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ANNUAL FINANCIAL REPORT
LEGAL DOCUMENTATION 2023
ENDESA, S.A. **2023**

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endesa

1.
AUDIT REPORT ENDESA, S.A.

KPMG

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 2023)

(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 statements of financial position at 31 December 2023, 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 2023, 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.2 and 9.1 to the annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2023 the Company has recognised non-current investments in Group companies and associates amounting to Euros 19,129 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 by the investee's ordinary activities or 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. – 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 valuation specialists. – Analysis of the consistency of the future cash flows included in the pricing model with the business plans approved by the governing bodies. We also contrasted the cash flow forecasts estimated in prior years with the actual cash flows obtained, as well as the monitoring carried out by the Company. – Evaluation of the sensitivity of the recoverable amount to reasonably possible changes in certain assumptions. – Assessment of whether the disclosures in the annual accounts comply with the requirements of the financial reporting framework.

Other Information: Directors' Report

Other information solely comprises the 2023 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.

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

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:

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 2023, 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[2].

– 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.

(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 2023 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 2023 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 27 February 2024.

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(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 29 April 2022 for a period of three years, from the year ended 31 December 2023.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their ordinary general meeting, and have been auditing the annual accounts since the year ended 31 December 2020.

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

(Signed on original in Spanish)

Estibaliz Bilbao Belda
On the Spanish Official Register of Auditors ("ROAC") with No. 16109

27 February 2024


endesa

2.
FINANCIAL STATEMENTS

Endesa, S.A.

Statements of Financial Position

at 31 December 2023 and 2022

Millions of Euro

	Note	31 December 2023	31 December de 2022
ASSETS			
NON-CURRENT ASSETS		**19,454**	**19,253**
Intangible assets	6	**80**	**95**
Patents, licences, trademarks and similar		4	5
Software		76	90
Property, plant and equipment	7	**1**	**2**
Plant and other property, plant and equipment		1	2
Non-current investments in Group companies and associates	9 and 19.2	**19,132**	**18,926**
Equity instruments		19,129	18,926
Other financial assets		3	–
Non-current financial investments	9	**81**	**130**
Equity instruments		4	3
Loans to third parties		12	7
Derivatives	15	55	110
Other financial assets		10	10
Deferred tax assets	16.6	**160**	**100**
CURRENT ASSETS		**544**	**5,075**
Trade and other receivables		**115**	**118**
Other receivables		48	34
Receivables from Group companies and associates	19.2	67	83
Other receivables from public administrations		–	1
Current investments in Group companies and associates	9 and 19.2	**128**	**4,753**
Loans to companies		67	4,753
Other financial assets		61	–
Current financial investments	9	**7**	**176**
Loans to third parties		2	170
Other financial assets		5	6
Current prepayments and accrued income		**1**	**2**
Cash and cash equivalents	14.3	**293**	**26**
Cash in hand and at banks		18	26
Other cash equivalents		275	–
TOTAL ASSETS		**19,998**	**24,328**

The accompanying Notes 1 to 23 to the financial statements are an integral part of the Statements of Financial Position at 31 December 2023 and 2022

Endesa, S.A.

Statements of Financial Position

at 31 December 2023 and 2022

Millions of Euro

	Note	31 December 2023	31 December de 2022
EQUITY AND LIABILITIES			
EQUITY		**5,775**	**7,445**
Capital and reserves	11	**5,748**	**7,366**
Share capital		**1,271**	**1,271**
Issued capital		1,271	1,271
Share premium		**89**	**89**
Reserves		**1,462**	**1,455**
Legal and by-law reserves		254	254
Other reserves		1,208	1,201
(Treasury Shares)		**(4)**	**(5)**
Previous years' profit or loss		**2,874**	**3,855**
Retained earnings		2,874	3,855
Profit/(loss) for the year		**580**	**697**
Interim dividend	11.5	**(529)**	**—**
Other equity instruments		**5**	**4**
Valuation adjustments		**27**	**79**
Hedging transactions		27	79
NON-CURRENT LIABILITIES		**9,610**	**11,208**
Non-current provisions	12	**241**	**212**
Non-current employee benefits		25	23
Provisions for workforce restructuring plans		161	124
Other provisions		55	65
Non-current debts	13	**5,329**	**5,854**
Bonds and other marketable securities		14	14
Bank borrowings		5,266	5,748
Finance lease payables		—	1
Derivatives	15	45	87
Other financial liabilities		4	4
Non-current debts to Group companies and associates	13 and 19.2	**4,018**	**5,100**
Debts to Group companies and associates		4,018	5,100
Deferred tax liabilities	16.7	**22**	**42**
CURRENT LIABILITIES		**4,613**	**5,675**
Current provisions	12	**39**	**40**
Provisions for workforce restructuring plans		39	40
Current debts	13	**975**	**5,386**
Bank borrowings		781	390
Finance lease payables		—	1
Derivatives	15	17	—
Other financial liabilities		177	4,995
Current debts to Group companies and associates	13 and 19.2	**3,453**	**50**
Debts to Group companies and associates		3,076	41
Other financial liabilities		377	9
Trade and other payables		**146**	**199**
Suppliers to Group companies and associates	19.2	29	50
Other payables		87	117
Employee payables		23	24
Other payables to public administrations	16.8	7	8
TOTAL PATRIMONIO NETO Y PASIVO		**19,998**	**24,328**

The accompanying Notes 1 to 23 to the financial statements are an integral part of the Statements of Financial Position at 31 December 2023 and 2022.

Endesa, S.A.

Income Statements

for the years ended 31 December 2023 and 2022

Millions of Euro

	Note	2023	2022
CONTINUING OPERATIONS			
Revenue	17.1	**1,471**	**991**
Provision of services		321	278
Dividend income from Group companies and associates	9.1.1 and 19.1	1,150	713
Other operating income		**1**	**2**
Ancillary income and other operating income		1	2
Personnel expenses	17.2	**(226)**	**(193)**
Salaries and wages, and similar		(127)	(121)
Other employee benefits		(31)	(27)
Provisions		(68)	(45)
Other operating expenses	17.3	**(325)**	**(101)**
External services		(96)	(105)
Taxes other than income tax		(215)	—
Other current operating expenses		(14)	4
Depreciation and amortisation	6 and 7	**(39)**	**(39)**
Provision surpluses		**11**	**—**
Impairment and gains/(losses) on disposals of equity instruments		**2**	**—**
Impairment losses	9	2	—
Other gains and losses	17.5	**—**	**152**
PROFIT/(LOSS) FROM OPERATIONS		**895**	**812**
Financial income	17.4	**35**	**90**
Marketable securities and other non-current credits		**35**	**90**
Group companies and associates	19.1	30	40
Third parties		5	50
Financial expenses	17.4	**(451)**	**(205)**
On debts to Group companies and associates	19.1	(192)	(124)
Interest on debts to third parties		(249)	(77)
For updating of provisions		(10)	(4)
Change in fair value of financial instruments		**(2)**	**6**
Trading portfolio and other		(2)	6
Exchange gains/(losses)		**(6)**	**5**
FINANCIAL PROFIT/LOSS		**(424)**	**(104)**
PROFIT BEFORE TAX		**471**	**708**
Income tax expense	16	**109**	**(11)**
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**580**	**697**
PROFIT/(LOSS) AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS		**—**	**—**
PROFIT FOR THE YEAR		**580**	**697**

The accompanying notes 1 to 23 to the financial statements are an integral part of the Income Statements for the the years ended 31 December 2023 and 2022.

Endesa, S.A.

Statements of Changes in Equity

for the years ended 31 December 2023 y 2022

A) Statements of recognised income and expenses for the years ended 31 December 2023 and 2022

Millions of Euro	Note	2023	2022
PROFIT PER THE INCOME STATEMENT		**580**	**697**
REVENUE AND EXPENSES RECOGNISED DIRECTLY IN EQUITY			
Cash flow hedges	15	(25)	112
Actuarial gains and losses and other adjustments	12.1	(3)	23
Tax effect	16	7	(34)
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY		**(21)**	**101**
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
Cash flow hedges	15	(44)	4
Tax effect	16	11	(1)
TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		**(33)**	**3**
TOTAL RECOGNISED INCOME/(EXPENSES)		**526**	**801**

Notes 1 to 23 to the accompanying financial statements are an integral part of the Statements of Recognised Income and Expenses for the years ended 31 December 2023 and 2022.

Endesa, S.A.

Statements of Changes in Equity

for the years ended at 31 December 2023 and 2022

B) Statements of total changes in equity for the years ended at 31 December 2023 and 2022

Millions of Euro

	Note	31 December 2023								
		Capital and reserves							Valuation adjustments	Total equity
		Capital (Note 11.1)	Share Premium (Note 11.2)	Reserves and prior years' profit or loss	(Treasury Shares) (Note 11.4)	Profit/ (loss) for the year (Note 3)	(Interim dividend) (Note 11.5)	Other equity instruments		
Balance at 31 December 2022		**1,271**	**89**	**5,310**	**(5)**	**697**	**—**	**4**	**79**	**7,445**
TOTAL RECOGNISED INCOME/(EXPENSES)		**—**	**—**	**(2)**	**—**	**580**	**—**	**—**	**(52)**	**526**
Transactions with shareholders		**—**	**—**	**9**	**1**	**—**	**(529)**	**—**	**—**	**(519)**
Dividends paid	3 and 11.5	—	—	—	—	—	(529)	—	—	(529)
Net increase in equity resulting from a business combination	5	—	—	9	—	—	—	—	—	9
Transactions with Treasury shares		—	—	—	1	—	—	—	—	1
Other changes in equity		**—**	**—**	**(981)**	**—**	**(697)**	**—**	**1**	**—**	**(1,677)**
Distribution of profit	3	—	—	(981)	—	(697)	—	—	—	(1,678)
Other changes		—	—	—	—	—	—	1	—	1
Balance at 31 December 2023		**1,271**	**89**	**4,336**	**(4)**	**580**	**(529)**	**5**	**27**	**5,775**

Millions of Euro

	31 December 2022								
	Capital and reserves							Valuation adjustments	Total equity
	Capital (Note 11.1)	Share Premium (Note 11.2)	Reserves and prior years' profit or loss	(Treasury Shares) (Note 11.4)	Profit/ (loss) for the year (Note 3)	(Interim dividend) (Note 11.5)	Other equity instruments		
Balance at 31 December 2021	**1,271**	**89**	**6,233**	**(3)**	**581**	**(529)**	**2**	**(8)**	**7,636**
TOTAL RECOGNISED INCOME/(EXPENSES)	**—**	**—**	**17**	**—**	**697**	**—**	**—**	**87**	**801**
Transactions with shareholders	**—**	**—**	**—**	**(2)**	**—**	**—**	**—**	**—**	**(2)**
Transactions with Treasury shares	—	—	—	(2)	—	—	—	—	(2)
Other changes in equity	**—**	**—**	**(940)**	**—**	**(581)**	**529**	**2**	**—**	**(990)**
Distribution of profit	—	—	(940)	—	(581)	529	—	—	(992)
Other changes	—	—	—	—	—	—	2	—	2
Balance at 31 December 2022	**1,271**	**89**	**5,310**	**(5)**	**697**	**—**	**4**	**79**	**7,445**

Notes 1 to 23 to the accompanying financial statements are an integral part of the Statements of Total Changes in Equity for the years ended 31 December 2023 and 2022.

Endesa, S.A.

Statements of Cash Flows

for the years ended at 31 December 2023 and 2022

Millions of Euro

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		**532**	**695**
Profit before tax		**471**	**708**
Adjustments for		**(642)**	**(680)**
Income from dividends	9.1.1, 17.1 and 19.1	(1,150)	(713)
Depreciation and amortisation	6 and 7	39	39
Impairment losses		(2)	—
Changes in provisions		50	39
Financial income	17.4	(35)	(90)
Financial expenses	17.4	451	205
Exchange gains/(losses)		—	(3)
Change in fair value of financial instruments		2	(6)
Other adjustments (net)		3	(151)
Changes in working capital		**4**	**120**
Other cash flows from operating activities:		**699**	**547**
Interest paid		(419)	(178)
Dividends received		1,088	713
Interest received		75	19
Income tax received/(paid)		(2)	38
Other proceeds from/(payments) for operating activities		(43)	(45)
CASH FLOWS FROM INVESTING ACTIVITIES		**4,832**	**(4,718)**
Payments for investments		**(37)**	**(4,726)**
Group companies and associates		(3)	(4,697)
Property, plant and equipment and intangible assets		(21)	(21)
Other financial assets		(13)	(8)
Proceeds from sale of investments		**4,869**	**8**
Group companies and associates		4,710	—
Other financial assets		159	8
CASH FLOWS FROM FINANCING ACTIVITIES		**(5,097)**	**3,671**
Proceeds from/(payments) for equity instruments		**—**	**(1)**
Acquisitions of equity instruments		—	(1)
Proceeds from (payments for) financial liability instruments		**(3,419)**	**5,193**
Issue		3,605	8,371
Redemption and repayment		(7,024)	(3,178)
Dividends and interest on other equity instruments paid		**(1,678)**	**(1,521)**
Dividends		(1,678)	(1,521)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**267**	**(352)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**26**	**378**
CASH AND CASH EQUIVALENTS AT END OF YEAR		**293**	**26**

Notes 1 to 23 to the accompanying financial statements are an integral part of the Statements of Cash Flows for the years ended 31 December 2023 and 2022.

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.

On 22 September 2023, the Board of Directors of Endesa, S.A. and the Sole Director of Endesa Red, S.A.U. signed and approved a joint project for merger by absorption of Endesa Red, S.A.U. (Acquiree) by the Sole Shareholder, Endesa, S.A. (absorbing company). The accounting effective date of the merger is 1 January 2023 as it is a transaction between two Group Companies, in accordance with Recognition and Measurement Standard 21 *"Transactions between Group Companies"* of the Spanish National Chart of Accounts approved by Royal Decree 1514/2007, of 16 November (see Note 5).

The Company's financial statements for the year ended 31 December 2023 were drawn up by the Company's Board of Directors on 27 February 2024 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 2022 were authorised for issue by the Board of Directors on 22 February 2023 and were approved by the General Shareholders' Meeting on 28 April 2023 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 9.1.1.

On 27 February 2024, the Directors authorised for issue the consolidated financial statements of Endesa, S.A. and Subsidiaries for the year ended 31 December 2023, 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 2022 were prepared by the Board of Directors on 22 February 2023, and they were approved by the General Shareholders' Meeting on 28 April 2023, and are filed at the Madrid Mercantile Registry.

The key figures from the consolidated financial statements of Endesa, S.A. and Subsidiaries for 2023 and 2022 were as follows:

Millions of Euro

	31 December 2023	31 December 2022[1]
Total assets	**41,283**	**50,067**
Equity	**7,204**	**5,758**
Of the Parent	7,017	5,557
Of non-controlling interests	187	201
Revenue	**25,459**	**32,896**
Profit after tax for the period from continuing operations	**762**	**2,596**
Profit after tax for the period from discontinued operations	**—**	**—**
Profit/(loss) for the year	**762**	**2,596**
Of the Parent	742	2,541
Of non-controlling interests	20	55

[1] See Note 2 to the Consolidated Financial Statements for the year ended 31 December 2023.

At 31 December 2023 and 2022, 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 11.1).
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 2022, prepared on 15 March 2023 and approved by the sole shareholder on 9 May 2023, are filed with the Madrid Mercantile Registry.
The Consolidated Financial Statements of ENEL, S.p.A. and Subsidiaries for the year ended 31 December 2022, ultimate Parent of Endesa, S.A., were approved by the General Shareholders' Meeting held on 10 May 2023 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 2023 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 2023 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 of this Financial Statements. 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 9.1.1).
- Assumptions used in the actuarial calculation of liabilities and provisions to employees and the leaving dates and conditions of employees involved in agreements to suspend contracts (see Notes 4f and 12).
- 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 9).
- Assumptions used to calculate the fair value of financial instruments (see Notes 4k, 9, 13 and 15).
- Impacts derived from 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 12).

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 future Financial Statements.

2.4. Going concern

At 31 December 2023, the Company had negative working capital of Euro 4,069 million (Euro 600 million as of 31 December 2022) as a result of its financial and cash management policy. In this regard, the Company's cash positions and estimated statements of liquidity for the coming year, together with the undrawn amount on the Company's long-term credit facilities (see Note 14.3), 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 2023 are presented in millions of Euro. 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 2023, the figures for the previous year that formed part of the financial statements for the year ended 31 December 2022, which were approved by the General Shareholders' Meeting on 28 April 2023.

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 2023

The distribution of profit for 2023, 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 2023	Euro
Profit and loss: Profit	580,104,835.24
Retained earnings	2,874,356,695.50
Total	**3,454,461,530.74**
Distribution	
Dividends[1]	1,058,752,117.00
To retained earnings	2,395,709,413.74
Total	**3,454,461,530.74**

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

At its meeting held on 22 November 2023, Endesa, S.A. Board of Directors agreed to pay its shareholders a gross interim dividend against 2023 profit of gross Euro 0.5 per share, which gave rise to a pay-out of Euro 529 million on 2 January 2024 (see Note 11.5). This interim dividend was deducted from the Company's equity at 31 December 2023.

Pursuant to article 277 of Royal Decree Law 1/2010, of 2 July, approving the consolidated text of the Spanish Corporate Enterprises Act, the projected liquidity statement of Endesa, S.A., showing that the Company has sufficient liquidity to distribute this dividend, is as follows:

Millions of Euro

	From 1 November 2023 to 31 October 2024
Available at start of period	**7,201**
Cash in hand and at banks and cash equivalents	83
Undrawn loans	7,118
Increases in cash	**1,536**
Ordinary activities	255
Financial transactions	1,281
Decreases in cash	**(6,114)**
Ordinary activities	(577)
Financial transactions	(5,537)
Available at end of period	**2,623**
Proposed interim dividend out of 2023 profit	**529**

This amount does not exceed the earnings obtained by the Endesa, S.A. in 2023, having deducted prior years' losses and the amount to be allocated to the obligatory reserves specified by law or in the Bylaws, as well as the estimate of the tax to be paid on these earnings.

