from its products and services.

Endesa is subject to a complex set of laws and other regulations applied by both public and private bodies, including the Spanish Markets and Competition Commission ("CNMC"). The introduction of new standards and modifications to those already in effect could have a negative impact on Endesa's business, results, financial position and cash flows.
The European Union also establishes an action framework for member states which includes, among other things, objectives for emissions, efficiency and renewable energies.

The introduction of new requirements, or amendments to existing ones, could adversely affect Endesa's business activities, results, financial positions and cash flows if it cannot adapt and manage the resulting environment correctly.

a.2. Endesa is affected by Climate Changes arising from human action, which has an impact on both physical and transitional aspects.

Endesa has made a decisive commitment to the fight against Climate Change and decisions are, therefore, taken at the highest level of management. One of the main pillars of the Company's strategy is Climate Change, and Endesa, S.A.'s Board of Directors is responsible for its approval, and Senior Management of its development and implementation. In demonstration of this commitment, Endesa has updated its strategic plan for 2023-2025, in which it goes further along the path towards the decarbonisation of its generation mix and develops its offering of value-added services for deregulated customers, developing its distribution network as an integrating element for its other approaches.

The process of identifying risks and opportunities includes those related to Climate Change: transition risks, related to regulation, new technologies, changes in the market and reputation, and those related to potential physical impacts related to Climate Change.

In relation to Climate Change, risks are assessed based on established risk tolerance levels, considering: exposure (climate impacts that may affect facilities), sensitivity (potential effects and their consequences for businesses or facilities), and vulnerability (adaptive capacity to overcome Climate Change impacts considering financial, technological and knowledge requirements).

Climate Change and the energy transition will affect Endesa's activities. As recommended by the Task Force on Climate-related Financial Disclosures (TCFD), to identify the different types of risks and opportunities and their impact on the company's various businesses, Endesa has defined a reference framework. Risks are classified into physical and transitional risks as follows:

Risks and opportunities related to Climate Change	
Transition risks.	• In reference to the energy transition to a more sustainable model, characterised by a progressive reduction in carbon dioxide (CO_2) emissions, risks and opportunities have been identified linked to both the regulatory context and to trends in technological development, electrification and related market developments
Physical risks.	They are classified as acute (extreme events) and chronic. • Acute (extreme events): they occur as a result of extreme weather conditions. - These events expose Endesa to potential unavailability, of variable duration, in facilities and infrastructures, repair costs, impact on customers, etc. • Chronic: these are related to gradual and structural changes in weather conditions. The chronic change in weather conditions exposes Endesa to other risks and opportunities such as, for example, changes in the production regime of the different technologies, as well as changes in electricity demand.

In line with the climate and transition scenarios adopted, changes in customer behaviour, industry strategies in different economic sectors and regulatory changes are beginning to be identified to define risks and opportunities. Endesa is committed to playing an active role in the transition. It therefore defines facilitating measures in its 2023-2025 Strategic Plan to make the most of the opportunities that arise, which are identified through scenario analysis. As a result, approximately 90% of the investments foreseen in the 2023-2025 Strategic Plan are aligned with one of the United Nations Sustainable Development Goals (SDGs).

The following is the reference framework defined for risks and opportunities that highlights the relationships between the physical and transition scenarios and the factors that influence Endesa's business:

Reference framework					
Scenario	**Classification**	**Category**	**Time horizon**	**Risks and opportunities**	**Management mode**
Physical.	Acute.	Extreme events	From Short term (2023-2025)[1].	Risk: Weather events that are extreme because of their intensity.	Endesa adopts best practices to manage the recovery of the activity in the shortest possible time. With regard to risk management from the insurance point of view, the Company manages a "Loss Prevention" program for property risks, also aimed at assessing the main exposure factors associated with natural events. In the future, changes in climatic evolution that are expected to manifest themselves in the long term will also be considered in the evaluation.
	Chronic.	Market.	From Non-current (2031-2050)[3].	RRisk / Opportunity: Increase or decrease in electricity production and demand.	Geographical and technological diversity makes it possible to mitigate the impact of variations (positive or negative) of a single variable. In order to adequately manage the impact of meteorological phenomena, Endesa implements weather forecasting activities, real-time monitoring and control of its facilities, and long-term climate scenarios to evaluate possible chronic variations in the availability of renewable resources.
Transition		Policies and regulation.	From Short term (2023-2025)[2].	Risk / Opportunity: Carbon dioxide (CO_2) pricing and emissions policies; Energy Transition incentives; review of market design and permitting procedures and resilience regulation.	Endesa minimizes its exposure to risks through the progressive decarbonization of its production facilities. Endesa's strategic actions allow it to mitigate potential risks and take advantage of the opportunities associated with the Energy Transition. Additionally, Endesa participates in the public processes of policy and regulation definition and in dialogue platforms with the different stakeholders.
		Market	From Medium term (2026-2030)[2].	Risk / Opportunity: Changes in the price of raw materials and energy; evolution of the energy mix; change in residential sector consumption, changes in the competitive situation in the market.	Endesa maximizes opportunities thanks to a strategy oriented to the Energy Transition, a strong development of renewable production, and a clear commitment to the electrification of demand. Considering two alternative transition scenarios, Endesa evaluates the effects of the evolution of raw material prices, the penetration of renewables in the energy mix, and the electrification of demand.
	Products and services.	From Medium term (2026-2030) [2].		Higher margins and greater investment capacity as a result of the transition, considering the penetration of new technologies for the electrification of demand, and electric transportation, and distributed generation.	Endesa maximizes opportunities thanks to a strong strategic positioning on new business and services. Additionally, and considering alternative transition opportunities scenarios, Endesa evaluates the impact of the different trends in terms of demand electrification.
	Technology	From Medium term (2026-2030) [2].			Endesa maximizes opportunities thanks to a strong strategic positioning on electricity infrastructure. Considering alternative transition scenarios, and taking into account the trend in the penetration of electrification technologies, Endesa evaluates opportunities to scale solutions related to digitalization and grid resilience.

(1) Short term (to 2025, corresponding to the Strategic Plan), in which sensitivity analyses can be performed based on the Strategic Plan presented to the markets on 23 November 2022.

(2) Medium term (to 2030, corresponding to the coverage deadlines of the National Integrated Energy and Climate Plan ("PNIEC")), in which it is possible to appreciate the effect of the Energy Transition.

(3) Long term (to 2050, the deadline for achieving climate neutrality), in which chronic structural changes at the climate level should begin to manifest themselves.

a.2.1. Chronic and acute physical risks and opportunities

In reference to the risks and opportunities associated with the physical variables, and taking as a reference the scenarios defined by the Intergovernmental Panel on Climate Change (IPCC) and based on the reference framework described in the previous section, the impact on electricity demand and on the different generation technologies is evaluated for the different categories of physical risks identified.

Chronic physical changes. Potential risks and associated opportunities

Chronic physical changes manifest themselves in the long term, without the scenarios used for the analysis showing evidence of significant changes before 2030, which could begin to be seen in the period from 2031 to 2050.

The main impacts as a consequence of chronic physical changes would be seen in the following variables:

Variables	
Electricity demand.	• Variation of the average temperature level with potential effect (increase/decrease) on the electricity demand, when the demand for air conditioning changes.
Thermoelectric production.	• Variation of the average temperature level of water bodies with effect on thermoelectric production when cooling conditions change.
Hydroelectric production.	• Variation in the average level of rain and snow and of temperatures, with a potential increase and/or reduction of hydroelectric production.
Photovoltaic production.	• Changes in the average levels of solar radiation, temperature and rainfall with a potential increase and/or reduction in photovoltaic production.
Wind Power Production	• Variation of the average wind regime level with potential increase and/or reduction of wind production.

The impacts of the most significant chronic physical changes have been identified for each generation technology. Analysis has begun to ascertain the impact on their productivity, considering the facilities individually.

The table below shows the importance of the impact associated with the main chronic Climate Changes for Endesa's facilities and their corresponding priority in the analysis:

Priority: High / Low / Not relevant

Priority	Rain/snow	Wind	Solar radiation	See level	Air temperature	River/see Temperature
Thermal	High	Not relevant	Not relevant	High	High	Low
Solar	Low	Not relevant	High	Not relevant	Low	Not relevant
Wind	Not relevant	High	Not relevant	Not relevant	Not relevant	Not relevant
Hydro	High	Not relevant	Not relevant	Not relevant	High	Not relevant
Storage	Low	Low	High	Not relevant	High	Not relevant
Geothermal	Low	Not relevant	Not relevant	Not relevant	Low	Not relevant
Grids	High	Not relevant	Not relevant	Not relevant	High	Not relevant
Endesa X	Low	Not relevant	Low	Not relevant	Low	Not relevant

Extreme events. Associated potential risks and opportunities

The intensity and frequency of acute physical phenomena and extreme events can cause significant unexpected damage to installations and potential consequences arising from service interruptions.

Extreme events (gales, floods, heat waves, cold waves, etc.) are characterised by their high intensity and infrequent occurrence in the short term, which increases in the long-term climate scenarios.

Accordingly, the risk associated with the occurrence of extreme events is currently being managed in the short term, while the methodology is being extended to longer time horizons (until 2050), in accordance with the climate scenarios selected (Representative Concentration Pathways 8.5, 4.5 and 2.6).

The table below shows the importance of the impact associated with the main extreme weather events for Endesa's facilities: and their corresponding priority in the analysis:

Priority: High / Low / Not relevant

Priority	Heatwaves	Flooding heavy precipitation	Heavy snow / king	Hail	Windstorm	Wildfires	Lightning
Thermal	High	High	Not relevant	Not relevant	Low	Low	Under assesssment
Solar	High	High	High	High	High	Low	Under assesssment
Wind	High	Low	High	Low	High	Low	Under assesssment
Hydro	Low	High	Low	Not relevant	Low	Not relevant	Low
Storage	High	High	Low	Low	High	High	Under assesssment
Geothermal	Not relevant	Not relevant	Not relevant	Not relevant	Not relevant	Low	Under assesssment
Grids	High	High	High	Low	High	High	High
Endesa X	High	Low	Low	Low	Low	Low	Under assesssment

Risk assessment methodology for extreme events

Endesa uses an established methodology for analysis of catastrophic risk to quantify the risk from extreme events. This methodology is used in the insurance area and in the reports of the Intergovernmental Panel on Climate Change (IPCC)[9]. This methodology can be applied to all analysable extreme events, such as gales, heat waves and floods.

The following are considered for all types of natural disasters:

[9] L. Wilson, "Industrial Safety and Risk Management". University of Alberta Press.
T. Bernold. "Industrial Risk Management". Elsevier Science Ltd.
Kumamoto, H. and Henley, E. J., 1996, Probabilistic Risk Assessment and Management for Engineers and Scientists, IEEE Press, ISBN 0-7803100-47
Nasim Uddin, Alfredo H.S. Ang. (eds.), 2012, Quantitative Risk Assessment (QRA) for natural hazards, American Society of Civil Engineers CDRM Monograph no. 5.
UNISDR, 2011. Global Assessment Report on Disaster Risk Reduction: Revealing Risk, Redefining Development. United Nations International Strategy for Disaster Reduction. Geneva, Switzerland.
Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation - A Special Report of Working Groups I-II of the Intergovernmental Panel on Climate Change (IPCC). Cambridge University Press, Cambridge, UK, and New York, NY, USA.

Types	
Probability of the event (Hazard).	• The theoretical frequency in a given period of time: the return period. • Risk maps are prepared that associate the estimated frequency of the various types of extreme events with each geographical point on the map.
Vulnerability.	• This indicates the value lost or affected as a result of the extreme event, in percentage terms. This enables consideration of the impacts on facilities and continuity of production and distribution services. • Endesa analyses the vulnerability of its facilities, enabling it to prepare a matrix relating the type of installation to the extreme events that might significantly affect them.
Exposure.	• This is the set of economic values in Endesa's portfolio that could be impacted significantly in the event of catastrophic natural events. • Specific analyses are carried out for this parameter for the various production technologies, the distribution infrastructures and the services provided to customers.

The combination of these three factors (probability of an event, vulnerability and exposure) provides the key to assessing the seriousness of the risk of extreme events.

Endesa differentiates the risk analysis of the climate scenarios over the different time horizons.
The following table summarises the impact assessment of extreme events:

Time horizon	Probability of the event	Vulnerability	Exposure
Short term (1-3 years).	Probability maps based on historical series and weather models.	Vulnerability is related to the type of event and the technology, and is largely independent of the time horizon.	Endesa's values in the short term.
Non-current (to 2050 or 2100).	Probability maps and specific studies for the Intergovernmental Panel on Climate Change (IPCC)'s Representative Concentration Pathway climate scenarios.		Trend in Endesa's values over the long term.

Insurance
Endesa defines annual insurance coverage programmes for its businesses, with the two main programmes being:

Programmes	
Global *Property programme.*	• The conditions of this policy cover the costs of rebuilding the affected facility and the economic loss from the facility not working.
Global *Liability programme.*	• The conditions of this policy cover damage to third parties for whose activity Endesa has civil liability due to the activity performed, including damage to the environment.

The policy conditions are defined on the basis of risk assessment, including extreme events associated with Climate Change. As seen in past events, the impact on Endesa's activity of extreme events can be relevant.
Endesa's preventive maintenance actions for its generation and distribution facilities are also important and essential. These actions allow, on the one hand, the mitigation of the impact as a result of extreme events, and, on the other hand, the optimisation of the costs of global insurance programmes.

a.2.2. Adaptation to Climate Change

Endesa implements actions to effectively manage extreme events and chronic physical changes to reduce the impact on its business.
Adaptation solutions can include both actions implemented in the short term and long-term decisions, for example, investment planning in response to climatic phenomena. Adaptation activities also include procedures, policies and best practices.
For new investments, action can be taken as early as the design and construction phase to reduce the impact of climate risks, for example, by assessing risks and vulnerability

in the design phase, and to take into account possible chronic effects, for example, by including climate scenarios in long-term renewable resource estimates.

Once the relevant weather and climate phenomena have been identified, the activities to be carried out to maximize adaptive capacity can be classified into:

Activities	
Management of Adverse Events.	• Procedures to prepare in advance for extreme events (e.g., acquisition of short-term weather forecasts, and training), and procedures for the restoration of activity in the shortest possible time (e.g., definition of operational and organizational procedures to be implemented in case of critical events).
Risck Prevention.	• Improving the resilience of facilities. Interventions aimed at increasing the resilience of facilities, such as, for example, quantitative assessment of potential acute and chronic risks to better define both the requirements at the design stage and the actions to be carried out on existing facilities.

The following table shows a high-level summary that represents the typology of actions that Endesa implements to properly manage adverse events and increase resilience to weather phenomena and their evolution due to Climate Change. Following the table, details of some of the activities listed in the table are provided:

Business	**Adverse Event Management**	**Risk Prevention**
Generation	Existing Facilities: • Incident and critical event management • Site-specific emergency management plans and procedures. • Specific tools for forecasting impending extreme events.	Existing Facilities: • Risk assessment and design guidelines for hydraulic technology. Feedback processes based on lessons learned from operation and maintenance to the development, design and construction phase. • New Facilities: • In addition to what is planned for existing facilities: • Climate Change related risk assessment included in the environmental impact assessment study (pilot).
Distribution	Existing Facilities: • Strategies and guidelines on risk prevention, preparedness, response and recovery activities for the distribution network. • Emergency and critical event management guidelines. • Risk prevention and preparedness measures in case of fires in electrical installations (lines, transformers, etc.).	Existing Facilities: • Guidelines for the definition of plans for network resilience enhancement (e.g. "Network Resilience Enhancement Plan" E-distribuzione).
Supply	Existing Facilities: • Critical Event Management	Existing Facilities: • Preliminary analysis of the impacts derived from Climate Change in the medium and long term.

Endesa develops actions for the effective management of extreme events and chronic physical changes in all its business lines. The areas of action, best management practices and policies adopted in each business are detailed below:

Generation

Actions

The main actions in relation to the management of the risks associated with Climate Change in the generation business are as follows:

Main actions
• Improved management systems for cooling water to compensate for possible reductions in river flows.
• Fogging systems to improve airflow and offset power reduction as a result of increased ambient temperatures at combined cycle generation facilities.
• Installation of drainage pumps, regular cleaning of canals and other actions to eliminate risks of landslides as a result of torrential rains and floods.
• Periodic reassessment of hydroelectric facilities in torrential rain and flooding scenarios. The scenarios are managed through mitigation actions and interventions at facilities.

Good practices

In the Generation Business Line, a series of good practices have been adopted for the adequate management of adverse meteorological phenomena:

Good practices	
Weather forecasting.	• Monitoring of the availability of renewable resources and the occurrence of extreme events, with alert systems that guarantee the protection of people and facilities.
Digital Geographic Information System (GIS).	• Hydrological simulations, surveying (including the use of drones) and monitoring of possible vulnerabilities using the digital Geographic Information Systems (GIS) and satellite data.
Monitoring of dams and hydraulic infrastructure.	• Advanced monitoring of more than 100,000 parameters (with more than 160 million historical measures) at dams and hydraulic infrastructure.
Supervision of facilities	• Remote real-time monitoring of electrical production facilities.
Hydrological and hydraulic studies.	• Adoption of specific guidelines for hydrological and hydraulic studies in the initial stages of development, to assess risks in both the area of the facility and the surrounding area.
Monitoring of the effects of climate parameters on project design.	• Monitoring of changes in climate parameters because of their potential effects on project design, such as assessment of the rainfall patterns for the design of drainage systems for photovoltaic facilities.
Estimation of extreme wind speeds.	• Estimation of extreme wind speeds using up-to-date databases containing historical records of gales, in order to choose the most suitable wind-turbine technology for the site.

Endesa also applies specific procedures for emergency management with real-time communication protocols, the planning and management of all activities to resume activity under safe conditions in the shortest possible time, and predefined lists for damage assessment, so that it can act immediately against extreme events. One solution implemented to minimize the impact of climate events is the "Lesson Learned Feedback" process, through which information is transferred from the technical operation and maintenance units to the units that design new projects.

Analysis of future climate impacts to identify adaptation needs

An analysis of risks associated with acute and chronic climate phenomena is being carried out based on the mapping of relevant climate events, with the aim of estimating the impact they may have in the medium to long term on the generation plants. The analysis of acute phenomena has been carried out in two phases:

Fases
• **Preliminary analysis of the hazard and exposure** of all hydro, wind and solar power plants in order to group them according to their degree of vulnerability, and to identify the plants with the highest risk from which to select 1 or 2 plants for the definition of possible adaptation actions.
• **Detailed analysis** of the plants identified as most at risk, in order to define possible adaptation actions, as well as measures to prevent production losses.

The detailed analysis was carried out to determine the possible increase in the frequency and intensity of extreme events and to identify the exposed facilities. This analysis has shown that, for the whole set of meteorological phenomena considered, there are few facilities exposed to high risk in the long term. The meteorological phenomena analysed are:

Meteorological Phenomena	
Torrential Rains.	• During 2022, an analysis of a significant number of plants led to the conclusion that there is a high correlation between the geomorphology of the site and the impact of the meteorological phenomenon on the facility, and confirmed the need for a site-specific analysis, especially for those facilities most exposed to the phenomenon. • More detailed analyses have identified possible structural adaptation measures useful to reduce the level of flood risk to an acceptable threshold, and whose implementation will require a cost-benefit analysis. Such structural adaptation interventions would be, for example, the construction of hydraulic mitigation works (mainly embankments, channel reprofiling, adequacy of drainage channels, expansion and lamination basins) and elevation of components at risk through earthworks and increasing the length of support structures in the case of photovoltaic panels.
Heat Waves.	• In 2022, the impact of heat waves on photovoltaic installations was analysed, a critical event characterized by persistent high temperatures for several days in the absence of precipitation. • Despite the increase in the frequency and intensity of this climatic phenomenon, the conclusion was that there is no significant impact on the installation, but only a reduction in inverter performance at certain times of the year and in specific locations.
Windstorms	• Regarding the risk of wind storms, despite the fact that the scenarios show an increase in the incidence of the phenomenon, the impact analysis shows a high resilience by design especially of the wind farms analysed. • The implementation of any adaptation measures will require specific assessments of the affected sites based on a cost-benefit analysis, considering the limited impact of the phenomenon
Fires	• In relation to fire risk, a study has been carried out to identify the areas of highest risk, and aiming at the prevention and/or reduction of intervention times, some possible adaptation measures to be adopted in the design and/or operation phase of the facilities have been identified, such as the removal of vegetation around the project area, the implementation of firebreaks, and additional coordination with local authorities on how to respond in case of fires.

The methodologies developed will be further refined in order to apply them also to the design and development of new facilities.

These analyses will make it possible to quantify the need for adaptation in terms of risk prevention (e.g. adoption of an adaptive design), and in terms of event management and residual risk management.

Distribution

In the Distribution Business Line, a specific policy (Climate Change Risk Assessment) has been prepared for the electricity distribution activity, in order to establish the general criteria, methodology and requirements for the identification, analysis and assessment of the risks inherent to Climate Change, both of the facilities and of the activities carried out, with the aim of monitoring the risk and the actions to be implemented to mitigate its impact.