Distribution of profit for 2022

The distribution of 2022 profit approved by the General Shareholders' Meeting was 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).

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 2023 and 2022 was as follows:

	Years of estimated useful life	
Property, Plant and Equipment	**2023**	**2022**
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: 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.

The recognition of impairment losses and, where applicable, their reversal, shall be recorded 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 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.

Discount and growth rates

The discount rate before tax and growth rate applied in 2023 and 2022 were as follows:

%

	2023	2022
Discount rate	0 – 9.3	0 – 7.7
Weighted average growth rate	2.2	2.4

Key assumptions

With these premises, the approach used to assign value to the key assumptions considered has taken into account the following items and/or parameters:

Items and/or parameters	Description
Trend of demand for electricity and gas	• The estimated growth was calculated on the basis of the growth forecast for Gross Domestic Product (GDP) and other assumptions used by Endesa with respect to trends in consumption of electricity and gas in these markets.
Regulatory measures	• A substantial part of Endesa's business is regulated and subject to wide-ranging complex regulations, which may be amended by the introduction of new laws, 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 and wind potential levels:	• The forecasts are drawn up on the basis of the average weather conditions in a year, taking account of historical conditions series. However, the actual rainfall and wind potential levels of the preceding year were used for the first year of the projection, adjusting the average year accordingly.
Installed capacity	• The generation activity takes into account the investment required to maintain installed capacity in proper oper-ating conditions; distribution activity considers investment in grid maintenance, improvement and enhancement and the investment required to implement the remote metering plan, and supply activity takes into account the investment required to perform activities involving other products and services.
Production mix	• The production *"mix"* was determined using complex specifically-developed internal forecast models that con-sider factors such as prices and availability of energy stocks (e.g. Brent, 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, availability of fuels or 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 power sales and purchase prices	• Assumptions for power sale and purchase prices are made based on complex, specifically developed internal forecasting models. The pool price is estimated taking into account different scenarios regarding the expected trend or performance in a series of determining factors such as the costs and productions of the different tech-nologies, electricity demand, commodity prices and other market and macroeconomic variables, and, as a result of these models, the most likely scenario is considered.
Electricity and gas sales prices	• 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.
Estimate of fuel costs	• 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	• Fixed costs are projected considering estimated levels of activity for each company in terms of trends in per-sonnel, as well as other operating and maintenance costs, forecast inflation and long-term maintenance con-tracts and other types of contracts.
Macroeconomic assump-tions	• External sources (e.g. analysts, domestic and international official bodies, etc) are always used to compare macroeconomic assumptions, such as price trends, growth in gross domestic product (GDP) variations in de-mand, inflation, variations in interest rates and exchange rates.
Climate change	• Energy Transition scenarios and climate change impacts used in the valuation models (see Section 6 of the Management Report at 31 December 2023).

Based on these assumptions, the investments of Endesa, S.A. were tested for impairment, with a number of impairment losses recognised on its holdings in 2023 for an accumulated amount of Euro 2 million (no impairment losses on its holdings in 2022) (see Note 9).

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 recorded in equity.

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:
  - These are financial liabilities 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 institutions are recognised under *"Trade and other payables"* in the statement of financial position to the extent that the Company has transferred only the management of payment to the financial institutions, does not receive any funding from the financial institutions and remains the primary obligor in repaying those debts to the trade creditors concerned.

At 31 December 2023, the amount of trade debt discounted with financial institutions to manage payments to suppliers (*reverse factoring*), as recognised under *"Trade and other payables"* in the statement of financial position, totalled Euro 1 million (Euro 1 million at 31 December 2022). In 2023 and 2022, the financial income accrued 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 transactions

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. If arranged with Group companies, they are recognised under "Non-current investments in Group companies and associates" or "Current investments in Group companies and associates" if their value is positive, or under "Non-current debts to Group companies and associates" or "Current debts to Group companies and associates" if 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 fair value of the derivatives are recognised, in the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge, net of the related tax effect, under *"Equity - Valuation adjustments - Hedging transactions"*. 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. assesses at the inception of the hedging relationship whether the hedging relationship meets the effectiveness requirements prospectively. It also assesses effectiveness at each accounting close or when significant changes occur that affect the effectiveness requirements. The Company carries out a qualitative assessment of effectiveness when the basic 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 euros 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 premiums to be received.

Subsequently, financial guarantee contracts are measured at the highest of the following amounts:

- The amount resulting from application of the standard on provisions and contingencies (see Note 4f).
- The amount of the initially recognised asset, less the portion taken to the income statement when relating to accrued revenue.

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 provided and received

In guarantees provided 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 date of the Statement of Financial Position, calculated using the projected unit credit method. Past service costs relating to changes in benefits are recognised immediately in the income statement to the extent that 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 11.3.5).

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 euros 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 10).

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 profit.

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

The deferred tax assets and liabilities recognised are reviewed at the end of each reporting period, in order to 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 income 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 9.6 and 13.6):

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

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

Endesa, 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.

The merger by absorption of the wholly owned company Endesa Red, S.A.U. by the Company in 2023 is covered in the accounting treatment specified by the special rules of section 2.2 of accounting and measurement rule 21.

Based on the foregoing, the Company measured the assets acquired using the existing amounts before recognising the transaction in the separate financial statements of Endesa Red, S.A.U. for the year ended 31 December 2022 and the difference shown between the net value of the assets and liabilities of the acquired company, adjusted in line with the balance that should appear in Equity subgroups A-3) was recognised under a reserve item (see Note 5).

As part of merger and spin-off transactions involving Group Companies, the effective date for accounting purposes is the start of the year in which the merger is approved, provided that it postdates the time at which the companies are integrated into the Group. If one of the companies has been integrated into the Group during the year in which the merger or spin-off occurs, the effective date for accounting purposes will be the acquisition date.

(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 19.3.5).

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 *"non-current 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. BUSINESS COMBINATIONS

On 22 September 2023, the Board of Directors of Endesa, S.A. (Absorbing Company) and the Sole Director of Endesa Red, S.A.U. (Absorbed Company) signed and approved a joint plan for a merger by absorption of Endesa Red, S.A.U. by the Sole Shareholder Endesa, S.A. pursuant to the provisions of Sections 39 and 40 of Royal Decree Law 5/2023, of 28 June, adopting and extending certain measures in response to the economic and social consequences of the war in Ukraine, to support the reconstruction of the island of La Palma and other situations of vulnerability; transposing European Union Directives on structural modifications of commercial companies and reconciliation of family and professional life for parents and carers; with the extinguishing, by means of dissolution without liquidation, of the Acquiree and the en-bloc transfer of its assets to Endesa, S.A. as universal successor, comprising all assets and liabilities of the Absorbed Company.

These agreements were executed in a public deed on 2 November 2023 and were recorded in the Madrid Companies Register on the same date.

Endesa, S.A. has decided to reorganise its corporate structure due to changes in the energy markets and companies, especially in Spain. There has also been an increase in the number of new operators and new ways of conducting activities in the electricity and gas sector. As a result, the Company has deemed it necessary to simplify its setup by absorbing Endesa Red, S.A.U. The Merger will consequently reduce the number of companies in the Endesa Group. This will make management and operation easier and more efficient, leading to cost savings and improved economic and administrative efficiencies.

The merger was carried out with accounting effects on 1 January 2023 as the merger was between two Group Companies in accordance with the Recognition and Measurement Standard 21 Operations between Group Companies, included in the second part of the Spanish National Chart of Accounts, approved by Royal Decree 1514/2007, of 16 November. In order for it to be considered legally effective, it must comply with all requirements stipulated by law.

The assets acquired were measured in accordance with the carrying amounts at 31 December 2022 in the individual financial statements of Endesa Red, S.A.U.

The value of the net assets and liabilities acquired by the Company therefore corresponds to that recognised in the individual financial statements of Endesa Red, S.A.U. at 31 December 2022 and detailed as follows:

Thousands of Euro

	Note	31 December 2022
ASSETS		
NON-CURRENT ASSETS		**2,646,188**
Intangible assets		231
Property, plant and equipment		112
Non-current investments in Group companies and associates	9	2,641,730
Non-current financial investments		79
Deferred tax assets	16.6	4,036
CURRENT ASSETS		**3,514**
Trade and other receivables		88
Current investments in Group companies and associates		3,394
Current financial investments		32
TOTAL		**2,649,702**

Thousands of Euro

	Note	31 December 2022
EQUITY AND LIABILITIES		
EQUITY		**7**
Grants, donations and bequests received		7
NON-CURRENT LIABILITIES		**190,285**
Non-current provisions		8,197
Non-current debts		459
Non-current debts to Group companies and associates	13	181,627
Deferred tax liabilities		2
CURRENT LIABILITIES		**10,099**
Current provisions		1,580
Current debts		15
Current debts to Group companies and associates		6,928
Trade and other payables		1,576
TOTAL EQUITY AND LIABILITIES		**200,391**
TOTAL NET ASSETS AND LIABILITIES		**2,449,311**

As a result of this operation, a merger reserve of Euro 9 million has been recognised for the difference between the net value of the interest held in 100% of the share capital of Endesa Red, S.A.U. prior to the merger, amounting to Euro 2,440 million, and the value of the net assets and liabilities acquired, amounting to Euro 2,449 million (see Notes 9 and 11.3.6).

6 INTANGIBLE ASSETS

At 31 December 2023 and 2022, the breakdown and movements in this item in the accompanying statement of financial position were as follows:

Millions of Euro

	Balance at 31 December 2022	Additions and charges	Disposals and Transfers	Balance at 31 December 2023
Cost:				
Patents, licences, trademarks and similar	9	6	(6)	9
Software	414	17	–	431
Total	**423**	**23**	**(6)**	**440**
Accumulated amortisation:				
Patents, licences, trademarks and similar	(4)	(7)	6	(5)
Software	(324)	(31)	–	(355)
Total	(328)	(38)	6	(360)
NET TOTAL	**95**	**(15)**	**–**	**80**

Millions of Euro

	Balance at 31 December 2021	Additions and charges	Additions and charges	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**

Investments in computer software in 2023 relate mainly to acquisitions from Endesa Medios y Sistemas, S.L.U., amounting to Euro 16 million (Euro 19 million in 2022) and from Enel Global Trading, S.p.A. in the amount of Euro 1 million (Euro 1 million in 2022) (see Note 19.1).

At 31 December 2023, the Company had outright intangible asset purchase commitments amounting to Euro 52 million (Euro 47 million at 31 December 2022), primarily relating to software.

At 31 December 2023 and 2022, the Company had no commitments to purchase intangible assets.

7. PROPERTY, PLANT AND EQUIPMENT

At 31 December 2023 and 2022, the breakdown and movements in this item in the accompanying statement of financial position were as follows:

Millions of Euro

	Balance at 31 December 2022	Investments and charges	Balance at 31 December 2023
Cost:			
Plant and other property, plant and equipment	10	–	10
Total	**10**	**–**	**10**
Accumulated amortisation:			
Plant and other property, plant and equipment	(8)	(1)	(9)
Total	**(8)**	**(1)**	**(9)**
NET TOTAL	**2**	**(1)**	**1**

Millions of Euro

	Balance at 31 December de 2021	Investments and charges	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**

At 31 December 2023 and 2022, the Company had no fully depreciated property, plant and equipment still in use.

At 31 December 2023 and 2022, 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.

8. LEASES AND SIMILAR OPERATIONS

8.1. Operating leases

Endesa, S.A. leases the building where its headquarters is located from Group company ENDESA Medios y Sistemas, S.L.U. The lease expires in 2030. Lease payments made in this regard in 2023, amounted to Euro 4 million (Euro 4 million in 2022).

Likewise, Endesa, S.A. is the lessee of several buildings with leases that expire between 2024 and 2030. Lease payments made in 2023 for these leases amounted to Euro 3 million (Euro 3 million in 2022) (see Note 17.3).

At 31 December 2023 and 2022, the minimum future lease payments payable by the Company under operating leases are as follows:

Millions of Euro

	Nominal value	
	31 December 2023	**31 December 2022**
Less than one year	7	6
Between one year and five years	25	23
More than five years	9	17
Total	**41**	**46**

9. CURRENT AND NON-CURRENT FINANCIAL ASSETS

At 31 December 2023 and 2022, the details and movements of *"Investments in Group companies and associates"* and *"Non-current financial investments"* in the accompanying statement of financial position were as follows:

Millions of Euro

	Note	Balance at 31 December 2022	Additions and charges	Cancellations	Transfers and other	Business combinations	Balance at 31 December 2023
Non-current investments in Group compa-nies and associates	19.2	**18,926**	**3**	**1**	**—**	**202**	**19,132**
Equity instruments	9.1.1	18,926	—	1	—	202	19,129
Interests in Group companies and associ-ates		18,928	—	—	—	202	19,130
Impairment losses		(2)	—	1	—	—	(1)
Other financial assets		—	3	—	—	—	3
Non-current financial investments		**130**	**16**	**(60)**	**(5)**	**—**	**81**
Equity instruments	9.2.1	3	—	1	—	—	4
Non-current financial investments		5	—	—	—	—	5
Impairment losses		(2)	—	1	—	—	(1)
Loans to third parties	9.2.2	7	9	—	(4)	—	12
Loans to third parties		7	9	—	(4)	—	12
Derivatives	15	110	4	(58)	(1)	—	55
Other financial assets	9.2.3	10	3	(3)	—	—	10
TOTAL NON-CURRENT FINANCIAL ASSETS		**19,056**	**19**	**(59)**	**(5)**	**202**	**19,213**

Millions of Euro

	Note	Balance at 31 December 2021	Additions and charges	Disposals	Transfers and other	Balance at 31 December 2022
Non-current investments in Group companies and associates	19.2	**18,924**	**2**	**—**	**—**	**18,926**
Equity instruments	9.1.1	18,924	2	—	—	18,926
Interests in Group companies and associates		18,926	2	—	—	18,928
Impairment losses		(2)	—	—	—	(2)
Loans to companies	9.1.2	—	—	—	—	—
Loans to companies		54	—	—	(54)	—
Impairment losses	9.1.3	(54)	—	—	54	—
Non-current financial investments		**28**	**131**	**(5)**	**(24)**	**130**
Equity instruments	9.2.1	3	—	—	—	3
Non-current financial investments		5	—	—	—	5
Impairment losses		(2)	—	—	—	(2)
Loans to third parties	9.2.2	6	7	—	(6)	7
Loans to third parties		6	7	—	(6)	7
Derivatives	15	7	123	(2)	(18)	110
Other financial assets	9.2.3	12	1	(3)	—	10
TOTAL NON-CURRENT FINANCIAL ASSETS		**18,952**	**133**	**(5)**	**(24)**	**19,056**

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 2023 and 2022 are as follows:

Millions of Euro

	Note	31 December 2023	31 December in 2022
Current investments in Group companies and associates	19.2	**128**	**4,753**
Loans to companies	9.1.2	67	4,753
Loans to Group companies and associates		67	4,753
Other financial assets	9.1.4	61	—
Current financial investments		**7**	**176**
Loans to third parties		2	170
Loans to third parties	9.2.2	2	170
Other financial assets		5	6
TOTAL CURRENT FINANCIAL ASSETS		**135**	**4,929**

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

9.1.1. Equity instruments

At 31 December 2023 and 2022, 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 and jointly-controlled entities: 2023 Company [1]	Millions of Euro					
					Profit/(loss) for the year	
Registered office	% direct ownership	Capital	Reserves	Interim dividend	Profit from operations	Net profit/(loss)
Group companies:						
Endesa Energía, S.A.U. – Madrid [2]	100%	14	1,774	—	(113)	(93)
Endesa Generación, S.A.U. – Seville [2]	100%	1,940	4,329	—	991	543
Endesa Medios y Sistemas, S.L.U. – Madrid	100%	90	75	—	(7)	(3)
Endesa Financiación Filiales, S.A.U. – Madrid	100%	4,621	4,665	(100)	—	153
Endesa X Servicios, S.L.U. - Madrid	100%	—	67	—	6	5
Endesa Mobility, S.L.U. - Madrid	100%	10	47	—	—	(7)
Edistribución Redes Digitales, S.L.U. – Madrid	100%	1,204	1,386	(630)	1,012	695
Distribuidora Eléctrica del Puerto de la Cruz, S.A.U. – Santa Cruz de Tenerife	100%	13	23	—	4	4
Energías de Aragón I, S.L.U. - Zaragoza	100%	3	9	—	3	2
Eléctrica del Ebro, S.A.U. - Barcelona	100%	—	19	—	—	3
Empresa de Alumbrado Eléctrico de Ceuta, S.A. - Ceuta	96.42%	16	8	(1)	6	3
Rest						
Associates and jointly controlled entities:						
Suministradora Eléctrica de Cádiz, S.A.- Cádiz	33.50%	12	22	—	9	9
Comercializadora Eléctrica de Cádiz, S.A. - Cádiz	33.50%	7	1	—	5	5
Resto						
TOTAL						

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

Group companies and associates and jointly-controlled entities: 2022 Company [1]	Millions of Euro					
					Profit/(loss) for the year	
Registered office	% direct ownership	Capital	Reserves	Interim dividend	Profit from operations	Net profit/(loss)
Empresas del Grupo:						
Endesa Energía, S.A.U. – Madrid [2][3]	100%	14	1,276	—	751	506
Endesa Generación, S.A.U. – Seville [2]	100%	1,940	3,314	—	1,575	1,020
Endesa Red, S.A.U. – Madrid [2]	100%	720	2,337	(560)	1,012	745
Endesa Medios y Sistemas, S.L.U. – Madrid [1]	100%	90	62	—	14	13
Endesa Financiación Filiales, S.A.U. – Madrid [1]	100%	4,621	4,653	(83)	127	95
Endesa X Servicios, S.L.U. - Madrid [1]	100%	—	84	(70)	22	110
Rest of Group						
TOTAL						

[1] Audited figures.
[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 hedges 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.