To manage extreme climate events, Endesa has adopted a 4R approach, which defines the measures to be taken, both in preparation for an emergency and in the subsequent commissioning phase after having suffered damage to the facilities due to an extreme event.

This is set out in 4 stages of action:

Policies and action	
“Risk Prevention”.	• Includes actions that reduce the likelihood of losing network elements and/or minimise the impact of events, and actions aimed at increasing the robustness of infrastructure, as well as maintenance actions. The choice of technical solutions is made through a catalog that allows to choose the solution to be implemented according to the climatic event and the geographical location of the installation.
“Readiness”.	• Includes all actions aimed at improving the immediacy with which a potentially critical event is identified, ensuring coordination with civil protection services and the local administration, as well as organising resources once the service failure has occurred.
“Response”.	• The assessment phase of the operational capacity to deal with an emergency once the extreme event occurs, considering both the ability to mobilise operational resources on the ground, and the possibility of performing remote-controlled feedback manoeuvres over back-up connections.
“Recovery”.	• The final phase, which aims to re-establish the network service under normal operating conditions, as quickly as possible, in cases where extreme events cause service interruptions despite the preventive measures.

The distribution business has adopted various specific procedure and policies to integrate the different aspects and risks related to Climate Change:

Policies and action	
"Guidelines for Readiness Response and Recovery Actions during Emergencies".	• *Includes guidelines for the last 3 phases of the "4R" management approach.* • It includes indications to improve the preparedness strategy, to mitigate the impact of total service interruptions, and to bring the network back into service for the largest number of customers and in the shortest possible time.
"Guidelines for Network Resilience Enhancement Plan".	• It aims to determine the actions to be carried out to minimize the impact on the network of extreme events, based on the operating history. • These guidelines are based on the first two phases of the "4R" management approach. An analysis process is currently underway in order to be able to establish investment planning to increase the network's resilience to extreme weather events.
"Measures for Risk Prevention and Preparation in case of Wildfires Affecting the Electrical Installations".	• Integrated emergency management approach applied to forest fires, whether they are caused by the network or by external causes. • The document provides guidelines for identifying facilities at risk, defining specific prevention measures (e.g. evaluation of specific maintenance plans) and, when a fire occurs, for managing the emergency in an optimal way to limit its impact and restore service as soon as possible.
Support actions.	• Implementation of weather forecasting systems, monitoring the state of the network and assessing the impact of extreme events on the network, preparing operational plans and carrying out drills. It is worth highlighting the agreements reached to mobilize extraordinary resources (internal and from contractors) to deal with emergency situations.

In addition to the protocols foreseen for situations arising in the short and medium term, an analysis of relevant climate risks is being carried out to prioritize actions in the most exposed areas.

Analysis of future climate impacts to identify adaptation needs

The Distribution Business Line is analysing the trend of extreme events to estimate the impact on the network in the medium / long term. Some examples are included below:

Extreme events	Extrem Impact on the network in the short and long term
Heat waves.	• The impact of these has been analysed. They are caused by too many days of high temperatures with no rainfall, which makes it difficult to evacuate heat from underground lines and could cause abnormal increases in the risk of network faults, especially in urban and tourist areas. • There are few underground lines in the distribution grid in Spain. Initial analysis of the operating history of the distribution grid has found no significant correlation between heat waves and grid faults.
Fires.	• Detailed analysis is being carried out in relation to the risk of fires in the scenarios to 2050, together with mapping of the most significant risks in accordance with Policy 439. • A study has been conducted to identify the areas at the greatest risk of forest fires, identifying the networks and environmental areas in which they are located, so that the necessary action can be implemented taking a risk-prevention approach to fire.
Explosive cyclogenesis.	• During 2022, an analysis has been carried out to have more details on explosive cyclogenesis (combination of wind and torrential rain), projecting the events to 2050, and assessing the possible future impacts on the facilities. The first results indicate a trend quite aligned with the historical one, with the exception of the Catalan coast, where a possible intensification of the events is foreseen.

Commercialization

For the commercialization activity, work has begun on estimating the potential impacts of extreme weather events, through the identification of risks and opportunities, with the aim of defining the necessary actions for adaptation to Climate Change.

For own facilities, which constitute a small part, an impact analysis has been carried out; while for Business to Business (B2B) and Business to Government (B2G) customer facilities, potential risks and possible resilience solutions are being assessed.

The adaptation work has focused on defining the methodology to assess the vulnerability of photovoltaic (distributed energy) and public lighting facilities, based on the studies developed in generation and distribution facilities for the assessment and management of extreme events.

In the case of photovoltaic installations, a preliminary climate risk assessment has been carried out for certain extreme events such as: high winds, torrential rains, floods, and fire risk. The conclusions of the work carried out to date is that for photovoltaic installations, no significant consequences due to climate impact are expected for the installations analyzed. It is planned to extend the analysis to sites where new installations are planned. For public lighting installations, the correlation analysis between damage history and extreme events is being refined.

Endesa's activities to expand knowledge in relation to adaptation to Climate Change

The National Climate Change Adaptation Plan (PNACC) 2021-2030, which is the basic planning tool to promote coordinated action against the effects of Climate Change in Spain. Its main objective is to avoid or reduce the present and future damage arising from Climate Change and to build a more resilient economy and society, incorporating new international commitments and contemplating the latest knowledge about the risks arising from Climate Change, drawing on the experience gained in the development of the 2013-2020 National Climate Change Adaptation Plan ("PNACCP").

Taking the same approach and complementing its analysis of the physical risks associated with Climate Change and the management of such risks, Endesa has been working for over a decade to: enhance its knowledge of Climate Change and minimise the vulnerability of its facilities to it; share and exchange impressions of the results obtained; and foster ongoing learning and resilience to climate conditions, enabling it to optimise the management of its businesses.

Below is a summary of Endesa's most significant activities in the area to date:

Main actions
Project to analyse the vulnerability of Endesa's facilities to Climate Change. Selected by the Spanish Climate Change Office (OECC), which reports to the Ministry of Ecological Transition and Demographic Challenge ("MITECO"), as a model of the energy sector for the Adapta Initiative.
HIDSOS IV Project: Sustainability of water resources during global change.
Endesa reservoirs and Climate Change project.
Adaptation to Climate Change in Endesa's distribution business.
Participation in national and international projects and initiatives: RESCUE, ANYWHERE and COPERNICUS.
Monitoring and participation in the United Nations international Climate Change summits (COPs).
Technical committee for adaptation to Climate Change and working group to manage climate risks and their financial impacts, CONAMA (National Environment Congress).

a.2.3. Risks and opportunities of the transition

Drivers of potential risks and opportunities can be identified in relation to the variables in the energy transition by analysing the reference scenarios in combination with the elements in the risk identification process (such as the competitive context, the long-term vision of the industry, materiality analysis and technological performance, etc.), enabling us to prioritise the most significant phenomena.

The main risks and opportunities of variables related to the energy transition are outlined below.

Policies and regulation

- Carbon dioxide emissions cap and carbon dioxide pricing (CO_2): introduction of regulations that require stricter emission limits, through both regulation and a market mechanism.

Risks and opportunities	
Opportunities.	• Mechanisms regulatory mechanisms involving control and command measures, and market mechanisms that strengthen pricing signals for carbon dioxide (CO_2) favoring investments in carbon-free technologies.
Risks.	• Lack of a coordinated approach between the different actors and regulators resulting in a low efficiency of the regulatory instruments with consequences on the evolution of electrification and decarbonization of the different sectors, with respect to Endesa's strategy, which is strongly oriented towards the Energy Transition.

- Policies and regulation to accelerate the transition and energy security: introduction of policies, regulatory frameworks or market rules to encourage the Energy Transition by promoting a transition to an energy system based on the use of renewable energy sources, greater electrification of demand, energy efficiency, flexibility of the electricity system and strengthening of infrastructures.

Risks and opportunities	
Opportunities.	• Creation of a more favorable framework for investments in renewable energies, electrical technologies and distribution networks, in line with Endesa's strategy. • The National Integrated Energy and Climate Plan 2021-2030 (PNIEC) sets an ambitious target for the penetration of renewables, specifically foreseeing that by 2030 42% of energy consumption will be of renewable origin and 74% of total electricity generation will be of renewable origin, consistent with a path towards a 100% renewable electricity sector by 2050, and complemented by increasing additional storage capacity. Likewise, in terms of energy efficiency, which is one of the pillars of the PNIEC, an improvement target of 39.5% is set for 2030. • Likewise, in terms of energy efficiency, which is one of the pillars of the National Integrated Energy and Climate Plan 2021-2030 (PNIEC), an improvement target of 39.5% is set for 2030.
Risks.	• Obstacles to achieving the objectives of the Energy Transition due to a regulatory framework that is not effective in facilitating the transition, slow processes to obtain administrative authorizations, difficulties in developing projects due to situations such as lack of access to the grid, etc.

- Regulations on resilience to improve standards, or introduction of ad-hoc mechanisms to regulate investment in resilience, in a context of ongoing Climate Changes.

Risks and opportunities	
Opportunities.	• Profits from allocation of investment to reduce risks to quality and service continuity for customers.
Risks.	• Reputational impact due to damage and service restoration times in the face of extreme events. Potential penalties in the event of failure to restore services adequately after an extreme event.

- Financial policies to encourage the energy transition: incentives for energy transition through appropriate financial instruments and polices to support a long-term, credible and stable investment framework, and positioning as a *policy maker*. Introduction of public and private rules and/or financial instruments (such as funds, mechanisms, Taxonomy and *benchmarks*) focused on integrating sustainability into financial markets and public financing instruments.

Risks and opportunities	
Opportunities.	• Creation of new markets and sustainable financing products, in line with the investment framework, facilitating increased public resources for decarbonisation, access to financial resources in accordance with the energy transition objectives, and the resulting impact on financing costs and availability of aid for the transition.
Risks.	• Insufficient instruments and actions to provide incentives for the energy transition, uncertainty or delay in the introduction of new instruments and regulations due to the effect of worsening conditions for public financing.

Market

- Commodity price dynamics: changes in market dynamics, such as those related to the variability of commodity prices, can influence the behaviour of operators, the regulator and customers.

Risks and opportunities	
Opportunities.	• Acceleration of electrification as a solution to reduce energy costs and exposure to commodity price volatility. Greater predisposition on the part of customers to change from conventional technologies that use fossil fuels to more efficient electric technologies.
Risks.	• Disorderly energy transition due to the effect of the introduction of potentially distorting

- Market dynamics: predisposition of customers towards more sustainable technologies, thanks to a greater awareness of the risks associated with Climate Change and increased regulatory pressure.