Most significant changes in 2023 and 2022

Millions of Euro							
				Carrying amount			
Total equity	Grants, donations and bequests received	Valuation adjustments	Total equity	Cost	Impairment in the year	Accumulated impairment	Dividends received (Notes 17.1 and 19.1)
				19,103	**1**	**(1)**	**1,146**
1,695	—	(452)	1,243	1,102	—	—	—
6,812	54	(1)	6,865	5,891	—	—	—
162	—	—	162	167	—	—	—
9,339	—	—	9,339	9,242	—	—	100
72	—	—	72	43	—	—	—
50	1	—	51	37	—	—	—
2,655	3,526	—	6,181	2,462	—	—	1,045
40	1	—	41	31	—	—	—
14	4	—	18	9	—	—	—
22	2	—	24	23	—	—	—
26	—	—	26	86	—	—	1
				10	1	(1)	—
				27	**—**	**—**	**4**
43	9	—	52	17	—	—	3
13	—	—	13	6	—	—	—
—			—	4	—	—	1
				19,130	**1**	**(1)**	**1,150**

Millions of Euro							
				Carrying amount			
Total equity	Grants, donations and bequests received	Valuation adjustments	Total equity	Cost	Impairment in the year	Accumulated impairment	Dividends received (Notes 17.1 and 19.1)
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**

These companies do not have publicly listed share prices.

2023 Financial Year

On 24 January 2023, the Board of Directors of the Company authorised the start of a corporate restructuring process consisting of the creation of a new wholly owned company called Endesa Mobility, S.L.U. and the spin-off of the electric mobility business owned by Endesa X Servicios S.L.U., including the 49% stake in the share capital of Endesa X Way, S.L. to the new company. Accordingly, on 26 January 2023 Endesa Mobility, S.L.U. was incorporated, wholly owned by the Company, and on 3 April 2023 the aforementioned spin-off was registered, resulting in a reduction and increase in Endesa, S.A.'s shareholdings in Endesa X Servicios, S.L.U. and Endesa Mobility, S.L.U., respectively, amounting to Euro 37 million.

On 22 September 2023, the Board of Directors of Endesa, S.A. and the Sole Director of Endesa Red, S.A.U. signed and approved a joint plan for merger by absorption of Endesa Red, S.A.U. as the acquiree, with the extinguishing, by means of dissolution without liquidation of the acquiree and transferring its assets en-bloc to Endesa, S.A. as the universal successor, comprising all the assets and liabilities of the acquiree (see Note 5). As a result, on 1 January 2023, the financial interest held by the Company in Endesa Red, S.A.U. amounting to Euro 2,440 million was derecognised, and all the financial interests held by Endesa Red, S.A.U. amounting to Euro 2,642 million were integrated into Endesa, S.A.

2022 Financial Year

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.

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

At 31 December 2023, "*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 57 million (Euro 9 million at December 2022) and from the previous year Euro 4 million (0 million as of 31 2022). The receivable for 2023 income tax expense is an estimate and therefore interest-free, as it will be settled in 2024 when the income tax return is filed (see Notes 16.9 and 19.2).

Also, at 31 December 2022, "*Current loans to Group companies and associates*" mainly includes the debit balance for the intercompany current account contract held with Endesa Financiación Filiales, S.A.U., amounting to Euro 4,696 million. 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 2023, the intercompany current account agreement with Endesa Financiación Filiales, S.A.U. had a credit balance of Euro 498 million (see Note 13).

Also, at 31 December 2023, uncollected interest accrued on this credit facility amounted to Euro 6 million (Euro 31 million at 31 December 2022) (see Notes 13.2 and 19.2).

Lastly, at 31 December 2023 and 2022, the Company had granted a loan to Elcogas, S.A. (En Liquidación) (in liquidation), as recognised under current "Loans to Group companies and associates" for a total of Euro 54 million, and which was fully impaired. Its maturity date is dependant upon Elcogas, S.A. (En Liquidación) (in liquidation) having already repaid all its debts, which, given the ongoing plant closure process, is expected to take place within 12 months.

9.1.3. Impairment

During 2023 and 2022, impairment losses on current loans and advances to Group companies and associates and any reversals thereof are as follows.

Millions of Euro

	2023	2022
Balance at 1 January	**—**	**54**
Transfers to current	—	(54)
Balance at 31 December	**—**	**—**

9.1.4. Other current financial assets

Other financial assets under current investments in Group companies and associates at 31 December 2023 included dividends accrued and receivable held by the Company, as follows:

Millions of Euro

	31 de diciembre de 2023
Edistribución Redes Digitales, S.L.U.	60
Empresa de Alumbrado Eléctrico de Ceuta, S.A.	1
TOTAL	**61**

9.2. Current and non-current financial investments

9.2.1. Equity instruments

Investments in equity instruments held at 31 December 2023 totalled Euro 4 million (Euro 3 million at 31 December 2022).

9.2.2. Current and non-current loans to third parties

At 31 December 2023 and 2022, *Loans to third parties* included the balance relating to non-current loans to staff amounting to Euro 12 million and Euro 7 million, respectively.

Likewise, in 2023 and 2022, no impairment loss allowances were recognised for non-current *"Loans to third parties"*.

Through Ruling 202/2022, of 21 February, delivered by the Supreme Court, the court acknowledged that Endesa, S.A. was entitled receive compensation 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 remains in force. Thus, all amounts paid in this regard are to be refunded to the claimant after discounting any amounts that may have been passed on to customers. As Endesa, S.A. did not pass on this cost to customers, either directly or indirectly, it should be entitled to fully recover the amounts incurred. For the regulated segment, the amounts owed should be recovered automatically, as the Last Resort Suppliers were unable to pass this cost on to customers given that their remuneration regime does not allow for it. For this reason, at 31 December 2022, Endesa, S.A. had recognised under *"Loans to third parties"* a current receivable in this connection amounting to Euro 152 million of principal and Euro 16 million of late-payment interest.

On 28 July 2023, the Secretary of State for Energy notified Endesa, S.A. of the Resolution of 21 July 2023 recognising the right to be compensated for the amounts paid as financing for the Social Bonus in the amount of Euro 172 million, corresponding to Euro 152 million in principal and Euro 20 million in late payment interest (see Notes 12.3, 17.4 and 17.5). These amounts were collected in August and September 2023.

With respect to the cost of financing the Social Bonus associated with consumers supplied in the deregulated market segment, the Company has filed a written pleading with the Supreme Court, together with the corresponding expert reports, in order to demonstrate that Endesa, S.A. did not pass on the cost of financing the Social Bonus associated with customers in this segment and that, consequently, it is entitled to full compensation (see Note 12.3).

9.2.3. Other non-current financial assets

At 31 December 2023 and 2022, this heading mainly included Euro 7 million and Euro 10 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 12.1).

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

At 31 December 2023 and 2022, Non-current and current financial assets, excluding equity instruments in Group companies and associates, by class and category, were as follows:

Millions of Euro

		31 December 2023			
	Note	**Financial assets at cost**	**Financial assets at amortised cost**	**Hedging derivatives**	**Total**
Non-current investments in Group companies and associates		**—**	**3**	**—**	**3**
Other financial assets		—	3	—	3
Non-current financial investments		**4**	**22**	**55**	**81**
Equity instruments	9.2.1	4	—	—	4
Loans to third parties	9.2.2	—	12	—	12
Derivatives	15	—	—	55	55
Other financial assets	9.2.3	—	10	—	10
Total non-current financial assets		**4**	**25**	**55**	**84**
Current investments in Group companies and associates		**—**	**128**	**—**	**128**
Loans to companies	9.1.2	—	67	—	67
Other financial assets	9.1.4	—	61	—	61
Current financial investments		**—**	**7**	**—**	**7**
Loans to third parties	9.2.2	—	2	—	2
Other financial assets		—	5	—	5
Trade and other receivables		**—**	**115**	**—**	**115**
Cash and cash equivalents		**—**	**293**	**—**	**293**
Total current financial assets		**—**	**543**	**—**	**543**
TOTAL		**4**	**568**	**55**	**627**

Millions of Euro

		31 December 2022			
	Note	**Financial assets at cost**	**Financial assets at amortised cost**	**Hedging derivatives**	**Total**
Non-current financial investments		**3**	**17**	**110**	**130**
Equity instruments	9.2.1	3	—	—	3
Loans to third parties	9.2.2	—	7	—	7
Derivatives	15	—	—	110	110
Other financial assets	9.2.3	—	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	9.1.2	—	4,753	—	4,753
Current financial investments		**—**	**176**	**—**	**176**
Loans to third parties	9.2.2	—	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**

9.4. Classification by maturity

At 31 December 2023 and 2022, the breakdown, by maturity, of non-current financial assets, excluding equity instruments, was as follows:

Millions of Euro

31 December 2023	2025	2026	2027	2028	Subsequent years	Total
Non-current investments in Group companies and associates	**—**	**3**	**—**	**—**	**—**	**3**
Other financial assets	—	3	—	—	—	3
Non-current financial investments	**5**	**6**	**4**	**1**	**61**	**77**
Loans to third parties	2	2	1	1	6	12
Derivatives	—	—	—	—	55	55
Other financial assets	3	4	3	—	—	10
TOTAL NON-CURRENT FINANCIAL ASSETS	**5**	**9**	**4**	**1**	**61**	**80**

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**

9.5. Items recognised in the income statement and in equity

In 2023 and 2022, 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

	2023		2022	
	Income statement	Equity	Income statement	Equity
Financial assets at amortised cost	34	—	59	—
Fair value hedging derivatives	1	—	2	—
Cash flow hedging derivatives	44	(55)	4	116
TOTAL	**79**	(55)	65	116

9.6. Fair value measurement

At 31 December 2023 and 2022, 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 December 2023			
	Fair value	**Level 1**	**Level 2**	**Level 3**
Non-current financial investments	**55**	**—**	**55**	**—**
Derivatives	55	—	55	—
Interest rate hedges	55	—	55	—
Fair value hedges	2	—	2	—
Cash flow hedges	53	—	53	—
Total Non-current Assets	**55**	**—**	**55**	**—**

Millions of Euro

	31 December 2022			
	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**	**—**

There were no level transfers among these financial assets in 2023 and 2022.

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 euros at the exchange rate prevailing on the last working day of each close. All these measurements are made using internal tools.

At 31 December 2023 and 2022, the fair value of the Company's non-current financial assets classified under "Financial assets at amortised cost" did not significantly differ from their carrying amount.

9.7. Financial investment commitments

At 31 December 2023 and 2022, Endesa, S.A. did not have any agreements that included commitments to make financial investments of a significant amount.

10. FOREIGN CURRENCY

At 31 December 2023 and 2022, the details of the most significant foreign currency balances were as follows:

Millions of Euro

	31 December 2023	31 December 2022		
	US dollar (USD)	US dollar (USD)	Pound sterling (GBP)	TOTAL
CURRENT ASSETS	**46**	**83**	**1**	**84**
Trade and other receivables	44	78	–	78
Receivable from Group companies and associates	44	78	–	78
Cash and cash equivalents	2	5	1	6
TOTAL ASSETS	**46**	**83**	**1**	**84**

Millions of Euro

	31 December 2023	31 December 2022
	US dollar (USD)	US dollar (USD)
CURRENT LIABILITIES	**(44)**	**(78)**
Trade and other payables	(44)	(78)
Other payables	(44)	(78)
TOTAL LIABILITIES	**(44)**	**(78)**

In 2023 and 2022, no foreign currency transactions of any significant amount were performed.

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 18.2). 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 2023 and 2022 related mainly to measurements of cash accounts denominated in foreign currency.

11. EQUITY

At 31 December 2023 and 2022, 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.

11.1. Share capital

At 31 December 2023, 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 2023 and 2022. All the shares have the same voting and profit-sharing rights.

At 31 December 2023 and 2022, 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.

11.2. 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 2023, Euro 31 million of the share premium are restricted to the extent that they are subject to tax assets capitalised in prior years (Euro 33 million at 31 December 2022).

11.3. Reserves

At 31 December 2023 and 2022, the details of the Company's reserves were as follows:

Millions of Euro

	Note	31 December 2023	31 December2022
Legal reserve	11.3.1	254	254
Revaluation reserve	11.3.2	404	404
Redeemed capital reserve	11.3.3	102	102
Reserve for redenomination of capital to Euro	11.3.4	2	2
Reserve for actuarial gains and losses and other adjustments	11.3.5	(2)	—
Other reserves		702	693
Merger reserve	11.3.6	676	667
Other unrestricted reserves	11.3.7	26	26
Voluntary and other reserves		26	26
TOTAL		**1,462**	**1,455**

11.3.1. Legal reserve

In accordance with section 274 of the consolidated text of the Spanish 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 20% of the share capital and no other sufficient reserves are available for such purpose.
At 31 December 2023 and 2022, the Company had allocated the minimum amount required by said law to this reserve.

11.3.2. 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 2023, Euro 193 million of the share premium are restricted to the extent that they are subject to tax assets capitalised in prior years (Euro 207 million at 31 December 2022).

11.3.3. 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.

11.3.4. Reserve for redenomination of capital to Euro

This reserve is not distributable.

11.3.5. Reserve for actuarial gains and losses and other adjustments

This reserve derives from actuarial gains and losses recognised in equity (see Note 12.1).

11.3.6. Merger reserve

This reserve arises from the Company's corporate reorganization transactions, including the Endesa Red, S.A.U. merger transaction described in Note 5, and its balance at December 31, 2023 is Euro 676 million, of which Euro 76 million are restricted to the extent that they are subject to certain tax benefits (Euro 667 million and Euro 78 million restricted, respectively, at December 31, 2022).

11.3.7. Other unrestricted reserves

The voluntary reserves are unrestricted.

11.4. Treasury shares

Endesa, S.A. holds treasury shares to cover the long-term variable remuneration plans in force, which include the delivery of shares as part of the strategic incentive payment (see Note 19.3.5). The purchase of these shares was carried out through Temporary Share Buyback Programmes.

Under these programmes, Endesa, S.A. acquired a total of 253,820 treasury shares in prior years. On 6 September 2023, Endesa, S.A. paid 30% of the long-term remuneration to have accrued in previous years under the *2020-2022 Strategic Incentive Plan*, which entailed the delivery to the beneficiaries of 21,282 ordinary shares in Endesa, S.A. for a total amount of less than Euro 1 million. As a result, 232,538 shares remained in the possession of the Company as at 31 December 2023.

Likewise, the Board of Directors of Endesa, S.A., at its meeting held on 22 March 2023, resolved to carry out another Temporary Share Buyback Programme, in accordance with the authorisation granted at 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 February 2023 in relation to the plan to award shares to employees ("Flexible Share Remuneration Programme"). This Temporary Share Buyback Programme aims to acquire shares to comply with the obligations under the Flexible Share Remuneration Programme for serving employees of the Endesa Group in Spain who opt in 2023 to receive a portion of their salary in shares of Endesa, S.A. as part the Endesa's general remuneration policy framework. The Temporary Share Buyback Programme includes the volume of shares required to cover the monetary amount requested by employees. Within the framework of the aforementioned Program, in 2023 Endesa, S.A. acquired 613,000 treasury shares of the Company for Euro 12 million, of which, at 31 December 2023, 1,351 shares remained in the Company's possession.

Therefore, at 31 December 2023 and 2022 Endesa, S.A. held treasury shares as reflected in the table below:

	N° de Acciones	Nominal value (Euro/Share)	% of total share capital	Average acquisition cost (Euro/Share)	Total cost of acquisition (Euro)
Treasury shares at 31 December 2023	**234,679**	**1.2**	**0.02217**	**19.25**	**4,518,265**
Strategic Incentive Plans	232,538	1.2	0.02196	19.25	4,475,783
Flexible Stock Compensation Programs	2,141	1.2	0.00020	19.84	42,482
Treasury shares at 31 December 2022	**254,610**	**1.2**	**0.02405**	**19.25**	**4,901,357**
Strategic Incentive Plans	253,820	1.2	0.02397	19.25	4,885,524
Flexible Stock Compensation Programs	790	1.2	0.00007	20.04	15,833

11.5. Dividends

2023 Financial Year

At its meeting held on 23 November 2023, Endesa S.A.'s Board of Directors agreed to pay its shareholders a gross interim dividend against 2023 profit of gross Euro 0.5 per share, which gave rise to a pay-out of Euro 529 million on 2 January 2024 (see Note 3). This interim dividend was deducted from the Company's equity at 31 December 2023.

Millions of Euro

	Approval date	Euro per share, gross	Amount	Payment date
Interim dividend	23 November 2023	0.5	529	2 January 2024
Total dividend paid against 2023 profit		**0.5**	**529**	

2022 Financial Year

Approval was granted at Endesa, S.A.'s General Shareholders' Meeting held on 28 April 2023 to pay shareholders a total dividend charged against 2022 profit and retained earnings for a gross amount of Euro 1.5854 per share, for a total of Euro 1,678 million. This dividend was ultimately paid to shareholders on 3 July 2023.

11.6. 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.

12. PROVISIONS AND CONTINGENCIES

At 31 December 2023 and 2022, the details of *current and non-current provisions* in the accompanying statement of financial position were as follows:

Millions of Euro

	Note	31 December 2023	31 December 2022
Non-current provisions			
Non-current employee benefit provisions		25	23
Provisions for pensions and other similar provisions [(1)]	12.1	15	12
Other employee benefits		10	11
Provisions for workforce restructuring plans		161	124
Contract suspensions	12.2.1	161	124
Other provisions	12.3	55	65
TOTAL		**241**	**212**
Current provisions			
Provisions for workforce restructuring plans		39	40
Contract suspensions		39	40
TOTAL		**39**	**40**

[(1)] Includes post-employment benefits other than pension plans for Euro 10 million at 31 December 2023 (Euro 9 million at 31 December 2022).

12.1. 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 2023 for post-employment benefits include Euro 15 million recognised in *"Non-current provisions"* (Euro 12 million at 31 December 2022).