Risks and opportunities	
Oportunidades.	• Positive effect associated with the increase in electricity demand, a greater gap for renewable energy thanks to a greater demand for long-term contracts (PPAs).

Technology

- Progressive penetration of new technologies to drive the energy transition, such as electric vehicles, storage, demand response and electrolysers for green hydrogen production; large-scale adoption of digital technologies to transform operating and business models based on platformization.

Risks and opportunities	
Opportunities.	• Investments in the development of technological solutions, as well as positive effects that facilitate the flexibility of increased electricity demand and the greater electricity system. More room for renewables through the production of green hydrogen. • Electricity grids play a leading role in the 2021-2030 National Integrated Energy and Climate Plan (PNIEC), as facilitators for integrating new renewable capacity into the system, while fostering flexibility and demand management. The 2021-2030 National Integrated Energy and Climate Plan allocates 24% of its estimated investment to their development, a total of Euro 58,579 million.
Risks.	• Slowdown and interruption of supplies of raw materials, such as metals for batteries (e.g. lithium, nickel and cobalt) and semi-conductors, could cause delays in procurement and higher costs. This could slow the penetration of renewable energies, storage and electric vehicles.

Products and services

- Electrification of residential consumption and industrial processes: the progressive electrification of end uses increases the penetration of products capable of guaranteeing lower costs, lower impact in terms of emissions and greater efficiency in the residential and industrial sectors (for example, heat pumps).

Risks and opportunities	
Opportunities.	• Increased electricity demand in a context of decreasing energy demand, thanks to the greater efficiency and environmental sustainability of the electricity vector. Increased opportunities to offer value-added services to customers that will enable them to reduce their energy expenditure and Carbon Footprint. Increased investments in the electricity grid to enable demand electrification.
Risks.	• Increased competition in this market segment. High dependence on an adequate development

- Electric mobility: use of modes of transport that are more efficient in terms of Climate Change, particularly with regard to the development of electric mobility and charging infrastructure, and the electrification of industrial consumption.

Risks and opportunities	
Opportunities.	• Positive effects of increased demand for electricity and higher margins related to the penetration of electric transport and associated services.
Risks.	• Entry of new players into the market.

In general, and in the area of products and services, the opportunity offered by the National Integrated Energy and Climate Plan 2021-2030 (PNIEC), which is materialized through 3 ways, one of which is the electrification of the economy, which will help to achieve, among others, the objective established for 2030 of reaching 42% of renewable energies in the total final energy consumption, as well as a reduction of 39% of diffuse greenhouse gases emissions in that same year with respect to 2005.

More specifically, and in parallel with the development of renewable energies, the electrification of demand must include a strong development of electric mobility and the use of electricity in residential heating. The National Integrated Energy and Climate Plan (PNIEC) foresees that the presence of renewables in the mobility-transport sector will be a driving force to promote its decarbonization, with the aim of reaching 5 million electric vehicles by 2030. Likewise, the National Integrated Energy and Climate Plan (PNIEC) incorporates ambitious plans for the renovation of residential equipment..

Impact of the transition risks and opportunities

Endesa has already implemented strategic actions to mitigate potential risks and to take advantage of the opportunities associated with the energy variables. Shared value can be created in the long term through an industrial and financial strategy that includes environmental, social and corporate governance (ESG) factors, with an integrated approach based on sustainability and innovation.

Endesa's strategy for total decarbonisation and the energy transition provides it with resilience in the face of the risks that might arise from the implementation of more ambitious emission-reduction policies, maximising the opportunities to develop renewable generation, infrastructure and enabling technologies. Unlike the chronic climate impacts, we can say that we are already seeing impacts from the transition scenario for the short term and the medium-long term (to 2030).

Identification of scenarios

The energy transition scenarios described in section 5.3 of this Consolidated Management Report have been used to quantify the risks and opportunities deriving from the energy transition.

The effects of the "Slower Transition" and "Accelerated Transition" scenarios on the variables that could have the greatest impact on the business have been identified below, in particular electricity demand, influenced by the dynamics of electrification of demand and, therefore, the penetration of electricity technologies, and the generation energy mix. These considerations offer ideas for determining what Endesa's strategic positioning might be in terms of resource allocation.

The reference scenario chosen – the "Paris" scenario – expects increasing ambition for decarbonisation and energy efficiency, backed by increased electrification of demand and development of renewable generation. The dynamics of the energy transition may provide growth opportunities for Endesa, particularly.

Opportunity	
Retail electricity market.	• The progressive electrification of demand, particularly in the transport and residential sectors, will result in a significant increase in electricity consumption, to the detriment of the consumption of other renewable fuels with higher emissions.

Potential economic impact

In terms of the economic impact of the change in transition scenarios, the impact in terms of gross operating income (EBITDA) that the "Slower transition" and "Accelerated Transition" scenarios would have on 2030 earnings has been analysed compared to the benchmark "Paris" scenario.

***"Paris"* scenario**	***"Slower Transition"* scenario**	**Accelerated Transition scenario**
• Downward trend in emissions in line with the European "Fit for 55" package, through increased electrification of demand supported by an increasing contribution from renewables to the generating mix.	• In reference to the electrification of demand, it foresees lower penetration rates of the most efficient electric technologies, in particular electric vehicles, leading to a decrease in electricity demand compared to the "Paris" Scenario.	• Faster cost reduction of green hydrogen production technologies. This translates into a higher penetration of this energy vector, to the detriment of blue and gray hydrogen (hydrogen produced from gas, respectively with and without the use of CCS technologies), with the consequent additive effect on national electricity demand and on renewable installations compared to the "Paris" Scenario.

- All of the scenarios – but to a greater extent the "Paris" and "Accelerated Transition" scenarios – will involve a considerable increase in the complexity of electricity grid management. A significant increase is expected in distributed generation and other resources, such as storage systems, with increased penetration of electric mobility and its associated charging infrastructures, with an increasing pace of electrification of demand and the appearance of new players with new forms of consumption.
- This will result in decentralisation of consumption and injection points, increases in demand for electricity and average power requirements, and significant variability in energy flows. These developments will require dynamic and flexible management of the grid.
- Endesa expects that additional investment will be needed to ensure the connections and adequate levels of quality and resilience, fostering the adoption of innovative operating models.

The following table shows the potential economic impact of the risks and opportunities of the energy transition:

Time horizon: Short (2023-2025); Medium (up to 2030); Long (2031-2050)

Upside Downside

Category	Time horizon	Main Drivers	Scenario	Cuantification-range <100 €mln	100-300 €mln	>300 €mln	*Mitigation measures*
Market	Medium	Penetration of electrification and Unit consumption	**Accelerated:** Increase in Average unit consumption due to effect of increased eletrification. Includes the effect in efficiency gains. Positive impact from higher revenues, partly offset by higher supply costs.	Upside			
			Slower: Reduction in average unit consumption due to the effect of lower electrification. Negative impact due to lower revenues, partly compensated by a reduction of supply costs	Downside			*Adoption of measures with with the aim of increase the number of number of customers, in order to compensate for negative margins*
Products and Services	Medium	Scenarios of hydrogen hydrogen green	**Accelerated:** Impacts related to higher volumes related to increased penetration of indirect electrification through green hydrogen (with potential increase in development capacity).	Upside			
			Slower: Impacts relating to lower volumes related to lower penetration of indirect electrification through green hydrogen	Downside			
	Medium	Development of electric / photovoltaic aics	**Accelerated:** Variation of margins as a function of a higher penetration level of electric mobility and distributed generation.	Upside			
			Slower: Variation of margins as a function of a lower penetration level of electric mobility and distributed generation.	Downside			*Mitigation through the service package supply strategy*

a.3. Endesa is making decisions that will affect the future of the company and is sustainability. These decisions are subject to significant risks and uncertainties, and changes in circumstances and other factors that may be beyond Endesa's control or that may be difficult to predict

Every year, Endesa presents its Strategic Plan, which includes the Company's strategic guidelines and its economic, financial and capital objectives, and their contribution to the Company.

The main assumptions on which the forecasts and objectives of the Strategic Plan are based are related to:

- The regulatory environment, exchange rates, *commodities*, investments and divestments, increases in production and installed capacity in the markets in which Endesa operates, and increases in demand in these markets;
- The assignment of production across different technologies, with increased costs associated with higher activity yet not exceeding certain limits, with electricity prices no less than certain levels, with the cost of combined cycle plants, with availability and the cost of

raw materials and carbon dioxide (CO_2) emission rights necessary to operate the business at the desired levels; and the general performance of social, environmental and ethical trends of the area in which it operates, including the factors relating to the loss of biodiversity, terrorism, hydraulic stress, cybersecurity, inequality and social instability, structural unemployment, infectious diseases, external political conflicts, extreme climatic phenomena and environmental catastrophes and Climate Change.

Endesa cannot guarantee that its perspectives will be complied with in the terms notified, since they are based, among others, on the following matters:

- In the suppositions related with future events that management expects will occur and on actions that management itself expects to perform at the date of drafting; and
- In general suppositions relating to future events and actions of management itself, which do not necessarily have to be complied with and which depend substantially on variables beyond the control of management.

Endesa's Strategic Plan foresees a significant investment effort in electricity production and distribution systems and facilities. The execution of these investments is dependent on market and regulatory conditions. If the necessary conditions enabling the viability of the plants do not arise, Endesa may have to cease production at the facilities and, where appropriate, begin the task of dismantling them. Any such closures would involve a reduction in installed capacity and the output that support energy sales to customers. This could, therefore, adversely affect Endesa's business activities, results, financial position and cash flows.

Consequently, and in line with accounting regulations, Endesa assesses, throughout the year and, in any case, at each reporting date, whether there is any indication that a non-financial asset may be impaired.

a.4. Endesa's business could be affected by adverse economic or political conditions in Spain, Portugal, the Eurozone and in international markets

Adverse economic conditions could have a negative impact on energy demand and the ability of Endesa's consumers to fulfil their payment obligations. In periods of economic recession, electricity demand tends to contract, which adversely affects companies' results.

If the economic situation in Spain, Portugal or other Eurozone economies deteriorates, it could adversely affect energy consumption and, consequently, Endesa's business activities, financial position, operating results and cash flows would be negatively affected.

In addition, the financial conditions in the international markets represent a challenge for Endesa's economic situation due to the potential impact on its business of, on the one hand, the government debt level, declining growth rates and possible downgrading of government bond ratings at the international level – and, in particular, in Eurozone countries – and, on the other hand, the new monetary expansion measures expected in the credit market. Changes in any of these factors could condition Endesa's access to capital markets and the conditions under which it obtains financing, consequently affecting its business activities, results, financial position and cash flows.

In addition to any economic problems that could arise at the international level, Endesa faces uncertainty at the political level in Spain and abroad, which could adversely affect Endesa's economic and financial position. The invasion of Ukraine and the response of the international community to it is having effects in numerous areas, including raw materials markets, financial markets, the system of international sanctions for individuals and legal entities and the security of infrastructures and essential services (see Section 4 of this Management Report).

No guarantee can be given that the international or eurozone economic situation will not deteriorate, or that an event of a political nature will not have a significant impact on the markets, thus affecting Endesa's business, economic situation, financial position, result of operations and cash flows.

a.5. Endesa is exposed to competition in its business activities.

Endesa maintains relationships with a high number of customers, 10.5 million electricity customers and 1.8 million gas customers at 31 December 2022.

Endesa's business activities are carried out in a highly competitive environment. Even if Endesa were to lose individual customers, it would not have a significant impact on its business as a whole, and the inability to maintain stable relationships with customers could adversely affect Endesa's business activities, results, financial position and cash flows.

b) Financial risks

b.1. Endesa's business is largely dependent on: the constant supply of large amounts of fuel to generate electricity; the supply of electricity and natural gas used for its own consumption and supply; and the supply of other raw materials, the prices of which are subject to market forces which may affect the price and the amount of energy sold by Endesa

The contribution margin of Endesa's generation and supply segment in 2022 was Euro 4,940 million, most of which correspond to deregulated activities, subject to the effects of competition and volatility on the markets. These activities require gas, electricity and raw material purchases, hence:

Materials consumed	Commitments
• In 2022, 537,781 tonnes of coal and 3,239 million m^3 of natural gas were consumed to generate electricity.	• At 31 December 2022, the amount of the electricity and raw material purchase commitments amounted to Euro 22,879 million, of which a portion corresponds to agreements that have *take or pay clauses*.

Endesa is exposed to market price risks in relation to fuel purchases (including gas and coal) and carbon dioxide (CO_2) emission rights prices, used to generate electricity, to procure gas and for supply activities. In this connection, the fluctuations in the price of these products in international markets may affect the contribution margin. To mitigate this impact, Endesa hedges commodity price risk through European financial instruments arranged in organised markets and Over the Counter (OTC). Trades carried out on organised markets, with clearing houses and daily cash collateral requirements associated with changes in fair value (mark-to-market) could have a direct impact on Endesa's liquidity risk.

Endesa has entered into electricity and natural gas supply contracts based on certain assumptions regarding future market prices for electricity and natural gas. Any deviation with respect to the assumptions when the aforementioned supply contracts are signed could give rise to an obligation to purchase electricity or natural gas at prices that are higher than those included in these contracts. In the event there is a market price adjustment with respect to the estimates made, a deviation in Endesa's obligations with regard to its fuel needs, or a regulatory change which affects prices as a whole and how they have been established, and if its risk management strategies are inadequate in the face of such changes, Endesa's business activities, results, financial position and cash flows could be affected adversely.

Endesa has signed certain natural gas supply contracts which include binding take or pay clauses which compel it to either acquire the fuel it has agreed to contractually or to pay if it does not acquire such fuel. The terms of these contracts have been established based on certain assumptions regarding future electricity and gas demand. Any deviation from the assumptions used could give rise to an obligation to purchase more fuel than necessary or to sell excess fuel on the market at current prices.

b.2. Endesa is exposed to foreign currency risk

Endesa is exposed to foreign currency risk, mainly in relation to the payments it must make in international markets to acquire energy-related commodities, especially international coal and natural gas, where the prices of these commodities are usually denominated in US dollars (USD).

Therefore, this means that the fluctuations in the foreign exchange rate could adversely affect Endesa's business activities, results, financial position and cash flows.

Information relating to foreign currency risk and the foreign currency sensitivity analysis is provided in Note 13.2 to the financial statements for the year ended 31 December 2022.

b.3. Endesa's activities could be affected by changes in natural resources and climate and weather conditions.

Endesa's electricity production depends on the levels of natural resources, plant availability and market conditions. The output of renewable plants depends on levels of rainfall and on the levels of sun radiation and wind, which exist in the geographic areas in which the Company's hydroelectric, wind power and photovoltaic generation facilities are located. In the event of a low level of hydric, wind or solar resources or other circumstances that adversely affect renewable energy generation, Endesa's business, results, financial position and cash flows could be adversely affected.

The demand not covered by renewable energy is caused by thermal plants, whose production, together with their margin, depends on competitivity among the different technologies. A year with low rainfall, scant sunshine or less wind leads to a decline in hydroelectric, solar or wind power production, in turn, increasing the output of thermal power plants (with a greater cost) and, therefore, the price of electricity and the costs of buying energy. In a wet year, with more sunshine or wind, the opposite effects occur. For example, in the event conditions are unfavourable, due to scant resources, electricity generation will, to a large extent, come from thermal plants and Endesa's operating expenses arising from these activities will increase. Endesa's inability to manage changes in natural resource conditions could adversely affect its business activities, results, financial position and cash flows.

In an average year, it was estimated that hydroelectric production could vary by ±35%, wind power by ±6,5% and photovoltaic power by ±4%. In 2022, Endesa's generation from hydroelectric plants amounted to 4,477 GWh.

Climate-related conditions and, in particular, seasons, have a significant impact on electricity demand. Electricity consumption levels reach their peak in summer and winter. Seasonal changes in demand are attributed to the impact of several climate factors, such as climate and the amount of natural light, the use of light, heating and air conditioning. Changes in demand due to weather conditions can have a major effect on the business's profitability. Additionally, Endesa must make certain projections and estimates regarding climate conditions when negotiating its contracts, and a significant divergence in the precipitation levels and other weather conditions envisaged could adversely affect Endesa's business activities, results, financial position and cash flows.

Likewise, adverse weather conditions could impact the regular supply of energy due to damages to the network, with the resulting interruption to services, which could compel Endesa to compensate its customers due to delays or disruptions in the supply of energy.

The occurrence of any of the foregoing circumstances could adversely affect its business activities, results, financial position and cash flows.

b.4. Endesa is exposed to interest rate risk

Interest rate fluctuations change the fair value of assets and liabilities bearing interest at fixed rates and the future flows from assets and liabilities indexed to floating interest rates. The interest rate fluctuations could adversely affect Endesa's business activities, results, financial position and cash flows.

Gross financial debt totalled Euro 16,223 million at 31 December 2022. 39% of gross financial debt before cash flow and fair value hedging accrued fixed rate interest, mainly Euribor, while the remaining 61% is tied to floating rate interest.

At 31 December 2022, taking into account cash flow hedges that are considered to be effective, 38% of gross financial debt was hedged against interest rate risk. Also taking fair value hedges into consideration, at 31 December 2022, this percentage is 62%.

Information relating to interest rate risk and the interest rate sensitivity analysis is provided in Note 13.1 to the financial statements for the year ended 31 December 2022.

Price increases have led to a considerable increase in long-term interest rates for the Euro. To mitigate this impact, Endesa hedges interest rate risk using derivatives.

b.5. Endesa's business depends on its ability to obtain the funds necessary to refinance its debt and finance its capital expenses

Endesa is confident that it will be able to generate funds internally (self-financing), access bank financing through long-term credit lines, access short-term capital markets as a source of liquidity and access the long-term debt market in order to finance its organic growth programme and other capital requirements, including its commitments arising from the on-going maintenance of its current facilities. This debt includes long-term credit lines with banks and Enel Group companies, and financial investments.

If Endesa is unable to access capital under reasonable conditions, refinance its debt, settle its capital expenses and implement its strategy, the Company could be adversely affected. The capital and turmoil in the capital market, a possible reduction in Endesa's creditworthiness or possible restrictions on financing conditions imposed on the credit lines in the event financial ratios deteriorate, could increase the Company's financial expenses or adversely affect its ability to access the capital markets.

A lack of financing could force Endesa to dispose of or sell its assets to offset the liquidity shortfall in order to pay amounts owed, and such sales could occur under circumstances that prevent Endesa from obtaining the best price for the assets. Therefore, if Endesa is unable to access financing under acceptable conditions, Endesa's business activities, results, financial position and cash flows could be adversely affected.

At 31 December 2022, the Company had negative working capital of Euro 600 million. The undrawn amount on Endesa's long-term credit lines provide assurance that the Endesa can obtain sufficient financial resources to continue to operate and to realise its assets and settle its liabilities for the amounts shown in the statement of financial position.

The general uncertainty is also affecting the credit markets by pushing up risk premiums, for both sovereign and corporate debt. Additionally, the hedging strategies for volatility risks in the market to ensure results remain stable could result in a considerable increase in requirements to provide cash collateral to continue operating in organised markets in the event of significant changes in commodity prices. Funding using short-term instruments would be a drain on the company's liquidity.

In the short term, liquidity risk is mitigated by Endesa by maintaining sufficient resources available unconditionally, including cash and short-term deposits, drawable lines of credit and a portfolio of highly liquid assets. Endesa's liquidity policy consists of arranging committed long-term credit lines with banks and Enel Group companies and financial investments in an amount sufficient to cover projected needs over a given period based on the situation in and expectations about the debt and capital markets.

Information regarding liquidity risk is included in Note 13.3. to the financial statements for the year ended 31 December 2022.

In addition, the conditions in which Endesa accesses capital markets or other means of financing, whether within the Company or on the credit market, are highly dependent upon its credit rating which, in turn, is conditioned by that of its Parent Enel. Endesa's capacity to access the markets and financing could therefore be adversely affected, in part, by the credit and financial position of ENEL, to the extent that it could determine the availability of intercompany financing for Endesa or the conditions under which the Company accesses the capital market.

Any deterioration of ENEL's credit rating and, consequently, that of Endesa, could limit Endesa's ability to access the capital markets or any other means of financing (or refinancing) from third parties or increase the cost of these transactions. This could adversely affect Endesa's business activities, results, financial position and cash flows.

Endesa has set the following tolerance levels in its Risk Appetite Framework for its regulated distribution activity, in line with the Spanish Markets and Competition Commission ("CNMC") communication on the definition of ratios to assess the level of indebtedness and economic and financial capacity of companies involved in regulated activities, and the recommended ranges for such levels:

Indicator [1]	Limits
Leverage: Net financial debt / (Net financial debt + Equity)	Maximum 70%
Net financial debt/EBITDA	Maximum 6.0
Net financial debt/Fixed assets	Maximum 70%
Net financial debt / Funds from operations	Maximum 7.3
(Funds from Operations + Interest Expenses) / Interest Expenses	Minimum 5.0

[1] Indicators for regulated distribution activity as defined in Spanish Markets and Competition Commission ("CNMC") Communication 1/2019, of 23 October.

b.6. Endesa is exposed to credit and counterparty risk

In its commercial and financial activities, Endesa is exposed to the risk that the counterparty may be unable to meet all or some of its obligations, both payment obligations arising from goods already delivered and services already rendered, as well as payment obligations related to expected cash flows, in accordance with the financial derivative contracts entered into, cash deposits or financial assets. In particular, Endesa assumes the risk that the consumer may not be able to fulfil its payment obligations for the supply of energy, including all transmission and distribution costs.