At 31 December 2023 and 2022, 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 2023	31 December 2022
Present value of defined benefit provisions	**36**	**31**
Assets	9	7
Liabilities	7	4
Retired early	20	20
Fair value of defined benefit plan assets	**(21)**	**(19)**
NET TOTAL [1]	**15**	**12**

[1] Includes post-employment benefits other than pension plans for Euro 10 million at 31 December 2023 (Euro 9 million at 31 December 2022).

At 31 December 2023 and 2022, the movement in actuarial liabilities for defined benefit provisions was as follows:

Millions of Euro

	Note	2023	2022
Opening actuarial liability		**31**	**85**
Business Combinations	5	**1**	**–**
Amounts charged to profit/(loss) for the year		**1**	**1**
Financial expenses	17.4	1	1
Actuarial gains and losses		**7**	**(28)**
Applications		**(4)**	**(6)**
Payments		(5)	(7)
Transfers to current and other		1	1
Insurance for Benefits Payable		**–**	**(21)**
Closing actuarial liability [1]		**36**	**31**

(1) Includes post-employment benefits other than pension plans for Euro 10 million at 31 December 2023 (Euro 9 million at 31 December 2022).

The amount recognised under *insurance for benefits payable* in 2022, of Euro 21 million, related 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.

In 2022, the cost of the policy was Euro 0.4 million lower than the actuarial liability corresponding to these obligations. Therefore, a positive effect was recognised for that same amount under *"Personnel expenses"* in the income statement. At 31 December 2023 and 2022, the changes in the market value of defined benefit plan assets were as follows:

Millions of Euro

	Note	2023	2022
Opening market value		**19**	**49**
Estimated benefit	17.4	1	1
Company contribution		2	2
Payments		(5)	(7)
Actuarial gains and losses		4	(5)
Insurance for Benefits Payable		–	(21)
Closing market value [1]		**21**	**19**
Opening liabilities/(assets) balance		**12**	**36**
Closing liabilities/(assets) balance		**15**	**12**

[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 2023 and 2022.

Plan assets

At 31 December 2023 and 2022, the main characteristics of defined benefit plan assets as a percentage of total assets, were as follows:

	Percentage (%)	
	31 December 2023	31 December 2022
Shares	28	30
Fixed income assets	47	45
Other investments	25	25
TOTAL	**100**	**100**

Actuarial assumptions

At 31 December 2023 and 2022, the following were the most significant actuarial assumptions considered in the calculations:

	31 December 2023	31 December 2022
Mortality tables	PERM FCOL2020	PERM FCOL2020
Interest Rate	3.30% - 3.32%	3.74% - 3.77%
Expected return on plan assets	3.31%	3.77%
Salary increase(1)	2.57%	2.78%
Increase in the cost of health care	5.14%	4.98%

(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 7 million in 2023 (Euro 9 million in 2022) and are recognised under *"Personnel expenses"* in the income statement.

12.2. 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.

12.2.1. Agreement on voluntary suspension or termination of employment contracts

At 31 December 2023, 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 200 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 161 million were recognised as non-current (Euro 164 million and 124 million, respectively, at 31 December 2022). This provision affects a maximum of 455 employees for whom Endesa has undertaken not to exercise the power to apply to return to the Company (439 employees at 31 December 2022).

At 31 December 2023 and 2022, the movements in this non-current provision were as follows:

Millions of Euro

	Note	2023	2022
Opening balance		**124**	**140**
Business combinations	5	**6**	**—**
Amounts charged to profit/(loss) for the year		**70**	**43**
Personnel expenses	17.2	62	40
Financial expenses	17.4	8	3
Applications		**(39)**	**(59)**
Personnel income	17.2	(1)	(1)
Financial income	17.4	—	(18)
Transfers and other		(38)	(40)
Closing balance		**161**	**124**

In 2023, the Company set aside a provision of Euro 61 million in line with the commitment with the efficiency improvements, which envisages the departure of a maximum of 67 employees affected, among others, by the Digitalisation of Processes.

Actuarial assumptions

At 31 December 2023 and 2022, the assumptions used in the actuarial calculation of the provisions arising from the contract suspension agreement were as follows:

	31 December 2023	31 December 2022
Mortality tables	PERM FCOL2020	PERM FCOL2020
Interest Rate	3.14 %	3.57 %
Future increase in guarantee	1.00 %	1.00 %
Increase in other items	2.57 %	2.78 %

12.3. 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 2023 and 2022 were as follows:

Millions of Euro

	Note	2023	2022
Opening balance		**65**	**62**
Business Combinations	5	1	—
Amounts charged to profit/(loss) for the year		3	3
Amounts credited to profit for the year		(14)	—
Closing balance		**55**	**65**

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 delivered judgment number 212/2022 on 21 February, in the appeal lodged by Endesa, S.A., Endesa Energía, S.A.U. and Energía XXI Comercializadora de Referencia, S.L.U. (Endesa), and in the appeals filed by other electricity sector companies against the obligation set out in Article 45(4) of Electricity Sector Law 24/2013, of 26 December, Royal Decree Law 7/2016, of 23 December, and Royal Decree 897/2017, of 6 October, to finance the cost of the Social Bonus, and to co-finance, alongside the public administrations, the supply of electricity to severely vulnerable consumers subject to the Last Resort Tariffs (LRTs) and who are 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 and co-finance (alongside the public administrations) the Social Bonus, so that all amounts paid in this regard are refunded, less any amounts that may have 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 Sub directorate 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 companies were given notice to state, within 10 days, whether the Administration has set the amounts to be paid in compensation. On 24 January 2023, a written statement of allegations was submitted, 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. On 29 March 2023, a new written submission was filed with the Supreme Court, requesting (i) the immediate payment of the undisputed amount of compensation claimed, (ii) effective delivery of the report of the Spanish Markets and Competition Commission (*"CNMC"*) on which the Ministry of Ecological Transition and the Demographic Challenge (*"MITECO"*) used to prepare its report on the state of enforcement of the judgment (as repeatedly requested), and (iii) that the State Lawyer be summoned to make pleadings and proceed to the ratification of the expert reports presented. On 26 May 2023, the Supreme Court handed down a ruling agreeing, inter alia, the following: (i) to initiate enforcement of the ruling, (ii) to order the Ministry of Ecological Transition and the Demographic Challenge (MITECO) to submit the report of the Spanish Markets and Competition Commission (CNMC) dated 24 March 2022 as requested, (iii) to partially uphold the motion filed by Endesa declaring Energía XXI Comercializadora de Referencia, S.L.U.'s entitlement to be paid an amount of Euro 152 million, plus legal interest calculated from the date of payment until the date of reimbursement, in connection with reference provided for in section four of the operative part of the ruling; (iv) to order the Ministry of Ecological Transition and the Demographic Challenge (MITECO) to quantify, within a maximum period of one month, the amount payable to the appellant as compensation for the share of Endesa's free supplier of the cost of financing the Social Bonus after deducting any applicable amount that had been passed on to customers, (v) to order the Ministry of Ecological Transition and the Demographic Challenge (MITECO) to quantify, as quickly as possible, the amount to be paid to the appellant for amounts invested to implement the procedure to request, check and manage the Social Bonus application and, within a maximum period of two months, pay the appellant the appropriate amount plus legal interest in the terms specified in the verification and management procedure for the Social Subsidy and to pay the appellant the appropriate amount for this item within a maximum period of 2 months, plus legal interest in the terms indicated in the operative part of the ruling. On 28 July 2023, the Secretary of State for Energy served notice of a Resolution acknowledging Endesa's right to (i) compensation totalling Euro 172 million (including the corresponding legal interest) for the financing costs associated with customers in the regulated segment of the market; and (ii) compensation of Euro 7 million (including the corresponding legal interest) for the costs of implementing and processing the Social Bonus. However, the same Resolution of the Secretary of State for Energy does not recognise any compensation whatsoever as regards the cost of financing associated with customers in the unregulated segment of the supply market. On 18 September 2023, Endesa submitted a written pleading to the Supreme Court, accompanied by the corresponding expert reports, to reliably show that Endesa has not passed on the cost of financing the associated Social Bonus to customers in the unregulated segment of the market and that, consequently, it is entitled to full compensation (see Notes 9.2.2, 17.3, 17.4 and 17.5).

- 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"*, which expired from 1 January 2019, 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"*.

  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 upon the insistence of the three claimant minority trade unions: Comisiones Obreras (CCOO), Sindicato Independiente de la Energía (SIE) and Confederación Intersindical Galega (CIG).

  On 7 July 2021, 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, no. 32/2019.

The Ruling mainly argues that the social benefits (among them, those relating to the electricity tariff) 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 Agreement"* did not affect them in the terms reported by the Company. Following the Supreme Court Ruling of 7 July 2021, the suspension on many of these claims was lifted, with most of the courts involved applying the *"res judicata effect"* on the individual processes involving the same subject matter, meaning that the vast majority of individual claims are being rejected.

- Also, on 16 December 2020, Comisiones Obreras (CCOO), Sindicato Independiente de la Energía (SIE) and Confederación Intersindical Galega (CIG) brought a collective dispute claim on 16 December 2020, requesting the annulment of certain repealing provisions of the *"V Endesa Framework Collective Agreement"*. In the claimants' view, the disputed repealing provisions entail the unlawful elimination of employee benefits and economic rights. Endesa maintains a contrary position, defending the absolute lawfulness of such provisions as argued in the challenge of the modification of employee benefits for retired staff (favourable judgment of the National Court of 26 March 2019 and the Supreme Court of 7 July 2021). On 15 November 2021, the Spanish High Court handed down a ruling dismissing the claims of the appellant trade unions and upholding the legality of the *"V Endesa Framework Collective Agreement"*. This Ruling was appealed against before the Supreme Court by the (Workers' Commissions (CCOO), Independent Energy Union (SIE) and Galega Intersindical Confederation (CIG) and is pending resolution at the authorisation date of these financial statements.
- 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. The Spanish High Court handed down a Judgment on 11 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 of 7 July 2021. Both ENDESA, for its part, and the Workers' Commissions Unions (CCOO) and the Independent Energy Union (SIE), for their part, filed a cassation appeal before the Supreme Court against the aspects of the ruling contrary to their interests.
- In relation to the inspection process for 2011–2014, definitive income tax and VAT settlement agreements from the Income Tax and VAT tax consolidation Groups to which Endesa, S.A. belongs and for personal income tax withholdings of each of the inspected companies were received on 9 July 2018 and have been under appeal before the National Court since 3 June 2022.

  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 25 million. A guarantee was available to secure suspension of both debts. However, once the request for precautionary suspension of the VAT settlement agreement was rejected on 5 June 2023, the amount was paid. The guarantee securing suspension of the debt for the income tax settlement agreement still remains in place.

- 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.
- With respect to the new temporary energy tax introduced by Law 38/2022, of 27 December, for the establishment of temporary energy taxes and credit institutions and financial credit institutions and creating the temporary solidarity tax of large fortunes, and certain tax rules are amended, Endesa filed an appeal before the Spanish High Court in February 2023 against its implementing regulation on the grounds that the tax is contrary to both European and Spanish law. It has also challenged the self-assessments filed in 2023 and applied for a refund of Euro 208 million, together with interest on late payments (see Note 17.3).

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.

13. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

13.1. Current and non-current financial liabilities

At 31 December 2023 and 2022, 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 2022	Drawn	Repaid	Fair value adjustments	Transfers to/ from current	Other	Business combinations (Note 5)	Balance at 31 December 2023
Non-current debts		**5,854**	**1,451**	**(748)**	**59**	**(1,287)**	**—**	**—**	**5,329**
Bonds and other marketable securities	13.2	14	—	—	—	—	—	—	14
Bank borrowings		5,748	1,413	(701)	59	(1,253)	—	—	5,266
Finance lease payables		1	—	—	—	(1)	—	—	—
Derivatives	15	87	38	(47)	—	(33)	—	—	45
Other financial liabilities		4	—	—	—	—	—	—	4
Non-current debts to Group companies and associates	**19.2**	**5,100**	**2,191**	**(450)**	**—**	**(3,000)**	**(5)**	**182**	**4,018**
Debts to Group companies and associates		5,100	2,191	(450)	—	(3,000)	(5)	182	4,018
TOTAL		**10,954**	**3,642**	**(1,198)**	**59**	**(4,287)**	**(5)**	**182**	**9,347**

Millions of Euro

	Note	Balance at 31 December 2021	Drawn	Repaid	Fair value adjustments	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	13.2	18	—	—	(4)	—	14
Bank borrowings		3,203	1,798	(2)	(86)	835	5,748
Finance lease payables		1	—	—	—	—	1
Derivatives	15	13	—	(8)	100	(18)	87
Other financial liabilities		3	1	—	—	—	4
Non-current debts to Group companies and associates	**19.2**	**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**

At 31 December 2023 and 2022, 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 2023	31 December 2022
Current debts		**975**	**5,386**
Bank borrowings		781	390
Finance lease payables		—	1
Derivatives	15	17	—
Other financial liabilities [1]		177	4,995
Current debts to Group companies and associates	19.2	**3,453**	**50**
Debts to Group companies and associates		3,076	41
Other financial liabilities [2]		377	9
TOTAL		**4,428**	**5,436**

[1] At 31 December 2023, it mainly consists of the interim dividend payable by Endesa, S.A. to shareholders that are not part of the ENEL Group amounting to Euro 158 million (see Note 11.5). Also, at 31 December 2022, it mainly consisted of the outstanding balances of Euro Commercial Paper (ECP) Euro 4,988 million (see Note 13.2).
[2] At 31 December 2023, 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 11.5).

At 31 December 2023 and 2022, 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 2023		31 December 2022	
		Long-term	Short-term	Long-term	Short-term
Bank borrowings	13.2	**5,266**	**781**	**5,748**	**390**
European Investment Bank (EIB) loan		1,660	168	1,813	158
Official Credit Institute (ICO) loan		849	27	575	17
Syndicated loan - Club Deal		299	—	300	—
Other current loans		2,420	586	3,036	214
Lines of credit		38	—	24	1
Debts to Group companies and associates	13.2 and 19.2	**4,018**	**3,453**	**5,100**	**50**
Enel Finance International, N.V.		3,520	3,033	5,100	21
Endesa Financiación Filiales, S.A.U.		498	—	—	—
Other debts		—	43	—	20
Other Financial Liabilities		—	377	—	9

13.2. Main transactions

The main financial transactions in 2023 were as follows:

- A new commercial paper programme known as "Endesa, S.A. SDG 13 Euro Commercial Paper Programme (ECP) for an amount of Euro 5,000 million, with no outstanding balance as at 31 December 2023. This Programme includes sustainability targets, in line with the Strategic Plan.
- Likewise, in 2023, the following financial transactions were performed, most of which incorporated sustainability goals:

Millions of Euro

Transactions	Counterparty	Signed on	Maturing on	Amount
Loan (1) (2)	European Investment Bank	17 January 2023	2038	250
Loan (3)	Caixabank, S.A.	24 March 2023	3 May 2028	425
Loan (3)	Kutxabank, S.A.	24 March 2023	4 May 2028	75
Loan (3)	BNP Paribas	24 March 2023	5 May 2028	125
Loan (3)	Enel Finance International, N.V.	4 May 2023	4 May 2028	1,875
Loan (4) (5)	Club Deal	29 May 2023	30 November 2025	300
Loan (2) (6)	European Investment Bank	28 June 2023	2038	200
Loan (6)	Official Credit Institute	28 June 2023	28 June 2035	300
Loan (5)	Banco de Sabadell, S.A.	7 November 2023	31 October 2028	250
Loan (5) (7)	Caixabank, S.A.	21 December 2023	21 December 2028	400
Line of credit (4)	BNP Paribas	24 March 2023	24 March 2026	125
Line of credit (4)	Intesa San Paolo, S.P.A.	31 March 2023	31 March 2026	250
Line of credit (4)	Enel Finance International, N.V.	4 May 2023	4 May 2026	1,125
Line of credit (4) (5)	Club Deal	29 May 2023	30 November 2025	250
Line of credit	Industrial and Commercial Bank of China	7 November 2023	7 November 2027	120
Line of credit (5) (8)	BNP Paribas	15 December 2023	15 December 2027	200
Line of credit (5) (8)	Intesa San Paolo, S.P.A.	19 December 2023	19 December 2027	300
Line of credit (5) (8)	Deutsche Bank, S.A.	19 December 2023	19 December 2027	125
Line of credit (5) (8)	Banco Santander, S.A.	20 December 2023	20 December 2027	525
Line of credit (8)	CaixaBank, S.A.	21 December 2023	21 December 2027	250
TOTAL				**7,470**

(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) in 2024.
(2) Relates to loans not paid out at 31 December 2023.
(3) The credit conditions of these transactions are pegged to environmental sustainability goals according to the criteria set out in Article 3 of the EU Taxonomy Regulation for the 2023-2025 period.
(4) The credit conditions of these transactions are pegged to environmental sustainability goals according to the criteria set out in Article 3 of the EU Taxonomy Regulation in 2023.
(5) Renewal of existing loans and credit facilities.
(6) 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) in 2025.
(7) The credit conditions of these transactions are pegged to environmental sustainability goals according to the proportion of investment aligned with the Taxonomy of the European Union for the 2024-2026 period.
(8) The credit conditions of these transactions are pegged to environmental sustainability goals according to the proportion of investment aligned with the Taxonomy of the European Union for the 2024-2025 period.