Endesa closely monitors the credit risk of its commodity, financial and commercial counterparties. In a context of sharply rising commodity prices and interest rates, exposure to default has risen considerably with counterparties, although the Company's collection management has made it possible to temper the growth of overdue debt.

Endesa cannot guarantee that it will not incur losses as a result of the non-payment of commercial or financial receivables and, therefore, the failure of one or various significant counterparties to fulfil their obligations could adversely affect Endesa's business activities, results, financial position and cash flows.

Information relating to credit risk is provided in Note 13.4 to the financial statements for the year ended 31 December 2022.

c) Risks associated with digital technologies

c.1. Endesa faces cybersecurity risks

Endesa's digital transformation involves greater exposure to potential cyber-attacks, which may endanger the security of IT systems and databases with sensitive information.
The potential impact on Endesa would cause economic losses and reputational impacts (loss of trust by the Company) arising in the event Endesa's information systems are affected by a cyber-attack. The Company's critical infrastructure may also be exposed to this type of attack, which could have a serious impact on the essential services provided (for example, nuclear plants). Increase in the danger of the fraudulent implantation of commercial activity and it is necessary to adopt security measures and protect customer data.
With respect to the risk management and mitigation measures, Endesa has a cybersecurity strategy, in keeping with international standards and government initiatives. As part of this strategy, Endesa performs an assessment of the main risks and identifies vulnerabilities, and also conducts an exhaustive digital monitoring through which the information is analysed and remedial measures are implemented to mitigate risks. It also conducts training and awareness-raising programmes in the use of digital technologies for its employees, at both the professional and individual level, to change the conduct of people and reduce risks.
The Cybersecurity Unit is keeping close track of the situation to identify any cyber events or anomalies at Endesa.
In its assets, Endesa executes cybersecurity exercises that involve plant or industrial facilities..

c.2. Endesa manages its activities with information technology that guarantees operating efficiency, as well as the continuity of the businesses, systems and processes that contribute to attaining its corporate objectives

The use of information technology at Endesa is essential to manage its activity. Endesa's systems represent a strategic distinguishing element with respect to sector companies, given the business aggregates used with regard to technical complexity, volume, granularity, functionality and case-based diversity. Specifically, Endesa's main computer systems handle the following business processes:

Systems	Business processes supported
Commercial.	• Marketing processes, demand forecasts, profitability, sales, customer service, claim management, hiring and the basic revenue cycle (validation of meter reading, invoicing, collection management and debt processing).
Technical distribution.	• Processes for managing the grid, meter-reading management, handling of new supplies, network planning, field work management, management of meter-reading equipment with advanced remote management and energy management capabilities.
Generation systems, energy management and renewables.	• Fuel management processes, meter-reading management, trading risk management, etc.
Economic and financial.	• Economic management, accounting, financial consolidation and balance sheet processes.

Management of Endesa's business activity through these systems is essential for performing its activity efficiently and achieving its corporate objectives.

d) Operational risks

d.1. Endesa is exposed to risks associated with the construction of new electricity generation and distribution facilities

The construction of generation facilities and energy distribution is time-consuming and can be highly complex. This means that investment needs to be planned well in advance of the estimated start-up date of the facility and, therefore, it could be necessary to adapt such decisions to changes in the market conditions. This may entail significant additional costs not originally planned that may affect the return on these types of projects.

Generally, in connection with the development of such facilities, Endesa has to obtain the related administrative authorisations and permits, acquire land purchase or lease agreements, sign equipment procurement and construction contracts, operation and maintenance agreements, fuel supply and transport agreements and off-take arrangements, and obtain sufficient financing to meet its capital and debt requirements.

The 2023-2025 Strategic Plan approved by the Board of Directors of Endesa, S.A. on 23 November 2022 and presented to the market includes an investment target, net of grants and assets assigned by customers, of Euro 7,700 million between 2023 and 2025.

Factors that may affect Endesa's ability to construct new facilities include:

Risk	Factors
Risks associated with the construction of new electricity generation and distribution facilities.	• Delays in obtaining regulatory approvals, including environmental permits.
	• Shortages or changes in the price of equipment, supplies or labour.
	• Opposition from local groups, political groups or other stakeholders.
	• Adverse changes in the political environment and environmental regulations.
	• Adverse weather conditions, natural catastrophes, accidents and other unforeseen events that could delay the completion of power plants or substations.
	• Non-compliance by suppliers with agreed contract conditions.
	• Inability to obtain financing under conditions that are satisfactory to Endesa.

Any of these factors may cause delays in completion or commencement of the Group's construction projects and may increase the cost of planned projects. In addition, if Endesa is unable to complete these projects, any costs incurred in connection with such projects may not be recoverable.

If Endesa faces problems related to the development and construction of new facilities and, therefore, of its business, results, financial position and cash flows may be adversely affected.

d.2. Endesa's activity may be affected by failures, breakdowns, problems in carrying out planned work or other problems that cause unscheduled non-availability and other operational risks

To carry on its activities, Endesa has a huge volume of assets related with its activities, which comprise, among others:

Activity	Impacts
Electricity generation.	• At 31 December 2022, Endesa's total net installed capacity in Spain amounted to 22,044 MW, of which 17,684 MW are in the Mainland Electricity System and 4,360 MW in Non-mainland Territories ("TNP") in the Balearic Islands, Canary Islands, Ceuta and Melilla.
Energy distribution.	• At 31 December 2022, Endesa distributed electricity in 24 Spanish provinces in 8 Autonomous Communities and in the Autonomous City of Ceuta, covering 195,881 km2 and more than 21 million people. The total energy distributed by Endesa's grid totalled 131,813 GWh in 2022.
Energy supply.	• At 31 December 2022, Endesa had over 12 million electricity and gas customers.

Endesa is exposed to risks of breakdown and accidents that can temporarily interrupt the operation of its plants and services to its customers. Prevention and protection strategies exist to mitigate these risks, including predictive and preventive maintenance techniques in line with the best international practices. The company has set a tolerance level for this risk of at least 85% availability for its generation assets.

Endesa cannot ensure that during the performance of its business activities, direct or indirect losses will not arise from inadequate internal processes, technological failures, human error or certain external events, such as accidents at facilities, workplace conflicts and natural disasters. These risks and dangers could cause explosions, floods or other circumstances that could cause the total loss of energy generation and distribution facilities; damage to or the deterioration or destruction of Endesa's facilities or those of third parties, or even environmental damage; delays in electricity generation and the partial or total interruption of activities. The occurrence of any of these circumstances could adversely affect its business activities, results, financial position and cash flows.

d.3. Endesa's insurance cover and guarantees may not be adequate or may not cover all damage

Despite the fact that Endesa attempts to obtain adequate insurance cover in relation to the main risks associated with its business – including damage to the Company itself, general third-party liability, and environmental and nuclear power plant liability – it is possible that insurance cover may not be available on the market in commercially reasonable terms. Likewise, the amounts for which Endesa is insured may not be sufficient to cover the incurred losses in their entirety.

In the event of a partial or total loss of Endesa's facilities or other assets, or a disruption to its activities, the funds Endesa receives from its insurance may not be sufficient to cover the complete repair or replacement of the assets or losses incurred. Furthermore, in the event of a total or partial loss of Endesa's facilities or other assets, part of the equipment may not be easily replaced, given its high value or its specific nature, or may not be easily or immediately available.

Similarly, the cover of guarantees in relation to the aforementioned equipment or the limits to Endesa's ability to replace the equipment could disrupt or hinder its operations or significantly delay the course of its ordinary operations. Consequently, all of the above could adversely affect Endesa's business activities, results, financial position and cash flows.

Likewise, Endesa's insurance contracts are subject to constant review by its insurers. It is therefore possible that Endesa may be unable to maintain its insurance contracts under conditions similar to those currently in place in order to meet possible increases to premiums or to covers which become inaccessible. If Endesa is unable to transfer a possible premium increase to its customers, these additional costs may adversely affect its business activities, results, financial position and cash flows.

d.4. The success of Endesa's business depends on the continuity of the services provided by the Company's management and by Endesa's key workers

To carry on its activities, at 31 December 2022, Endesa, S.A. had a workforce of 1,241 employees (see Note 19.1 to the financial statements for the year ended 31 December 2022). So that Endesa can continue to maintain its position in the sector, it needs to guarantee talent management, especially with regard to digital competences.

The market in qualified labour is highly competitive and Endesa must be able to successfully hire additional qualified staff or to replace outgoing staff with sufficiently qualified and effective employees. Endesa's inability to retain or recruit essential staff could adversely affect its business activities, results, financial position and cash flows.

D.5. Endesa considers occupational health and safety (OHS) and fluid social dialogue to be priority objectives. The inability to meet these objectives could adversely affect Endesa's business, image, results, financial position and cash flows

Information on Endesa's Occupational Health and Safety (OHS) is provided in Section 7 of this Management Report and in Section 4.7.3. *Occupational Health and Safety (OHS)* of the Statement of Non-financial Information and Sustainability 2022 (see section 15 of this Management Report).

Information on Endesa's Social Dialogue is provided in Section 4.6.1.4. *Social dialogue* of the Statement of Non-financial Information and Sustainability 2022 (see section 15 of this Management Report).

d.6. Endesa's business could be adversely affected by a possible inability to maintain its relations with suppliers or because the available supplier offering is insufficient in terms of quantity and/or quality, as well as supplier failures to maintain the conditions of the service provided, limiting the possibilities of operability and business continuity

The relationships Endesa currently maintains with the main industry service suppliers and providers are essential for the development and growth of its business, and will continue to be so in the future.
Endesa's dependence on these relationships could affect its ability to negotiate contracts with these parties under favourable conditions. Although Endesa's supplier portfolio is sufficiently diverse, if any of these relationships is severed or terminated, Endesa cannot guarantee the replacement of any significant service supplier or provider within an appropriate time frame or with similar conditions.
Endesa makes significant purchases of fuels, materials and services. In this area, it must be mentioned that:

- Some thermal plants have a consumption highly concentrated in few suppliers and countries, which represents a risk in the event of an interrupted supply;
- Fuel supply contracts, especially gas contracts, are found in areas with a significant geopolitical risk that may materialise in supply interruptions; and
- In the case of Non-mainland Territories ("TNP") plants, (Balearic and Canary Islands and the cities of Ceuta and Melilla), they are all geographically isolated and have a significant dependence on liquid fuels.