The main Non-current and current financial debts at 31 December 2023 and 2022 relate to the following operations:

Millions of Euro

		31 December 2023		31 December 2022			
	Limit	Long-term	Current	Long-term	Current	Conditions	Maturity
Bonds and other marketable securities			**–**		**–**		
Bond		14	–	14	–	Interest rate 5.74%	12 November 2031
Bank borrowings		**5,266**	**781**	**5,748**	**390**		
European Investment Bank (EIB) [(1)]	2,264	1,660	168	1,813	158	Floating interest rate	Until 2038
Instituto de Crédito Oficial (ICO) [(2)]	875	849	27	575	17	Floating interest rate	Until 28 June 2035
Club Deal [(3)]	550	299	–	300	–	Floating interest rate	Until 30 November 2025
Banking loans	3,024	2,420	586	3,036	214	Fixed and floating interest rate	Until 21 December 2028
Lines of credit	3,734	38	–	24	1	Floating interest rate	Until 21 December 2027
Debts to Group companies and associates		**4,018**	**3,453**	**5,100**	**50**		
Line of credit with Enel Finance International, N.V. [(4)]	1,700	–	–	450	–	Margin of 67 bp and fee applicable if not used of 20 bp	25 May 2025
Line of credit with Enel Finance International, N.V. [(4)]	700	–	–	–	–	Margin of 72 bp and fee applicable if not used of 25 bp	13 May 2025
Line of credit with Enel Finance International, N.V. [(4)]	1,125	–	–	–	–	Margin of 132 bp and fee applicable if not used of 23 bp	4 May 2026
Intercompany loan with Enel Finance International, N.V. [(5)]	3,000	–	3,016	3,000	16	Fixed interest rate 3.0%	29 October 2024
Intercompany loan with Enel Finance International, N.V. [(5)]	1,650	1,650	4	1,650	5	Fixed interest rate 1.997%	13 May 2027
Intercompany loan with Enel Finance International, N.V. [(5)]	1,875	1,870	13	–	–	Fixed interest rate 4.263%	4 May 2028
Current account Endesa Financiación Filiales, S.A.U. [(6)]		498	–	–	–	Floating interest rate	1 July 2026
Other debts		–	43	–	20		
Other financial liabilities [(8)]		–	377	–	9		
Other financial liabilities		**4**	**177**	**4**	**4,995**		
European Commercial Paper (ECPs) [(7)]	5,000	–	–	–	4,988	Floating interest rate	Renewed annually
Other financial liabilities [(9)]		4	177	4	7	–	–
TOTAL		**9,302**	**4,411**	**10,866**	**5,435**		

(1) On 17 January 2023 and 28 June 2023, Endesa, S.A. arranged new financing with the European Investment Bank (EIB) for the amount of Euro 250 million and Euro 200 million, respectively, with repayments expected for the second half of 2024.

(2) On 28 June 2023, Endesa, S.A. arranged another loan with the Official Credit Institute (ICO) for the amount of Euro 300 million, which was repaid on 3 July 2023.

(3) On 17 April 2020, Endesa, S.A. entered into a syndicated financing agreement pegged to sustainability targets with Caixabank, S.A. and Kutxabank, S.A. for Euro 300 million for the loan and Euro 250 million for the credit facility, which were renewed for the same amounts on 25 March 2021 and subsequently on 29 May 2023. In the most recent novation, the following entities were added to the loan: Unicaja, S.A., Bankinter, S.A., Banco Cooperativo Español, S.A., Banco de Crédito Social Cooperativo, S.A. and Caja Laboral Kutxabank.

(4) Committed and irrevocable lines of credit (see Note 14.3).

(5) On 23 October 2014, Endesa, S.A. signed a long-term intercompany loan with Enel Finance International, N.V. for a total of 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. On 4 May 2023, Endesa, S.A. signed another long-term intercompany loan with Enel Finance International, N.V. for an amount of Euro 1,875 million. At 31 December 2023, outstanding interest accrued and outstanding under those loans amounted to Euro 33 million (Euro 21 million at 31 December 2022) (see Notes 13.1 and 19.2).

(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 2023, outstanding interest accrued pending collection and not paid on this credit facility amounted to Euro 6 million (Euro 31 million at 31 December 2022) (see Notes 9.1.2 and 19.2). On February 1, 2024, the maturity date of this intercompany current account was changed to December 31, 2029.

(7) At 31 December 2023, the new issue programme of Euro Commercial Paper (ECPs) registered by Endesa, S.A. on 10 May 2023 has no nominal outstanding balance. At 31 December 2022, the amount of Euro 4,988 million corresponded to the outstanding balance of Euro Commercial Paper (ECPs) under the prior issue programme registered by Endesa, S.A. on 10 May 2022.

(8) At 31 December 2023 relates mainly to interim dividends payable to Enel Iberia, S.L.U., amounting to Euro 371 million.

(9) At 31 December 2023 relates mainly to interim dividends payable to shareholders amounting to Euro 158 million.

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 2023, this bond included the changes in value attributable to the hedged risk amounting to Euro 2 million (Euro 2 million at 31 December 2022).

Other debts

At 31 December 2023, *"Current debts to Group companies and associates"* include the loan granted by Nuclenor, S.A. for Euro 4 million (Euro 6 million at 31 December 2022) (see Note 19.2).

Furthermore, at 31 December 2023, *"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 39 million (Euro 14 million at 31 December 2022) (see Notes 16.9 and 19.2).

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

At 31 December 2023 and 2022, the breakdown of non-current and current financial liabilities, by nature and category, was as follows:

Millions of Euro

		31 December 2023			
	Note	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging derivatives	Total
Non-current debts		**5,270**	**14**	**45**	**5,329**
Bonds and other marketable securities		–	14	–	14
Bank borrowings		5,266	–	–	5,266
Derivatives	15	–	–	45	45
Other financial liabilities		4	–	–	4
Non-current debts to Group companies and associates	**19.2**	**4,018**	**–**	**–**	**4,018**
Debts to Group companies and associates		4,018	–	–	4,018
Total non-current		**9,288**	**14**	**45**	**9,347**
Current debts		**958**	**–**	**17**	**975**
Bank borrowings		781	–	–	781
Derivatives	15	–	–	17	17
Other financial liabilities		177	–	–	177
Current debts to Group companies and associates	**19.2**	**3,453**	**–**	**–**	**3,453**
Debts to Group companies and associates		3,076	–	–	3,076
Other financial liabilities		377	–	–	377
Trade and other payables		**139**	**–**	**–**	**139**
Total current		**4,550**	**–**	**17**	**4,567**
TOTAL		**13,838**	**14**	**62**	**13,914**
TOTAL FAIR VALUE		**13,932**	**14**	**62**	**14,008**

Millions of Euro

	Note	31 December 2022			
		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	15	–	–	87	87
Other financial liabilities		4	–	–	4
Non-current debts to Group companies and associates	19.2	**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	19.2	**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**

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

13.4. Classification by maturity

At 31 December 2023 and 2022, the breakdown of non-current financial liabilities, by maturity, were as follows:

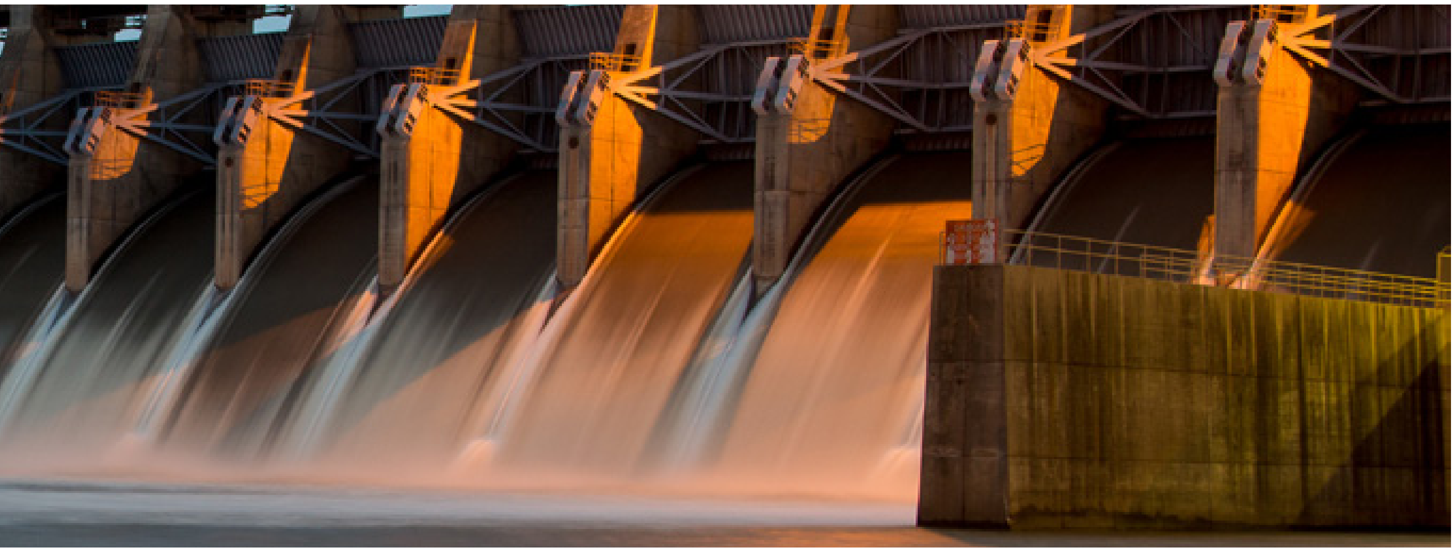
Millions of Euro

31 December 2023	Note	2025	2026	2027	2028	Subsequent years	Total
Non-current debts		**525**	**450**	**952**	**1,833**	**1,569**	**5,329**
Bonds and other marketable securities		–	–	–	–	14	14
Bank borrowings		525	450	920	1,832	1,539	5,266
Derivatives	15	–	–	32	–	13	45
Other financial liabilities		–	–	–	1	3	4
Non-current debts to Group companies and associates	19.2	**–**	**498**	**1,650**	**1,870**	**–**	**4,018**
Debts to Group companies and associates		–	498	1,650	1,870	–	4,018
TOTAL		**525**	**948**	**2,602**	**3,703**	**1,569**	**9,347**

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	15	35	–	–	–	52	87
Other financial liabilities		1	–	–	–	3	4
Non-current debts to Group companies and associates	19.2	**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**

In 2023, the average interest rate was 3.1% on bank borrowings and with Enel Finance International, N.V. (1.5% in 2022) and 1.6% on debt to the rest of the Group companies (1.2% in 2022).



13.5. Items recognised in the income statement and in equity

In 2023 and 2022, 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

	2023		2022	
	Income statement	Equity	Income statement	Equity
Financial liabilities at amortised cost	(496)	—	(95)	—
Fair value hedging derivatives	12	—	(87)	—
Cash flow hedging derivatives	—	(14)	(8)	—
TOTAL	**(484)**	**(14)**	**(190)**	**—**

13.6. Fair value measurement

At 31 December 2023 and 2022, 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 2023			
	Fair value	Level 1	Level 2	Level 3
Non-current debts	**59**	**—**	**59**	**—**
Bonds and other marketable securities	14	—	14	—
Derivatives	45	—	45	—
Interest rate hedges	45	—	45	—
Fair value hedges	27	—	27	—
Cash flow hedges	18	—	18	—
Total Non-current liabilities	**59**	**—**	**59**	**—**
Short-Term Debt	**17**	**—**	17	—
Derivatives	**17**	**—**	17	—
Interest rate hedges	17	—	17	—
Fair value hedges	17	—	17	—
Total Current Liabilities	**17**	**—**	**17**	**—**

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	87	–	87	–
Total Non-current liabilities	**101**	**–**	**101**	**–**

In 2023, 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.

As at 31 December 2023 and 2022, the fair value of the Company's non-current financial assets that are classified as *"Financial Liabilities at amortised cost"*, does not differ from its carrying amount, except those that are the hedged item in a fair value hedge and have changes in value attributable to the hedged risk recognised in their carrying amount.

13.7. Covenants

Endesa, S.A.'s financial debt contains certain stipulations with financial ratios (*"covenants"*) that are customary in contracts of this nature, but in no case do these types of stipulations include the obligation to maintain financial ratios whose non-compliance could cause the debt to mature early.
At 31 December 2023 and 2022, Endesa, S.A. had not breached its covenants or any other financial obligations that would require the early repayment of its financial commitments.
The outstanding bond issues of Endesa, S.A. (Euro 12 million at 31 December 2023) contain:
- Cross-default clauses, whereby the debt must be prepaid in the event of default (over and above a certain amount) on the settlement of certain obligations of Endesa, S.A.

In addition, the commitments of the outstanding bond issues of Endesa, S.A. and the bank financing arranged by Endesa, S.A. include the following clauses:
- Negative pledge clauses, whereby Endesa, S.A. may not issue mortgages, liens or other encumbrances on its assets (above a certain amount) to secure certain types of bonds, unless equivalent guarantees are issued in favour of the remaining debtors.
- *"Pari passu"* clauses, whereby bonds and bank financing have the same status as any other existing or future unsecured or non-subordinated debts issued by Endesa, S.A.

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

Millions of Euro

Clauses	Transactions	Covenants	Nominal debt 31 December 2023	31December 2022
Related to credit ratings	Financial transactions with the European Investment Bank (EIB) and Official Credit Institute (ICO)	Additional or renegotiated guaran-tees in the event of credit rating downgrades	2,689	2,554
Relating to change of control.	Financial transactions with the European Investment Bank (EIB), the Official Credit Institute (ICO) and Enel Finance International, N.V.	May be repaid early in the event of a change of control at Endesa, S.A.	9,214[1]	7,654[1]
Related to asset transfers	Financial transactions with the European Investment Bank (EIB) and Official Credit Institute (ICO) and other financial institutions.	Restrictions arise if a percentage of between 7% and 10% of Ende-sa's consolidated assets is exceeded [2]	6,013	6,178
Related to Sustainability	Financial Operations with the European Investment Bank (EIB), the Instituto de Crédito Oficial (ICO) and other Financial Institu-tions	Credit conditions linked to sus-tainability objectives such as the reduction of certain levels of carbon dioxide (CO_2) emissions by certain dates, or reaching a ratio of peninsular net installed capacity with renewable sources by certain deadlines, or based on the proportion of investments according to the European Tax-onomy for different periods [3].	7,912	10,298

[1] The amount signed was Euro 13,189 million at 31 December 2023 (Euro 12,604 million at 31 December 2022).
[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.
[3] Failure to comply with such stipulations shall only imply the modification of its financing conditions.

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 2023 and 2022.

13.8. Other matters

At 31 December 2023 and 2022, Endesa, S.A. had undrawn credit facilities totalling Euro 7,471 million and Euro 8,314 million, respectively, of which Euro 3,525 million and 4,950 million correspond to a committed and irrevocable lines of credit signed with Enel Finance International, N.V. (see Notes 13.2 and 14.3).

14. FINANCIAL RISK CONTROL AND MANAGEMENT

The activity of Endesa, S.A. is carried out in an environment in which there are financial risks that may influence the evolution of its operations and economic results, being therefore necessary to manage and control the exposure to them (Section 7.4 of the Management Report for the year ended 31 December 2023 provides additional information on the main risks and uncertainties associated with the activity of Endesa and its subsidiaries).

In particular, the General Risk Control and Management Policy and the Risk Control and Management System (SCIGR) allow for the identification, measurement and control of the different types of financial risk to which Endesa is exposed (see Section 7.1 of the Management Report for the year ended 31 December 2023) and which are described below.

14.1. 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 is to reduce the amount of borrowings subject to interest rate fluctuations is reduced by the use of interest rate swap contracts. 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 2023, the Company had arranged interest rate hedges amounting to Euro 2,433 million (Euro 2,366 million at 31 December 2022).

The Company set up a current account loan agreements with Endesa Financiación Filiales, S.A.U. in euros, 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 2023 and 2022, is as follows.

Millions of Euro

	Net position	
	31 December 2023	31 December 2022
Fixed interest rate	8,852	6,221
Floating interest rate	3,899	5,258
TOTAL	**12,751**	**11,479**

At 31 December 2023 and 2022, 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 cover them are provided in Notes 9, 13 and 15.

Analysis of interest-rate sensitivity

In 2023 and 2022, the impact of interest-rate fluctuations on the income statement and statement of recognised income and expenses, all other variables remaining constant, was as follows.

Millions of Euro

		2023		2022	
	Basis points change	**Income statement**	**Statement of recognised income and expenses**	**Income statement**	**Statement of recognised income and expenses**
Finance costs of variable gross borrowings after derivatives					
Interest rate increase	+25	16	–	23	–
Interest rate reduction	–25	(16)	–	(23)	–
Fair value of derivative hedging instruments					
Fair value					
Interest rate increase	+25	(6)	–	(9)	–
Interest rate reduction	–25	6	–	9	–
Cash flow					
Interest rate increase	+25	–	14	–	11
Interest rate reduction	–25	–	(14)	–	(12)

14.2. Foreign currency risk

Exchange rate risks mainly relate to payments or collections to be made in international markets for the acquisition or sale of energy materials.
The Company also seeks to achieve a balance between cash receipts and payments of its assets and liabilities denominated in foreign currencies.

At December 31 2023 and 2022 the Company has no foreign exchange hedges.
As of 31 December 2023 and 2022, foreign currency assets and liabilities not hedged with derivative instruments and exchange rate hedges are not significant.
Assets and liabilities in foreign currency are disclosed in Note 10.

Analysis of exchange rate sensitivity

In 2023 and 2022, 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.

14.3. Liquidity risk

Liquidity risk may cause 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 with top-tier counterparties and mitigation of refinancing risk with diversified maturity schedules. In addition, Endesa's debt and liquidity structure allows it to have an investment grade credit rating, which enables efficient access to new financial resources. In the short term, liquidity risk is mitigated by maintaining a sufficient level of resources available unconditionally, including cash and short-term deposits, drawable lines of credit and a portfolio of liquid assets.

Endesa's liquidity policy consists of arranging committed long-term credit facilities that are unconditional and irrevocable with top-tier banks and Enel Group companies, cash and temporary financial investments in an aggregate amount sufficient to cover projected needs over a given period based on the situation and expectations of the Company and of debt and capital markets.

These needs include maturity of gross financial debt. Further details of the characteristics and conditions of borrowings and derivative financial instruments are provided in Notes 13 and 15.

The financial function is centralised at the Company and at Endesa Financiación Filiales, S.A.U., which draw up cash forecasts to ensure that the Group has sufficient cash to meet operational needs, and maintain sufficient levels of availability in its loans and credit facilities.

At 31 December 2023, Endesa, S.A.'s liquidity rose to Euro 8,214 million (Euro 8,340 million at 31 December 2022) as detailed below:

Millions of Euro

	Liquidity	
	31 December 2023	**31 December 2022**
Cash	18	26
Other Cash Equivalents	275	—
Freely available under credit facilities and loans (1)	7,921	8,314
TOTAL	**8,214**	**8,340**

(1) At 31 December 2023 and 2022, Euro 3,525 million and Euro 4,950 million, respectively, relate to committed and irrevocable lines of credit arranged with Enel Finance International, N.V. (see Note 13.2).

At 31 December 2023, the Company had negative working capital of Euro 4,069 million. Available liquidity and non-current lines of credit, as well the Company's access to the financial markets on preferential terms, provide assurance that the Company is able to obtain 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 (see Note 2.4).

The Company has a strong financial position and unconditional and irrevocable lines of credit contracted with top-tier entities available for significant amounts.

However, to reinforce its liquidity position and ensure the continuity of business activities the Company has arranged a series of financial transactions (see Note 13.2).

The classification of financial liabilities by contractual maturities is shown in Note 13.4.

14.4. 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:

	Additional Precautions
Credit Risk Monitoring	• 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 2023, the largest exposure to cash positions held with a counterparty was Euro 276 million, of a total of Euro 293 million, with this counterparty having a rating of BBB (Euro 7 million of a total of Euro 26 million at 31 December 2022, with this counterparty having a rating of BBB-).

Details of financial assets exposed to credit risk are provided in Note 9.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Applying the risk management policy described above, the Company mainly uses interest rate 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 2023 and 2022, 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 2023			
	Assets (Note 9)		Liabilities (Note 13)	
	Current	Non-current	Current	Non-current
Hedging derivatives	**–**	**55**	**17**	**45**
Interest-rate hedges	–	55	17	45
Cash flow hedges	–	53	–	18
Fair value hedges	–	2	17	27
TOTAL	**–**	**55**	**17**	**45**

Millions of Euro

	31 de diciembre de 2022			
	Assets (Note 9)		Liabilities (Note 13)	
	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**

Cash flow and fair value hedges

At 31 December 2023 and 2022, 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 2023							
		Notional amount						
	Fair value	2024	2025	2026	2027	2028	Subsequent years	Total
INTEREST RATE HEDGES								
Cash flow hedges:	**35**	**—**	**—**	**—**	**250**	**—**	**996**	**1,246**
Interest rate:	35	—	—	—	250	—	996	1,246
Swaps	35	—	—	—	250	—	996	1,246
Fair value hedges:	**(42)**	**500**	**—**	**—**	**675**	**—**	**12**	**1,187**
Swaps	(42)	500	—	—	675	—	12	1,187
TOTAL	**(7)**	**500**	**—**	**—**	**925**	**—**	**1,008**	**2,433**

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**	**—**	**—**	**925**	**941**	**2,366**

In 2023, *"Equity"* in the statement of recognised income and expense included a decrease of Euro 25 million in equity (Euro 112 million increase in equity in 2022) and *"Transfer to the income statement"* heading of the aforementioned statement includes the amount allocated to the income statement for a decreased amount of Euro 44 million under *"Financial expenses"* (Euro 8 million increase in *"Financial expense"* and a Euro 4 million increase in *"Financial income"* in 2022). In addition, an expense of Euro 3 million for the ineffective portion of cash flow hedges was recognised under *"Fair value changes in financial instruments"* in 2023 (income of Euro 2 million in 2022).

16. TAXATION

In 2023 and 2022, 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 2023 and 2022, the credit with ENEL Iberia, S.L.U. for income tax expense amounted to Euro 57 million and Euro 9 million and was recognised under *"Current investment with Group companies and associates"* in the accompanying statement of financial position (see Notes 9.1.2, 16.9 and 19.2).

In 2023, the amount of income tax resulted in income of Euro 109 million in the income statement (Euro 11 million of expense in 2022) and directly attributed income of Euro 18 million in equity (expense of Euro 35 million in 2022).

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.

16.1. Reconciliation between accounting profit (loss) and taxable income (tax loss)

In 2023 and 2022 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		
2023	**Increases**	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**	**Increases**	**Decreases**	**Total**
Accounting profit after corporate income tax			**580**			**(54)**			**–**
Income tax for the year			(109)			(18)			–
Accounting profit/(loss) before tax			**471**			**(72)**			**–**
Permanent differences	233	(1,100)	(867)	–	–	–	–	–	–
Temporary differences	77	(55)	22	72	–	72	–	–	–
Originating in the year	77	–	77	21	–	21	–	–	–
Originating in previous years	–	(55)	(55)	51	–	51	–	–	–
Limitation on tax loss carryforwards of the year			163			–			–
Taxable income			**(211)**			**–**			**–**

Millions of Euro

2022	Income statement			IIncome and expenses recognised directly in equity			Reserves		
	Increases	Decreases	Total	Increases	Decreases	Total	Increases	Decreases	Total
Accounting profit after corporate 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**			**–**			**–**

2023 Financial Year

Increases due to permanent differences in 2023 mainly relate to the temporary energy tax in the amount of Euro 208 million, differences in valuation rules in the amount of Euro 15 million, donations and gifts in the amount of Euro 9 million. The decreases were due mainly to the application of the 95% exemption to avoid double taxation on dividends received from Group companies and associates, in the amount of Euro 1,092 million (see Note 17.1), to recovery of the provision for liabilities in the amount of Euro 4 million and the loss arising from impairment of investees in the amount of Euro 2 million.

The increases due to temporary differences mainly reflect non-current employee provisions and workforce restructuring plans for Euro 74 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 52 million and reversal of non-deductible expenses in prior years in the amount of Euro 3 million.

2022 Financial Year

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 17.1).

The increases were due to temporary differences reflected 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 related non-current employee provisions in the amount of Euro 57 million and reversal of non-deductible expenses in prior years in the amount of Euro 1 million.

16.2. Reconciliation between tax payable and income tax expense

In 2023 and 2022, the reconciliation between the tax payable and the income tax expense was as follows:

Millions of Euro

	2023	2022
Taxable income	**(211)**	**28**
Income statement	(211)	28
Total taxable income	**(211)**	**28**
Tax rate	25,0	25,0
Tax payable	**(53)**	**7**
Effective tax	**(53)**	**7**
Changes in tax credit owing to deductions	(3)	(3)
Net tax effect, due to temporary differences	(23)	42
Prior years' adjustments and other	(7)	—
Limitation on tax loss carryforwards of the year	(41)	—
Income tax for the year	**(127)**	**46**
Income tax through profit and loss	(109)	11
Income tax expense in equity	(18)	35

Prior years' adjustments mainly reflect the adjustment of deferred tax.
The amount included as *Limitation on tax loss carryforwards of the year* relates to a limitation of 50% on individual tax loss carryforwards for each of the entities comprising the tax consolidation group, a measure introduced for tax periods starting in financial year 2023 (see Note 16.6).

16.3. Deductions and rebates

In 2023, 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 2022). Of the tax credits confirmed in 2023, none were applied (none applied in 2022 for those confirmed in that year).
Likewise, in 2023 and 2022, no prior years' credits were taken.

16.4. Reconciliation of accounting profit to the income tax expense

In 2023 and 2022, the reconciliation of accounting profit to the income tax expense was as follows:

Millions of Euro

	2023		
	Income statement	Income and expenses directly recognised in equity	Recognised income and expense
Accounting profit/(loss) before tax	**471**	**(72)**	**399**
Permanent differences	**(867)**	**—**	**(867)**
Total adjusted profit/(loss)	**(396)**	**(72)**	**(468)**
Tax rate of 25%	**(99)**	**(18)**	**(117)**
Tax credits	**(3)**	**—**	**(3)**
Charitable gifts and patronage	(3)	—	(3)
Previous years' adjustments and other	**(7)**	**—**	**(7)**
Total income tax expense	**(109)**	**(18)**	**(127)**

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**

16.5. Details of the income tax expense

In 2023 and 2022, the breakdown of the income tax expense was as follows:

Millions of Euro

	2023					
	Current tax	Change in deferred tax				Total
		Assets			Liabilities	
		Temporary differences	Credits for tax loss carryforwards	Other credits	Temporary differences	
Recognition in profit and loss, of which:	**(53)**	**(5)**	**(41)**	**(3)**	**—**	**(102)**
A Continuing operations	(53)	(5)	(41)	(3)	—	(102)
Recognition in equity, of which:	**—**	**(5)**	**—**	**—**	**(13)**	**(18)**
Cash flow hedges	—	(4)	—	—	(13)	(17)
Actuarial gains and losses and other adjust-ments	—	(1)	—	—	—	(1)
Previous years' adjustments and other	**—**	**—**	**—**	**—**	**(7)**	**(7)**
Total	**(53)**	**(10)**	**(41)**	**(3)**	**(20)**	**(127)**

Millions of Euro

	2022					
		Change in deferred tax				
	Current tax	Assets			Liabilities	Total
		Temporary differences	Credits for tax loss carryforwards	Other credits	Temporary differences	
Recognition in profit and loss, of which:	**7**	**7**	**—**	**(3)**	**—**	**11**
A Continuing operations	7	7	—	(3)	—	11
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**

16.6. Deferred tax assets

At 31 December 2023 and 2022, the origin of the deferred tax assets recognised in the accompanying statement of financial position was as follows:

Millions of Euro

Deferred Taxes on Assets Originating in	31 December 2023	31 December 2022
Provisions for non-current employee benefits and workforce restructuring plans	87	77
Other provisions	21	20
Unused tax credits	7	3
Credits for tax loss carryforwards	41	—
Hedging derivatives	4	—
Total	**160**	**100**

In 2023 and 2022, the movements under *"Deferred tax assets"* in the accompanying statement of financial position were as follows:

Millions of Euro

	2023				2022		
	Temporary differences	Pending Deductions	Credits for tax loss carryforwards	Total	Temporary differences	Pending Deductions	Total
Opening balance	**97**	**3**	**—**	**100**	**111**	**—**	**111**
Business combinations (Note 5)	3	1	—	4	—	—	—
Temporary differences originating in the year	19	3	41	63	8	3	11
Application of temporary differences originating in previous years	(14)	—	—	(14)	(15)	—	(15)
Changes recognised in equity	5	—	—	5	(9)	—	(9)
Transfers and other	2	—	—	2	2	—	2
Closing balance	**112**	**7**	**41**	**160**	**97**	**3**	**100**

At 31 December 2023, the Company held deferred tax assets in the amount of Euro 160 million (Euro 100 million at 31 December 2022), 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.

At 31 December 2023, the Company had recognised deferred tax assets of Euro 41 million in the accompanying statement of financial position in accordance with the nineteenth additional provision of Law 27/2014, of 27 November, on Corporate Income Tax, introduced by Law 38/2022, of 27 December, which limits for tax periods beginning in 2023 the amount of the individual tax loss carryforwards of each of the entities comprising the Tax Consolidation Group by 50%, being included in the tax base thereof in equal parts in each of the first ten tax periods beginning on or after 1 January 2024, even in the event that any of the entities with individual tax loss carryforwards is excluded from the Tax Consolidation Group. The breakdown is as follows:

Millions of Euro

	31 December 2023		
	Year of origin	Taxable income	Tax credit
Loss carryforwards additional provision 19 of the Corporate Income Tax Law 27/2014, of 27 November	2023	163	41

The Company has no tax loss carryforwards from prior years pending offset.

At 31 December 2023, the Company had tax credits applicable in future years of Euro 7 million (31 December 2022: Euro 3 million). The breakdown is as follows:

Millions of Euro

Year	31 December 2023	31 December 2022
2032	3	3
2033	3	–
Unlimited	1	–
TOTAL	**7**	**3**

The information relating to the deductions applied in 2023 and 2022 is included in Note 16.3.

16.7. Deferred tax liabilities

At 31 December 2023 and 2022, 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 2023	31 December 2022
Hedging derivatives	13	26
Other	9	16
Total	**22**	**42**

In 2023 and 2022, the movements under *"Deferred tax liabilities"* in the accompanying statement of financial position were as follows:

Millions of Euro

	2023	2022
Opening balance	**42**	**16**
Changes recognised in equity	(13)	26
Previous years' adjustments and other	(7)	–
Closing balance	**22**	**42**

16.8. Balances with public administrations

The Company did not have any receivables from public administrations at 31 December 2023 and 2022 corresponding to the value added tax (VAT).

Details of the payables to public administrations at 31 December 2023 and 2022 were as follows:

Millions of Euro

	31 December 2023	31 December 2022
Public Treasury Creditor for Canary Islands General Indirect Tax (IGIC)	1	1
Spanish personal income tax (IRPF) payable	3	3
Payables to social security bodies	3	2
Other	–	2
TOTAL LIABILITIES	**7**	**8**

16.9. Balances with Group companies

At 31 December 2023 and 2022, the Company recognised an income tax expense credit for the current year with ENEL Iberia, S.L.U., for Euro 57 million and Euro 9 million under *"Current loans to Group companies and associates"* in the accompanying statement of financial position, as per the following breakdown (see Notes 9.1.2 and 19.2):

Millions of Euro

	31 December 2023	31 December 2022
Tax payable	(53)	7
Payments in instalments	(4)	(16)
TOTAL	**(57)**	**(9)**

At 31 December 2023 and 2022, there was no income tax expense credit with Enel Iberia, S.L.U. for the previous year (see Notes 9.1.2 and 19.2).

At 31 December 2023, 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 39 million (Euro 14 million at 31 December 2022) (See Notes 13.2 and 19.2).

16.10. 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 4 years has elapsed. At year-end 2023, the Company had its books open for administrative inspection for 2006, 2019 and onwards with respect to income tax, for the 2019 and subsequent fiscal years of the Value Added Tax (VAT), and for 2020 and onwards in respect of all other applicable taxes.

During the year 2023 the Tax Authorities have initiated a procedure for the verification and investigation of the Corporate Income Tax (IS) Tax Group, the Value Added Tax (VAT) Tax Group and withholdings from which contingent liabilities could arise. At the date of preparation of these Financial Statements, the proceedings are in the phase of gathering information and analysis by the Inspection, and therefore it is not possible to estimate the possible economic consequences that could derive from the procedure. The years and taxes undergoing inspection are as follows:

	Ejercicios
Income tax expense	2019 a 2022
Value added tax (VAT)	2020 a 2022
Withholdings/payments on account (employees and freelancers)	2020 a 2022
Withholding / payment on account (investment income)	2020 a 2022
Withholding / payments on account (non-resident taxes)	2020 a 2022

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.

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

The Notes to the Company's financial statements for 1999 to 2022 include the information required under Article 86 of Law 27/2014 of 27 November, regarding corporate restructuring operations in prior years.

Note 5 to these financial statements includes the information required by Article 86 of Law 27/2014, of 27 November, regarding the corporate restructuring operation carried out in 2023, namely the merger by absorption of Endesa Red, S.A.U.

17. PROFIT/(LOSS)

The amounts relating to 2023 and 2022 recognised under the Company's main income and expense headings are detailed below:

17.1. Revenue

In 2023 and 2022, the details of *"Revenue"* in the accompanying income statement, by activity and geographical market, were as follows:

Millions of Euro

2023	Note	Spain	Other EU	Total
Provision of services	19.1	320	1	321
Dividend income from Group companies and associates	9.1.1 and 19.1	1,150	—	1,150
TOTAL		**1,470**	**1**	**1,471**

Millions of Euro

2022	Note	Spain	Other EU	Total
Provision of services	19.1	276	2	278
Dividend income from Group companies and associates	9.1.1 and 19.1	713	—	713
TOTAL		**989**	**2**	**991**

"Dividend income from Group companies and associates" includes dividends distributed by the Group companies (see Notes 9.1.1 and 19.1), as shown below:

Millions of Euro

Company	2023	2022
Edistribución Redes Digitales, S.L.U.	1,045	—
Endesa Financiación Filiales, S.A.U.	100	83
Suministradora Eléctrica de Cádiz, S.A.	3	—
Empresa de Alumbrado Eléctrico de Ceuta, S.A.	1	—
Endesa X Servicios, S.L.U.	—	70
Endesa Red, S.A.U.	—	560
Other	1	—
TOTAL	**1,150**	**713**

17.2. Personnel expenses

In 2023 and 2022, the details of *"Personnel expenses"* in the accompanying income statement were as follows:

Millions of Euro

	Note	2023	2022
Wages and salaries		**126**	**120**
Termination benefits		**1**	**1**
Other employee benefits		**31**	**27**
Social security costs		22	19
Other		9	8
Provisions		**68**	**45**
Non-current employee benefit provisions		7	6
Provisions for contract suspensions	12.2.1	61	39
TOTAL		**226**	**193**

17.3. Other operating expenses

In 2023 and 2022, the details of *"Other operating expenses"* in the accompanying income statement were as follows:

Millions of Euro

	Note	2023	2022
External services		**96**	**105**
Leases and levies	8.1	7	6
Other repairs and upkeep costs		1	1
Independent professional services		21	22
Banking and similar services		1	1
Advertising and public relations		8	9
Other external services		58	66
Taxes other than income tax		**215**	**–**
Other current operating expenses		**14**	**(4)**
TOTAL		**325**	**101**

In 2023, *"Leases and royalties"* includes expenses relating to contracts of these characteristics, arranged with Group companies for Euro 6 million (Euro 6 million in 2022) (see Note 19.1).

In 2023, *"Taxes other than income tax"* mainly includes the recognition of the expense in the amount of Euro 208 million related to the Temporary Energy Tax introduced by Law 38/2022, of 27 December, establishing temporary energy taxes and taxes on credit institutions and lending institutions, and creating a temporary solidarity tax on large fortunes and amending certain tax regulations (see Note 12.3).

In 2023 *"Other external services"* includes other services received from Group companies and associates in the amount of Euro 38 million (Euro 43 million in 2022) (see Note 19.1) 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 included 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 9.2.2, 12.3, 17.4 and 17.5).