If Endesa is unable to negotiate contracts with its suppliers under favourable terms, if such suppliers are unable to comply with their obligations or if their relationship with Endesa is severed, and Endesa is unable to find an appropriate replacement, its business activities, results, financial position and cash flows could be affected adversely.
A worsening of the crisis situation caused by the conflict between Russia and Ukraine could lead to possible delays in supplies and non-compliance with contracts at the supply chain level. The materialization of this event could negatively affect Endesa's business, results, financial position and cash flows (see Section 4 of this Management Report).

e) Compliance risks

e.1. Endesa uses the highest security and contingency standards according to the state of the art, such that it guarantees personal data protection

In the construction and operation of Endesa's information systems, the Company includes the highest security and contingency standards so that it guarantees operating efficiencies, as well as the continuity of businesses and processes that contribute to attaining its corporate objectives.
These standards acquire a particularly significant role faced with the digital transformation process in which Endesa is immersed, which involves a growing exposure to potential cyberattacks, which are increasingly numerous and complex, and which may compromise the security of its systems, its data, including personal data, the continuity of its operations and, consequently, the quality of its customer relations and its results, financial position and cash flows.
Security has therefore become a global strategic matter. In this regard, Endesa has put in place policies, processes, methodologies, tools and protocols based on international standards and duly audited governance initiatives. In particular, Endesa has a cybersecurity action and management model promoted by Senior Management, which covers all business areas and the area responsible for the management of IT systems. This model is based on the identification, prioritisation and quantification of existing security risks, taking into account the impact of each system on Endesa's business, to adopt security actions to minimise and mitigate such risks.

e.2. Endesa's activities are subject to wide-reaching environmental regulations. Any inability to comply with current environmental regulations or requirements or any changes to applicable environmental regulations or requirements could adversely affect its business activities, results, financial position and cash flows

Endesa is subject to environmental regulations which affect both the normal course of its operations, as well as the development of its projects, leading to increased risks and costs. This regulatory framework requires licences, permits and other administrative authorisations be obtained in advance, as well as fulfilment of all the requirements provided for in such licences, permits and authorisations. As in any regulated company, Endesa cannot guarantee that:

- The regulations will not be amended or interpreted in such a way as to increase the expenses necessary to comply with such laws or as to affect Endesa's operations, facilities or plants;
- Public opposition will not lead to delays or changes in the projects that are proposed; and
- The authorities will grant the environmental permits, licences and authorisations required to develop new projects.

In addition, Endesa is exposed to environmental risks inherent to its business, including those risks relating to management of the waste, spills and emissions of the electricity production facilities, particularly nuclear power plants. Endesa may be held responsible for environmental damage, for harm to employees or third parties, or for other types of damage associated with its energy generation, supply and distribution facilities, as well as port terminal activities.

Although the plants are prepared to comply with the prevailing environmental requirements, Endesa cannot guarantee that it will be able to comply with the requirements imposed or that it will be able to avoid fines, administrative or other sanctions, or any other penalties and expenses related to compliance matters, including those related to the management of waste, spills and emissions from electricity production units. Failure to comply with this regulation may give rise to liabilities, as well as fines, damages, sanctions and expenses, including, where applicable, facility closures. Government authorities may also impose charges or taxes on the parties responsible in order to guarantee obligations are repaid. In the event Endesa were accused of failing to comply with environmental regulations, its business activities, results, financial position and cash flows could be affected adversely.

In this connection, Endesa has taken out the following insurance policies:

Insurance	Description
Environmental liability	• Cover up to a maximum of Euro 150 million for claims arising from pollution.
General civil liability	• Cover for claims relating to damage to third parties or their property up to a maximum of Euro 250 million, with this coverage increasing to Euro 950 million for hydroelectric plants.
Third-party liability for nuclear accidents	• Under current legislation in Spain and pursuant to Law 24/2013 of 26 December on the electricity sector, Endesa is insured for up to Euro 1,200 million against third-party liability claims for possible nuclear accidents at its plants. Any loss or damage in excess of this amount would be governed by the international conventions to which Spain is a signatory. The nuclear power plants are also insured against damage to their facilities (including stocks of nuclear fuel) and machinery breakdowns, with maximum coverage of Euro 1,500 million for each plant. On 28 May 2011, the Spanish government published Law 12/2011, of 27 May, on third-party liability due to nuclear damage or damage caused by radioactive materials, which raises operator liability to Euro 1,200 million, while also allowing operators to cover this liability in several ways. This Regulation will enter into force on 1 January 2022, following the joint ratification by the Member States of the Protocols of 12 February 2004, amending the Nuclear Civil Liability Convention (Paris Convention) and the Brussels Convention, complementing the foregoing. The civil nuclear liability coverage arranged by Endesa has a limit of Euro 1,200 million from 1 January 2022.

However, it is possible Endesa may face third-party damage claims. If Endesa were to be held liable for damages generated by its facilities for amounts greater than its insurance policy cover or for damages that exceed the scope of the insurance policy's coverage, its business activities, financial position, results and cash flows could be adversely affected.

Endesa is subject to compliance with the legislation and regulations on emissions of pollutants and on the storage and treatment of waste from fuel from nuclear power plants. It is possible that the Company will be subject to even stricter environmental regulations in the future. In the past, the approval of new regulations has required, and could require in the future, significant capital investment expenditures in order to comply with legal requirements. Endesa cannot foresee the increase in capital investment or the increase in operating costs or other expenses it may have to incur in order to comply with all environmental requirements and regulations. Nor can it predict if the aforementioned costs may be transferred to third parties. Thus, the costs associated with compliance with the regulations applicable could adversely affect Endesa's business activities, results, financial position and cash flows.

e.3. Past or future infringements of competition and antitrust laws could adversely affect Endesa's business activities, results, financial position and cash flows

Endesa is subject to competition and antitrust laws in the markets in which it operates. Infringements, especially in Spain, Endesa's main market, could give rise to legal actions against Endesa.

Endesa has been, is and could be the object of legal investigations and proceedings regarding competition and antitrust matters. Investigations regarding the infringement of competition and antitrust laws usually last several years and may be subject to rules that prevent the disclosure of information. Infringements of these regulations may give rise to fines and other types of sanctions which could adversely affect Endesa's business activities, results, financial position and cash flows.

Information on litigation and arbitration proceedings is set out in Note 11.3 to the financial statements for the year ended 31 December 2022.

Endesa's growth strategy has always included, and continues to include, acquisitions that are subject to various competition laws. These regulations may affect Endesa's ability to carry out strategic transactions.

e.4. Endesa is involved in court and arbitration proceedings

Endesa is party to various ongoing legal proceedings related to its business activities, including tax, regulatory and antitrust disputes. It is also subject to ongoing or possible tax audits. In general, Endesa is exposed to third-party claims from all jurisdictions (criminal, civil, commercial, labour and economic-administrative) and in national and international arbitration proceedings.

Endesa performs its best estimate to recognise its provisions for legal contingencies, provided that the need to meet this obligation is probable and its amount can be reasonably quantified.

However, Endesa cannot guarantee that it will be successful in all the proceedings in which it expects a positive outcome, or that an unfavourable decision will not adversely affect Endesa's business activities, results, financial position and cash flows. Likewise, the Company cannot ensure that it will not be the object of new legal proceedings in the future which, if the outcome were unfavourable, would not have an adverse effect on its business activities, operating results, financial position or cash flows.

Information on litigation and arbitration proceedings is set out in Note 11.3 to the financial statements for the year ended 31 December 2022.

e.5. Endesa could be affected by tax risks arising from interpretations of the regulations by the tax authorities that differ from those adopted by the Company or by an incorrect understanding by third parties of the tax position adopted by the Company

Currently, the tax risks to be managed and controlled are those arising from the uncertainties arising either due to the possibility that the tax authorities may demand additional contributions from Endesa than those considered due (either as a result of the failure to file returns or of a different interpretation of the applicable regulations) or of the risk of an incorrect perception or valuation by third parties of tax events that are erroneously of unjustly attributed to the Company.

In 2022, Endesa's total tax contribution amounted to Euro 3,843 million, of which 43% corresponded to taxes borne that represent a cost for Endesa and 57% relate to taxes collected by Endesa as a result of its business activities. Most of the tax paid by Endesa has been paid in Spain, representing over 85% of the total taxes paid and collected in 2022.

Information on Endesa's tax contribution is provided in Section 4.7.4.4. Tax Contribution of the Statement of Non-financial Information and Sustainability Statement 2022 (see section 15 of this Management Report).

The following was of note with respect to Endesa's tax risk situation:

<table>
<tr><th>Tax Risks</th><th>References [1]</th><th>Endesa mitigates the occurrence of these risks through:</th></tr>
<tr><td>The periods open for review by the tax authorities and significant inspections for the period and their effects.</td><td>15.10</td><td rowspan="2">• General Risk Control and Management Policy (see section 7.1 of this Management Report), which is the base document of the Tax Compliance Management System implemented by the Company.
• Inclusion in the cooperative compliance system, as expressed in the Code of Good Tax Practices and in the annual filing of the Tax Transparency Report https://www.endesa.com/es/nuestro-compromiso/transparencia with the tax authorities.
• This inclusion means that Endesa voluntarily undertakes with respect to the tax authorities to foster good practices that significantly reduce tax risks and promote prevention of conduct likely to generate such risks.</td></tr>
<tr><td>Significant tax disputes that might generate a contingency.</td><td>11.3</td></tr>
</table>

[1] Notes to the financial statements for the year ended 31 December 2022.

Despite this firm commitment, any change in the interpretation of the tax regulations by the tax authorities or the Administrative or Justice Tribunals could affect Endesa's compliance with its tax obligations, and its business, results, financial position and cash flows.

e.6. Endesa could be held liable for income tax and value added tax (VAT) charges corresponding to the tax group of which it forms part or has formed part

Since 2010, Endesa has filed consolidated tax returns for income tax purposes as part of consolidated tax group no. 572/10, of which Enel, S.p.A. is the parent and Enel Iberia, S.L.U. the representative in Spain. Likewise, since January 2010, Endesa has formed part of Spanish consolidated VAT group no. 45/10, the parent of which is Enel Iberia, S.L.U. Until 2009, Endesa filed consolidated tax returns as the Parent under group no. 42/1998 for income tax and under group no. 145/08 for Value Added Tax (VAT).