17.4. Financial income and expenses

In 2023 and 2022, the details of financial income and expenses in the accompanying income statement are as follows:

Millions of Euro

	Note	2023	2022
Financial income		**35**	**90**
From marketable securities and other non-current credits		35	90
Interest on loans to Group companies and associates	19.1	30	40
Interest from loans to third parties		5	50
Loans and credits		–	14
Expected return on defined benefit plan assets	12.1	1	1
Obligations for workforce restructuring plans		–	18
Contract suspensions	12.2.1	–	18
Other provisions		–	1
Other financial income	17.5	4	16
Financial expenses		**451**	**205**
On debts to Group companies and associates	19.1	192	124
Interest on debts to third parties		249	77
For updating of provisions		10	4
Non-current employee benefit obligations		2	1
Provisions for pensions and other similar provisions	12.1	1	1
Other employee benefits		1	–
Contract suspensions	12.2.1	8	3

17.5. Other gains and losses

Ruling 202/2022 of 21 February 2022, handed down by the Supreme Court in Appeal No. 687/2017, acknowledged the right of Endesa, S.A. to receive compensation 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 was in force. Accordingly, all amounts paid in this regard are to be returned to the claimant after discounting any amounts that may have been passed on to customers. As Endesa S.A. did pass on the financing cost to customers, either directly or indirectly, there are strong arguments to justify its right to a full refund of all the amounts borne in this regard. In particular, with regard to the regulated segment of supply activities, the last resort suppliers may not pass on that cost to customers since their remuneration regime does not allow for it. Therefore, the recovery of such amounts should be automatic.

For this reason, revenue of Euro 152 million was registered with regard to this item in 2022. In addition, Euro 4 million was recognised in 2023 for late-payment interest under *"Financial income"* in the accompanying income statement (Euro 16 million in 2022) (see Notes 9.2.2, 12.3, 17.3, and 17.4).

18. GUARANTEES TO THIRD PARTIES, COMMITMENTS AND OTHER CONTINGENT LIABILITIES

18.1. Guarantees to third parties and other contingent liabilities

At 31 December 2023 and 2022, Endesa, S.A. provided the following guarantees and collateral to its business group (see Note 19.2):

Millions of Euro

Company	Purpose of guarantee	31 December 2023	31 December 2022
Endesa Generación, S.A.U.	Transactions in Derivative Financial Instruments in Energy Markets [1]	–	2,000
Endesa Energía, S.A.U.	Long-term gas contracts	54	56
Endesa Generación, S.A.U.	Gas contracts	309	165
Endesa Generación, S.A.U.	Elecgas, S.A. electricity production (Tolling)	314	334
Enel Green Power España, S.L.U. and Subsidiaries	Energy contracts	136	287
Nuclenor, S.A.	Photovoltaic module supply contracts	141	277
Endesa X Servicios, S.L.U.	Insurance	7	7
Group companies	Equipment supply contracts	23	23
Other Group companies	Workforce restructuring plans	5	7
Enel Green Power España, S.L.U.	Other commitments	3,621	4,415
Endesa Energía, S.A.U.		1,170	1,636
Endesa Generación, S.A.U.		1,363	1,334
Energía XXI Comercializadora de Referencia, S.L.U.		379	746
Edistribución Redes Digitales, S.L.U.		189	143
Gas y Electricidad Generación, S.A.U.		107	96
Empresa Carbonífera del Sur, S.A.U.		86	107
Endesa Ingeniería, S.L.U.		4	4
Unión Eléctrica de Canarias Generación, S.A.U.		4	6
Other		10	8
TOTAL		309	335
TOTAL		**4,610**	**7,571**

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

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

18.2. 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 124 million at 31 December 2023 and Euro 128 million at 31 December 2022) to comply with this contract (see Note 19.2).

19. RELATED-PARTY TRANSACTIONS

In 2023 and 2022, 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 2023 and 2022 formed part of the Company's ordinary business activities and were performed on an arm's length basis.

19.1. Related-party transactions

In 2023 and 2022 , the details of the transactions performed with related parties were as follows:

Millions of Euro

	Note	2023					
		Significant shareholders	Directors and Managers	Group companies	Associates and jointly controlled entities	Other related parties	Total
Leases	17.3	–	–	(6)	–	(1)	(7)
Services received	17.3	(6)	–	(32)	–	(6)	(44)
Financial expenses	17.4	–	–	(192)	–	–	(192)
Other expenses		–	–	(5)	–	–	(5)
Exchange gains/(losses)		–	–	(5)	–	–	(5)
TOTAL EXPENSES		**(6)**	**–**	**(235)**	**–**	**(7)**	**(248)**
Rendering of services	17.1	2	–	319	–	–	321
Financial income	17.4	–	–	30	–	–	30
Dividends received	9.1.1 and 17.1	–	–	1,146	4	–	1,150
TOTAL INCOME		**2**	**–**	**1,495**	**4**	**–**	**1,501**
Dividends and other distributions		**1,177**	**–**	**–**	**–**	**–**	**1,177**
Contributions to pension schemes		**–**	**–**	**–**	**–**	**11**	**11**
Other transactions: Purchase of intangible assets	**6**	**–**	**–**	**17**	**–**	**–**	**17**

Millions of Euro

	Note	2022					
		Significant shareholders	Directors and Managers	Group companies	Associates and jointly controlled entities	Other related parties	Total
Leases	17.3	—	—	(6)	—	(1)	(7)
Services received	17.3	(7)	—	(36)	—	(6)	(49)
Financial expenses	17.4	—	—	(124)	—	—	(124)
Other expenses		—	—	6	—	—	6
Exchange gains/(losses)		—	—	6	—	—	6
TOTAL EXPENSES		**(7)**	**—**	**(160)**	**—**	**(7)**	**(174)**
Rendering of services	17.1	2	—	276	—	—	278
Financial income	17.4	—	—	40	—	—	40
Dividends received	9.1.1 and 17.1	—	—	713	—	—	713
TOTAL INCOME		**2**	**—**	**1,029**	**—**	**—**	**1,031**
Dividends and other distributions		**696**	**—**	**—**	**—**	**—**	**696**
Contributions to pension schemes		**—**	**—**	**—**	**—**	**11**	**11**
Other transactions: Purchase of intangible assets	6	**—**	**—**	**20**	**—**	**—**	**20**

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 18.2). This arrangement is considered to be an intermediation and is netted in the income statement under *"Procurements"*. In 2023, the amount was Euro 776 million (Euro 1.280 million in 2022).

19.2. Balances with related parties

At 31 December 2023 and 2022, the balances with related parties recognised in the accompanying statement of financial position were as follows:

Millions of Euro

	Note	31 December 2023					
		Significant shareholders	Directors and Managers (Note 19.3)	Group companies	Associates and jointly controlled entities	Other related parties	Total
Non-current financial investments	9	**—**	**—**	**19,105**	**27**	**—**	**19,132**
Equity instruments		—	—	19,102	27	—	19,129
Other financial assets		—	—	3	—	—	**3**
Trade and other receivables		**1**	**—**	**66**	**—**	**—**	**67**
Current financial investments	9	**61**	**—**	**67**	**—**	**—**	**128**
Loans to companies		61	—	6	—	—	67
Other financial assets		—	—	61	—	—	61
Non-current debts	13	**—**	**—**	**(4,018)**	**—**	**—**	**(4,018)**
Non-current debts to Group companies and associates		—	—	(4,018)	—	—	(4,018)
Current debts	13	**(411)**	**—**	**(3,038)**	**(4)**	**—**	**(3,453)**
Current debts to Group companies and associates		(39)	—	(3,033)	(4)	—	(3,076)
Other financial liabilities		(372)	—	(5)	—	—	(377)
Trade and other payables		**(7)**	**—**	**(22)**	**—**	**—**	**(29)**
Guarantees received	18.2	**124**	**—**	**—**	**—**	**—**	**124**
Guarantees provided	18.1 and 19.3	**—**	**7**	**4,603**	**7**	**—**	**4,617**
Financing agreements	19.3	**—**	**1**	**—**	**—**	**—**	**1**

Millions of Euro

	Note	31 December 2022					
		Significant shareholders	Directors and Managers (Note 19.3)	Group companies	Associates and jointly controlled entities	Other related parties	Total
Non-current financial investments	9	**—**	**—**	**18,926**	**—**	**—**	**18,926**
Equity instruments		—	—	18,926	—	—	18,926
Trade and other receivables		**1**	**—**	**82**	**—**	**—**	**83**
Current financial investments	9	**9**	**—**	**4,744**	**—**	**—**	**4,753**
Loans to companies		9	—	4,744	—	—	4,753
Non-current debts	13	**—**	**—**	**(5,100)**	**—**	**—**	**(5,100)**
Non-current debts to Group companies and associates		—	—	(5,100)	—	—	(5,100)
Current debts	13	**(15)**	**—**	**(29)**	**(6)**	**—**	**(50)**
Current debts to Group companies and asso-ciates		(14)	—	(21)	(6)	—	(41)
Other financial liabilities		(1)	—	(8)	—	—	(9)
Trade and other payables		**(12)**	**—**	**(38)**	**—**	**—**	**(50)**
Guarantees received	18.2	**128**	**—**	**—**	**—**	**—**	**128**
Guarantees provided	18.1 and 19.3	**2,000**	**7**	**5,564**	**7**	**—**	**7,578**
Financing agreements	19.3	**—**	**1**	**—**	**—**	**—**	**1**

At 31 December 2022, guarantees and sureties posted with Significant Shareholders totalled Euro 2,000 million and related to the counter-guarantee that Endesa, S.A. had provided to Enel, S.p.A. to secure the guarantee previously provided by Enel, S.p.A. to Endesa Generación, S.A.U. (for the fulfilment of the latter's obligations to third parties derived from the operating rules of the national or international organised gas and electricity markets in which it participates), for an amount of up to Euro 2,000 million, with a duration until 30 June 2023.

At 31 December 2023, Endesa, S.A. held with Enel Finance International, N.V. three committed and irrevocable intercompany credit facilities in the amount of Euro 3,525 million (31 December 2022: four credit facilities for a total of Euro 5,400 million). No amount was drawn down on these credit facilities at 31 December 2023 (Euro 450 million drawn down at 31 December 2022 (see Note 13.2).

19.3. Information on Directors and Senior Management

19.3.1. 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 2023 and 2022, 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 2023 and 2022.
- 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 gross monthly fixed remuneration of Euro 5,000 in 2023 and of Euro 3,000 in 2022 (in addition to the monthly fixed remuneration as a member).

- Chairmen of the Appointments and Remuneration Committee and of the Sustainability and Corporate Governance Committee: shall receive gross monthly fixed remuneration of Euro 3,000 in 2023 and of Euro 2,000 in 2022 (in addition to the monthly fixed remuneration as a 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 and shares 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 2023 and 2022 was as follows:

Thousands of Euro

Item	Directors	
	2023	2022
Remuneration for belonging to the Board of Directors and/or Board Commissions	2,126	2,081
Salaries	1,000	960
Variable remuneration in cash	759[1]	922[2]
Share-based payment plans	285[3]	259[4]
Indemnities	—	—
Long-term saving systems	7	6
Other items[5]	158	158
TOTAL	**4,335**	**4,386**

[1] Corresponding to the short-term and long-term variable compensation for one-third of the Strategic Incentive Plans 2021-2023, 2022-2024 and 2023-2025. The consolidated payment in 2023 amounted to Euro 975 thousand, corresponding to short-term variable remuneration (Euro 525 thousand) and long-term variable remuneration (Euro 450 thousand). In fiscal year 2023 they have consolidated the effective payment of 70% of the Loyalty Plan 2019-2021 (Euro 326 thousand), and the right to payment of 30% of the Strategic Incentive Plan 2020-2022. This Strategic Incentive Plan has a cash payment component (Euro 62 thousand) and a share payment component, under which a delivery of 3,225 shares was made, resulting in a gross profit of Euro 62 thousand.

[2] Corresponding to the short-term and long-term variable remuneration for one third of the Strategic Incentive Plans 2020-2022, 2021-2023 and 2022-2024. The consolidation of the payment in 2022 amounted to Euro 1,367 thousand, corresponding to short-term variable remuneration (Euro 680 thousand) and long-term variable remuneration (Euro 687 thousand). In 2022 they consolidated the effective payment of 70% of the Loyalty Plan 2018-2020, and the right to payment of 30% of the Loyalty Plan 2019-2021.

[3] Corresponding to the long-term variable compensation accrued for one third of the Strategic Incentive Plans 2021-2023, 2022-2024 and 2023-2025.

[4] Corresponding to the long-term variable compensation accrued for one third of the Strategic Incentive Plans 2020-2022, 2021-2023 and 2022-2024.

[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 2023 and 2022 are as follows.

Thousands of Euro

	2023			2022		
	Remuneration for belonging to the Board of Directors and/or Board committees	Attendance fees [9]	Salaries	Remuneración por Pertenencia al Consejo y/o Comisiones del Consejo	Attendance fees [9]	Salaries
D. Juan Sánchez-Calero Guilarte	636	26	—	624	29	—
D. Flavio Cattaneo [4]	-	-	-	-	-	-
D. Francesco Starace [3]	-	-	-	-	-	-
D. José Damián Bogas Gálvez	—	—	1.000	—	—	960
D. Stefano de Angelis [8]	-	-	-	-	-	-
D. Gianni Vittorio Armani [6]	-	-	-	-	-	-
D.ª Eugenia Bieto Caubet	188	48	—	188	50	—
D. Ignacio Garralda Ruiz de Velasco	224	36	-	211	38	-
D.ª Pilar González de Frutos	188	47	—	188	51	—
D.ª Francesca Gostinelli[2]	-	-	-	-	-	-
D.ª Alicia Koplowitz y Romero de Juseu	188	17	—	188	19	—
D. Francisco de Lacerda	248	48	-	224	51	-
D.ª Cristina de Parias Halcón [2]	188	44	—	126	22	—
D. Antonio Cammisecra [5]	-	-	-	-	-	-
D.ª Maria Patrizia Grieco [1]	-	-	-	62	10	-
D. Alberto de Paoli[7]	-	-	-	-	-	-
TOTAL	**1,860**	**266**	**1,000**	**1,811**	**270**	**960**

(1) Left on 29 April 2022..
(2) Joined on 29 April 2022.
(3) Left on 10 May 2023.
(4) Joined on 20 June 2023.
(5) Left on 20 July 2023.
(6) Joined on 25 July 2023.
(7) Left on 18 September 2023.
(8) Joined on 22 September 2023
(9) Allowances for attending each meeting of the Board of Directors and its Committees.

Variable remuneration in cash

The variable remuneration accrued in 2023 and 2022 by the Chief Executive Officer, for performing his executive tasks, was as follows:

Thousands of Euro

	2023		2022	
	Short-term	Long-term	Short-term	Long-term
Mr. José Damián Bogas Gálvez	525	233	680	242
TOTAL	**525**	**233**[1]	**680**	**242**[2]

(1) Relating to the long-term variable remuneration in cash accrued for a third of the 2021–2023, 2022–2024 and 2023–2025 Loyalty Plans. A total of Euro 450 thousand vested in 2023, consisting of a cash payment of 70% of the 2019–2021 Loyalty Plan and the right to receive payment of 30% of the 2020–2022 Strategic Incentive Plan (Euro 326 thousand). This Strategic Incentive Plan has a cash payment component (Euro 62 thousand) and a share payment component, under which 3,225 shares were delivered, resulting in a gross profit of Euro 62 thousand.
(2) Corresponding to the long-term variable remuneration, in cash, accrued for one third of the 2020-2022, 2021-2023 and 2022-2024 Strategic Incentive Plans. The consolidation of the payment in 2022 amounted, for this item, to Euro 687 thousand, corresponding to 70% of the Loyalty Plan 2018- 2020 and 30% of the Loyalty Plan 2019-2021.

Long-term saving systems

During 2023, the contribution to funds and pension plans of Executive Directors totalled gross Euro 7 thousand (gross Euro 6 thousand in 2022).

Other items

The Chairman and the Chief Executive Officer, 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 Chief Executive Officer.

Life and accident insurance premiums

The Chief Executive Officer 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 2023, the premium totalled gross Euro 78 thousand (gross Euro 85 thousand in 2022).

Advances and loans

At 31 December 2023, the Chief Executive Officer had a loan amounting to gross Euro 230 thousand bearing an average interest rate of 3.534% (31 December 2022: gross Euro 230 thousand bearing an average interest rate of 0.0167%) and an interest-free loan of gross Euro 421 thousand (31 December 2022: gross Euro 421 thousand) (interest subsidies are treated as remuneration in kind).

Pension funds and schemes: obligations assumed

At 31 December 2023, the Chief Executive Officer held accumulated fund and pension plan rights for the amount of gross Euro 14,280 thousand (gross Euro 13,868 thousand at 31 December 2022).

Guarantees provided by the Company to the Chief Executive Officer

At 31 December 2023, as regards remuneration, the Company had arranged guarantees in the form of collateral to the Chief Executive Officer amounting to net Euro 7,347 thousand to cover early retirement entitlements (net Euro 6,951 thousand at 31 December 2022) (see Notes 19.2 and 19.3.3).

19.3.2. Remuneration of Senior Management

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

	Members of Senior Management in 2023
Name	**Position** [1]
Mr. Ignacio Jiménez Soler	General Manager - Communications
Mr. Juan María Moreno Mellado	General Manager - Energy Management
Mr. Paolo Bondi	General Manager - 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 - Audit
Ms. María Malaxechevarría Grande	General Manager - Sustainability
Mr. Ignacio Mateo Montoya	General Manager - Purchasing
Mr. Marco Palermo	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, on the Spanish Securities Market Commission.

	Members of 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 - People and Organisation
Mr. Rafael González Sánchez	General Manager - Generation
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 - 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, on the Spanish Securities Market Commission.
(2) Left on 31 December 2022 and was replaced by Mr Marco Palermo on 1 January 2023.