Additionally, Enel Green Power España, S.L.U. (EGPE), a wholly-owned Endesa subsidiary, was fully consolidated between 2010 and 2016 as part of the Group number 574/10 of which Enel Green Power España, S.L.U. (EGPE) was the Parent. From 1 January 2017, Enel Green Power España, S.L.U. (EGPE) paid taxes as part of tax group number 572/10 of which Enel, S.p.A. is the Parent and Enel Iberia, S.L.U. is the representative in Spain.

Likewise, following the taking of control by Endesa of Empresa de Alumbrado Eléctrico de Ceuta, S.A., with respect to which, at 31 December 2022, it held a stake of 96.42% of the share capital, the Consolidated Tax Group no. 21/02 was incorporated, comprising the following three companies: Empresa de Alumbrado Eléctrico de Ceuta, S.A. (as the parent and representative of the consolidated tax group), Energía Ceuta XXI Comercializadora de Referencia, S.A.U. and Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U.

In accordance with the regime for filing consolidated tax returns for purposes of income tax and VAT for company groups, all of the Group companies which file consolidated tax returns are jointly responsible for paying the Group's tax charge. This includes certain sanctions arising from failure to comply with specific obligations imposed under the VAT regime for company groups.

As a result of this, Endesa is jointly responsible for paying the tax charge of the other members of the consolidated tax groups to which it belongs or has belonged for all tax periods still open for review. Likewise, Enel Green Power España, S.L.U. (EGPE) is also jointly and severally responsible with respect to the other members of the Consolidated Tax Group of which it has formed part and Empresa de Alumbrado Eléctrico de Ceuta, S.A. is also jointly and severally liable with respect to its members.

Even though Endesa or, where applicable, Enel Green Power España, S.L.U. (EGPE) or Empresa de Alumbrado Eléctrico de Ceuta, S.A. has the right to recourse against the other members of the corresponding consolidated tax group, any of them could be held jointly and severally liable if any outstanding tax charge were to arise that had not been duly settled by another member of the consolidated tax groups to which Endesa or, where applicable, Enel Green Power España, S.L.U. (EGPE) or Empresa de Alumbrado Eléctrico de Ceuta, S.A. belong or have belonged. Any material tax liability could adversely affect Endesa's business activities, results, financial position and cash flows.

e.7. The Enel Group controls the majority of Endesa's share capital and voting rights and the interests of the Enel Group could conflict with those of Endesa

At 31 December 2022, the Enel Group, through Enel Iberia, S.L.U., held 70.1% of Endesa, S.A.'s share capital and voting rights, enabling it to appoint the majority of Endesa, S.A.'s board members and, therefore, to control management of the business and its management policies.

The Enel Group's interests may differ from the interests of Endesa or those of its shareholders. Furthermore, both the Enel Group and Endesa compete in the European electricity market. It not possible to ensure that the interests of the Enel Group will coincide with the interests of Endesa's other shareholders or that the Enel Group will act in support of Endesa's interests.

Information on balances and transactions with related parties is provided in Note 18 to the financial statements for the year ended 31 December 2022.

f) Corporate governance and culture risk

f.1. Endesa is exposed to image and reputation risk.

Endesa is exposed to the opinion and perception projected to different stakeholders. This perception could deteriorate as a result of events produced by the Company or third parties over which it has little or no control. Should this occur, this could lead to economic detriment for the Company due, among other factors, to increased requirements on the part of regulators, higher borrowing costs or increased efforts to attract customers.

Although Endesa actively work to identify and monitor potential reputational events and stakeholders affected, and transparency forms part of its communications policy, there is no guarantee that it will not have its image or reputation impaired which, since the outcome would be unfavourable, will have an adverse effect on its business, operating results, financial position or cash flows.

Furthermore, Endesa cannot guarantee that it will maintain solid relationships and ongoing communication with suppliers, consumers and users and with the associations that represent them and, therefore, any change in these relationships could entail negative publicity and a significant loss of customers, which could adversely affect Endesa's business activities, results, financial position and cash flows.

8. Policy on derivative financial instruments

Information on derivative financial instruments is provided in Note 14 to the financial statements of Endesa S.A., for the year ended 31 December 2022.

9. Human resources

At 31 December 2022, the Company had a total of 1,241 employees (1,248 employees at 31 December 2021).

The Company's average workforce in 2022 was 1,244 employees (1,258 in 2021).

The breakdown, by gender, of the Company's workforce at 31 December 2022 was 49.1% male and 50.9% female.

Information on the workforce is provided in Note 19.1 to the Consolidated Financial Statements of Endesa, S.A. for the year ended 31 December 2022.

Occupational Health and Safety (OHS)

Endesa, S.A. considers the occupational health and safety of its employees to be an essential principle and preserves it by developing a strong culture between its employees and shareholders. It ensures its employees have a healthy and safe workplace environment at all times and in all areas in which they act.

In 2022 and 2021, the variations in occupational health and safety indicators were as follows:

	Main figures	
	2022	2021
In-house frequency index (1)	0.00	0.00
In-house seriousness index (2)	0.00	0.00
Combined frequency index (3)	0.00	1.10
Combined seriousness index (4)	0.09	0.11
Number of accidents (5)	0	4

(1) In-house frequency index (own employees) = (Number of accidents / Number of hours worked) x 10^6.
(2) In-house seriousness index (own employees) = Number of days lost / Number of hours worked) x 10^3.
(3) Combined frequency index (own and subcontracted employees) = (Number of accidents / Number of hours worked) x 10^6.
(4) Combined seriousness index (own and subcontracted employees) = Number of days lost / Number of hours worked) x 10^3.
(5) Of which none of them were serious or fatal accidents in 2022 and 2021.

10. Treasury Shares

At 31 December 2022, the Company held treasury shares to cover its different variable remuneration plans that include the delivery of shares (see Note 10.4 to the financial statements of Endesa, S.A. for the year ended 31 December 2022).

Transactions with treasury shares in 2022 are detailed in Note 10.4 of the Financial Statements of Endesa, S.A.

11. Environmental protection

Information on environmental activities is provided in Note 20 to the financial statements of Endesa S.A. for the year ended 31 December 2022.

12. Research and development activities

The Company did not carry out any research and development activities directly as these fall within the remit of its subsidiaries.

13. Information on the average payment period to suppliers

Information on the average payment period to suppliers is provided in Note 19.3 to the financial statements of Endesa S.A. for the year ended 31 December 2022

14. Annual Corporate Governance Report as per article 538 of Royal Decree Law 1/2010, of 2 July, approving the Consolidated Text of the Spanish Corporate Enterprises Act

The 2022 Annual Corporate Governance Report, as required by Article 538 of Royal Decree-Law 1/2010, of 2 July, approving the consolidated text of the Spanish Corporate Enterprises Act, forms an integral part of this Management Report, and its contents are available on the website of the Spanish National Securities Market Commission ("CNMV") at the following address:
https://www.cnmv.es/portal/consultas/EE/InformacionGobCorp.aspx?nif=A-28023430

15. Statement of Non-financial Information required by Law 11/2018, of 28 December, which amends the Code of Commerce, the Consolidated Text of the Spanish Corporate Enterprises Act approved by Royal Decree-Law 1/2010, of 2 July, and Law 22/2015, of 20 July, on Audit of the Financial Statements, on non-financial information and diversity

The Statement of Non-financial Information required by Law 11/2018, of 28 December, amending the Code of Commerce, the Consolidated Text of the Spanish Corporate Enterprises Act approved by Royal Decree Law 1/2010, of 2 July, and Law 22/2015, of 20 July, on the audit of financial statements, with regard to non-financial information and diversity, is included in Note 25 of the Consolidated Management Report of Endesa, S.A. and Subsidiaries for the year ended 31 December 2022, in the Statement of Non-financial Information and Sustainability 2022.

This Statement of Non-financial Information and Sustainability 2022 will be filed in the Madrid Mercantile Register, once it is approved by the General Shareholders' Meeting, since it forms part of the Consolidated Financial Statements of Endesa, S.A. and Subsidiaries.

22 February 2023

Formulation Signatures Endesa, S.A. of the Management Report for the year ended 31 December 2022

The Management Report for the year ended 31 December 2022 of Endesa, Sociedad Anónima was authorised for issue in electronic format by the Board of Directors of Endesa, Sociedad Anónima at its meeting of 22 February 2023, following the format requirements established in the European Commission Delegated Regulation EU 2019/815, and is signed below by all the Directors, in compliance with Article 253 of the Spanish Corporate Enterprise Act.

Mr. Juan Sánchez-Calero Guilarte Chairman	**Mr. Francesco Starace** Vice-president
Mr. José Damián Bogas Gálvez Chief Executive Officer	**Ms. Eugenia Bieto Caubet** Board Member
Mr. Antonio Cammisecra Board Member	**Mr. Ignacio Garralda Ruiz de Velasco** Board Member
Ms. Pilar González de Frutos Board Member	**Ms. Francesca Gostinelli** Board Member
Ms. Alicia Koplowitz y Romero de Juseu Board Member	**Mr. Francisco de Lacerda** Board Member
Mr. Alberto de Paoli Board Member	**Ms. Cristina de Parias Halcón** Board Member

Madrid, 22 February 2023

4.

Statement of Responsibility

Statement of Responsibility Annual Financial Report 2022

The members of the Board of Directors of Endesa, S.A., in accordance with Article 8 of Royal Decree 1362/2007, of 19 October, hereby declares that to the best of its knowledge and belief, the individual and consolidated financial statements for the year ended 31 December 2022, authorised for issue in its meeting of 22 February 2023 and prepared in accordance with the applicable accounting principles, present a true and fair view of the equity, financial position and results of Endesa, S.A. and of the consolidated companies taken as a whole and that the individual and consolidated management reports for 2022 include a true and fair analysis of the business performance and position of Endesa, S.A. and of the consolidated companies taken as a whole, along with a description of the main risks and uncertainties these face.

Mr. Juan Sánchez-Calero Guilarte Chairman	**Mr. Francesco Starace** Vice-president
Mr. José Damián Bogas Gálvez Chief Executive Officer	**Ms. Eugenia Bieto Caubet** Board Member
Mr. Antonio Cammisecra Board Member	**Mr. Ignacio Garralda Ruiz de Velasco** Board Member
Ms. Pilar González de Frutos Board Member	**Ms. Francesca Gostinelli** Board Member
Ms. Alicia Koplowitz y Romero de Juseu Board Member	**Mr. Francisco de Lacerda** Board Member
Mr. Alberto de Paoli Board Member	**Ms. Cristina de Parias Halcón** Board Member

Madrid, 22 de febrero de 2023

endesa.com