Remuneration of Senior Management

Details of the remuneration of Senior Management member who is not also an Executive Director in 2023 and 2022 are as follows:

Thousands of Euro

	Remuneration			
	At the Company		For membership on Boards of Directors of Endesa companies of the Endesa Group	
	2023	2022	2023	2022
Fixed remuneration	4,439[(1)]	3,918[(2)]	—	—
Variable remuneration	3,056[(3)]	2,563[(4)]	—	—
Attendance fees	—	—	—	—
Bylaw-stipulated emoluments	—	—	—	—
Options on shares and other financial instruments	1,010[(5)]	785[(6)]	—	—
Other	272	223	—	—
TOTAL	**8,777**	**7,489**	—	—

(1) The remuneration received by Senior Management includes the amount relating to the discount for the purchase of shares, Euro 60 thousand and the discount corresponding to the canteen of Euro 6 thousand, as part of the Flexible Remuneration Plan.
(2) The remuneration received by Senior Management includes the amount relating to the discount for the purchase of shares, Euro 84 thousand and the discount corresponding to the canteen of Euro 3 thousand, as part of the Flexible Remuneration Plan.
(3) Corresponding to short-term variable remuneration and long-term variable remuneration for one third of the Strategic Incentive Plans 2021-2023, 2022-2024 and 2023-2025. The consolidated payment in 2023 amounted to Euro 3,507 thousand, corresponding to short-term variable remuneration (Euro 2,096 thousand) and long-term variable remuneration (Euro 1,411 thousand). In 2023 they have consolidated the effective payment of 70% of the Loyalty Plan 2019-2021, and the right to payment of 30 % of the Strategic Incentive Plan 2020-2022.
(4) Corresponding to the short-term and long-term variable compensation for one third of the 2020-2022, 2021-2023 and 2022-2024 Strategic Incentive Plans. The consolidation of the 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 2022 they consolidated the effective payment of 70% of the Loyalty Plan 2018-2020, and the right to payment of 30% of the Loyalty Plan 2019-2021.
(5) Corresponding to the long-term variable compensation accrued for one third of the Strategic Incentive Plans 2021-2023, 2022-2024 and 2023-2025.
(6) Corresponding to the long-term variable compensation accrued for one third of the Strategic Incentive Plans 2020-2022, 2021-2023 and 2022-2024.

Thousands of Euro

	Other Benefits			
	At the Company		For membership on Boards of Directors of Endesa companies of the Endesa Group	
	2023	2022	2023	2022
Advances	481	412	—	—
Loans	—	—	—	—
Pension funds and schemes: contributions	642	590	—	—
Pension funds and schemes: obligations assumed	14,381	12,813	—	—
Life and accident insurance premiums	129	197	—	—

Guarantees provided by the Company to Senior Management

At 31 December 2023 and 2022, in terms of remuneration, the Company had not issued any guarantees to Senior Managers who are not also Executive Directors.

19.3.3. Guarantee clauses: Board of Directors and Senior Management

Guarantee clauses for dismissal or changes of control

These clauses were approved by the Board of Directors following the report of the Appointments and Remuneration Committee (ARC) and provide for termination benefits in the event of termination of the employment relationship and a post-contractual non-competition clause.

In relation to the Chief Executive Officer, the contract signed with him does not provide for compensation for the termination of 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 Damián Bogas Gálvez will be entitled to receive a net amount of Euro 7,347 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 updated upwards according to the Consumer Price Index (CPI) of the previous year.

This compensation is incompatible with the receipt of any other compensation arising from the termination of the Director's relationship. This net amount of Euro 7,347 thousand includes a two-year post-contractual non-compete undertaking lasting two years, included in the Chief Executive Officer's Senior Management contract.

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

The regime for these clauses is as follows:

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-compete clause.	• In the vast majority of contracts, Senior Managers dismissed are required not to engage in any business activity that competes with Endesa for a period of two years; as consideration, the Executive is entitled to an amount equal to up to one hundred per cent of the annual fixed remuneration.

As of 31 December 2023 and 2022, the number of Executive Directors and Senior Managers, with guarantee clauses, amounts to 10 persons.

19.3.4. 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.

Director	31 December 2023			
	Personal or company tax ID	Company	Stake (%)	Position
Mr. Flavio Cattaneo	00811720580	Enel, S.p.A.	0.02459013	Chief Executive Officer and General Manager
Mr. Flavio Cattaneo	B85721025	Enel Iberia, S.L.U.	—	Chairman
Mr. José Damián Bogas Gálvez	B85721025	Enel Iberia, S.L.U.	—	Director
Mr. Stefano de Angelis	00811720580	Enel, S.p.A.	—	Administration, Finance and Control Manager
Mr. Gianni Vittorio Armani	00811720580	Enel, S.p.A.	—	Head of Enel Grids, S.r.l.
Mr. Gianni Vittorio Armani	00811720580	Enel, S.p.A.	—	Sole Director of Enel Grids, S.r.l.
Ms. Francesca Gostinelli	00811720580	Enel, S.p.A.	0.00028522	Global Head of Enel X Retail

Director	31 December 2022			
	Personal or company tax ID	Company	Stake (%)	Position
Mr. Francesco Starace	00811720580	Enel, S.p.A.	0.00576855	Chief Executive Officer and General Manager
Mr. Francesco Starace	B85721025	Enel Iberia, S.L.U.	—	Chairman
Mr. José Damián 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.	—	Division Head of Enel Grids S.r.l.
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 Scenar-io Planning

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 2023.
Distribution by gender: At 31 December 2023, the Board of Directors of Endesa, S.A. comprised 12 Directors, five of which were female (12 Directors, five of which were female at 31 December 2022).
In 2023 and 2022, the Company had arranged third-party liability insurance policies for Directors and Senior Managers for a gross amount of Euro 1,768 thousand and Euro 1,772 thousand, respectively. This insures both the Company's Directors and employees with management responsibilities.
In 2023 and 2022 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.

19.3.5. Share-based payment schemes pegged 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. Since 2014, the Plans have foreseen a deferral of the payment and the requirement for the Executive to be active on the date of liquidation thereof; and payments are made on two dates: 30% of the incentive will be paid in the year following the end of the Plan, and the remaining 70%, if applicable, will be paid two years after the end of the Plan.

Once the accrual period for the Loyalty and Strategic Incentive Plans has ended, the only entitlement to payment of these will be in the event of retirement, termination of the fixed-term contract or death, with payment to be made in due course, and may be advanced to the heirs in the event of death. For those Loyalty and Strategic Incentive Plans for which the accrual period has not ended, only the amount pertaining to the Base Amount of the Incentive that has been allocated will payable *pro rata temporis* until the date of termination of the contractual relationship, when the Exercise Conditions for retirement or termination of the fixed-term contract are met.

Strategic Incentive Plan 2021–2023

On 30 April 2021, the General Shareholders' Meeting of Endesa, S.A. approved a long-term variable remuneration plan titled *"2021–2023 Strategic Incentive Plan"*, which aims primarily to reward the contribution to the sustainable compliance of the Strategic Plan of those that hold the greatest responsibility, including the Executive Directors of Endesa, S.A. The main features of this Plan are as follows:

	Main features
Strategic Incentive Plan 2021–2023.	• The performance period will be 3 years, starting from 1 January 2021. • 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%, if applicable, will be paid two years after the end of the Plan.

With respect to the total incentive accrued, the Plan expects 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.

Therefore, the accrual of the *"Strategic Incentive 2021–2023"* is linked to the fulfilment of four objectives during the performance period:

	Targets
Accrual of the 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 Euro-Stoxx 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 the cumulative average Net Capital Invested (NCI) [3], during the 2021-2023 period. This parameter will be weighted at 25% of the total incentive.
	3. Net installed capacity from renewable sources, represented as the relationship between net installed capacity from renewable sources and total cumulative net installed capacity at Endesa 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 (Avera 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 met and two 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 2022–2024

On 29 April 2022, the General Shareholders' Meeting of Endesa, S.A. approved a long-term variable remuneration scheme known as the *2022–2024 Strategic Incentive Plan*. The purpose and characteristics of this plan are the same as those set forth in 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 *"2022–2024 Strategic Incentive"* is linked to the fulfilment of five objectives during the performance period, which shall be three years starting on 1 January 2022:

	Objetivos
Accrual of the 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 Euro-Stoxx 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 from renewable sources, represented as the relationship between net installed capacity from renewable sources and total cumulative net installed capacity at Endesa in 2024. This parameter will be weighted at 10% of the total incentive.
	4. Reduction in carbon dioxide (CO_2) emissions at Endesa in 2024. This parameter will be weighted at 10% of the total Incentive.
	5. Percentage of women in the management succession plans in 2024. This parameter is 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.

Strategic Incentive Plan 2023–2025

On 28 April 2023, the General Shareholders' Meeting of Endesa, S.A. approved a long-term variable remuneration scheme known as the *Strategic Incentive Plan 2023-2025*. The purpose and characteristics of this plan are the same as those set forth in the *Strategic Incentive Plan 2021–2023* and the Strategic Incentive Plan 2022–2024 described in the previous sections, while the performance period and objectives to which its accrual is tied differ.

Therefore, the accrual of the *"2023–2025 Strategic Incentive"* is linked to the fulfilment of four objectives during the performance period, which shall be three years starting on 1 January 2023:

	Objetivos
Accrual of 2023–2025 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 Euro-Stoxx Utilities index, selected as the benchmark for the peer group. This parameter will be weighted at 50% of the total incentive.
	2. ROIC Target (*Return on Invested Capital*)[1] – WACC ("*Weighted Average Cost of Capital*)[3] represented by the ratio between NOPAT (Ordinary EBIT excluding tax effect)[2] and Average net invested capital (NIC)[4] less WACC. This parameter is weighted at 30%.
	3. Reduction in carbon dioxide (CO_2) emissions at Endesa in Spain and Portugal by 2025. This parameter is weighted at 10% of the total Incentive.
	4. Percentage of women in the management succession plans in 2025. This parameter is weighted at 10% of the incentive.

[1] *Return on Invested Capital* (ROIC) (%) = Ordinary Operating Income without tax effect (Ordinary EBIT without tax effect) / Average Net Invested Capital (Average NIC).
[2] Ordinary EBIT without tax effect (Millions of Euro) = EBIT adjusted for non-budgeted after-tax extraordinary effects.
[3] WACC (*Weighted Average Cost of Capital*) = Endesa's after-tax discount rate for the relevant period.
[4] Average Net Invested Capital (Average NIC) (Millions of Euro) = ((Equity + Net Financial Debt) n + (Equity + Net Financial Debt) n-1) / 2.

The amount accrued on these current Plans in 2023 in aggregate was gross Euro 3 million (gross Euro 2 million in 2022 on Strategic Incentive Plans 2020-2022, 2021-2023 and 2022-2024) of which gross Euro 1 million corresponded to the estimate of share-based payments to be settled in equity instruments (gross Euro 1 million in 2022 relating to Strategic Incentive Plans 2020-2022, 2021-2023 and 2022-2024).

"Other equity instruments" under equity in the statement of financial position includes the changes in 2023, and the balance at 31 December 2023 was Euro 5 million (Euro 4 million in 2022).

20. OTHER INFORMATION

20.1. Headcount

In 2023 and 2022, the Company's average headcount, by category and gender, was as follows:

Number of employees

	2023			2022		
	Men	Female	Total	Men	Female	Total
Management	62	21	**83**	78	26	**104**
Middle management	482	495	**977**	460	463	**923**
Administration and management personnel and workers	71	124	**195**	78	139	**217**
TOTAL EMPLOYEES	**615**	**640**	**1,255**	**616**	**628**	**1,244**

At 31 December 2023 and 2022, the breakdown of the headcount by category and gender was as follows:

Number of employees

	31 December 2023			31 December 2022		
	Men	Female	Total	Men	Female	Total
Management	66	22	**88**	64	20	**84**
Middle management	491	504	**995**	471	482	**953**
Administration and management personnel and workers	73	123	**196**	74	130	**204**
TOTAL EMPLOYEES	**630**	**649**	**1,279**	**609**	**632**	**1,241**

In 2023 and 2022, 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

	2023			2022		
	Men	Female	Total	Men	Female	Total
Middle management	9	5	**14**	6	5	**11**
Administration and management personnel and workers	7	4	**11**	4	4	**8**
TOTAL EMPLOYEES	**16**	**9**	**25**	**10**	**9**	**19**

20.2. 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 2023 and 2022, regardless of their billing date, were as follows:

Thousands of Euro

	2023	2022
Audit of the financial statements	1,223	1,101
Audits other than of the financial statements and other audit-related services	611	622
TOTAL	**1,834**	**1,723**

20.3. Information on the average payment period to suppliers. Additional provision three. *"Duty of information"* under Spanish Law 15/2010 of 5 July, as amended by Law 18/2022 of 28 September

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 2023 and 2022 were as follows:

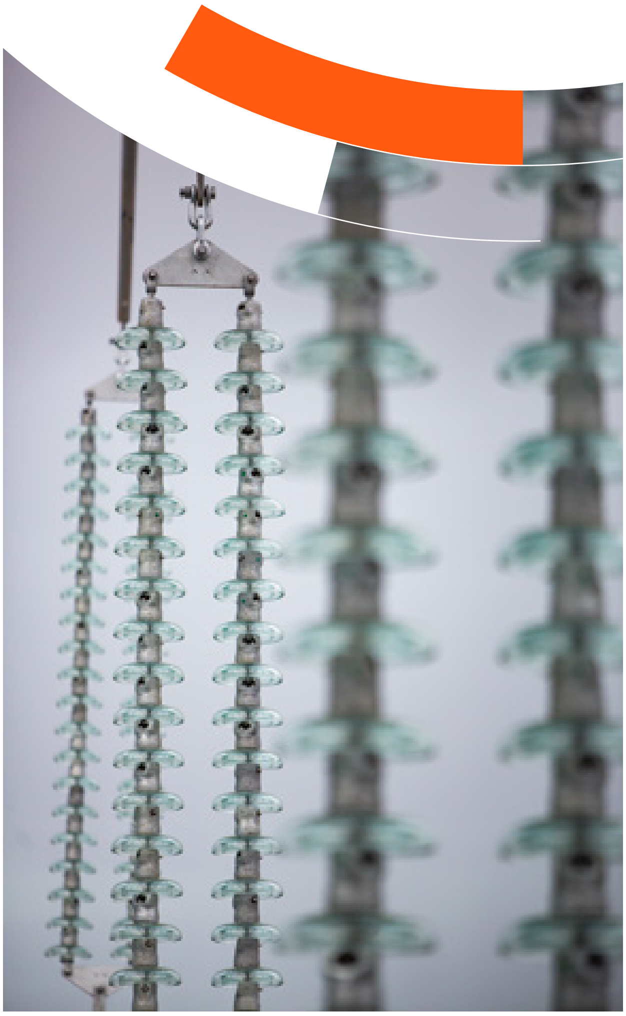
Number of days

	2023	2022
Average payment period to suppliers	37	37
Ratio of transactions paid	40	39
Ratio of transactions pending payment	19	20

Thousands of Euro

	2023	2022
Total payments made	98,898	102,733
Total payments pending	12,712	13,807

	2023	2022
Number of invoices paid within a period shorter than the maximum allowed	11,675	10,191
% of Total invoices	90.2	76.9
Monetary volume of invoices paid within a period shorter than the maximum al-lowed	86,445	89,382
% of monetary total of payments to suppliers	87.4	87.0



20.4. Insurance

The Company has taken out insurance policies to cover the risk of damage to property, plant and equipment of the Parent 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 for certain assets.

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

21. ENVIRONMENTAL INFORMATION

In 2023 and 2022, no current operating expenses were recognised associated with environmental activities.

At 31 December 2023 and 2022, 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 2023 and 2022.

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

22. EVENTS AFTER THE REPORTING PERIOD

Following several meetings of the Negotiating Committee of the VI Endesa Collective Bargaining Agreement, on 31 December 2023, the ordinary term of the V Endesa Framework Collective Bargaining Agreement expired and, as of 1 January 2024, the one-year extended period of validity came into force.

On 20 February 2024, the Ruling of the Constitutional Court 11/2024, of 18 January 2024, was published in the Official State Gazette (BOE), declaring the unconstitutionality of certain amendments introduced by Royal Decree Law 3/2016, of December 2, in Law 27/2014, of November 27, on Corporate Income Tax. Prior to that date, the Tax Consolidation Group with number 572/10, of which Enel, S.p.A. is the Parent Company and Enel Iberia, S.L.U. the representative entity in Spain, and to which Endesa, S.A. and its wholly owned subsidiaries belong, has challenged the liquidations or requested the rectification of the self-assessments that would be favourable as a result of the declaration of unconstitutionality.

Other than the events described above, no other significant events took place between 31 December 2023 and the date of authorisation for issue of these financial statements that have not been reflected therein.

23. 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.

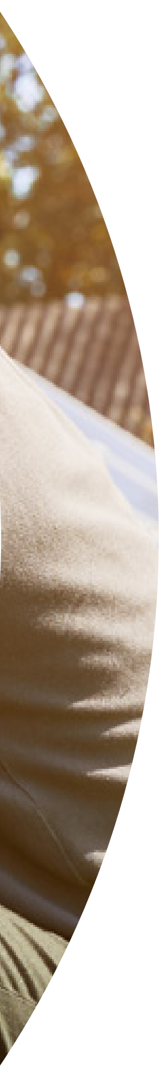
SIGNATURES FOR AUTHORISATION FOR ISSUE ENDESA, S.A.

OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Financial Statements (Statement of Financial Position, Income Statement, Statement of Changes in Equity: Statement of Recognised Income and Expenses, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements) for the year ended 31 December 2023 of Endesa, Sociedad Anónima have been authorised for issue in electronic format by the Board of Directors of Endesa, Sociedad Anónima at a meeting held on 27 February 2024, following the format requirements established in the European Commission Delegated Regulation EU 2019/815, and are signed below by all the Directors, in compliance with article 253 of the Corporate Enterprises Act.

D. Juan Sánchez—Calero Guilarte Chairman	**D. Flavio Cattaneo** Vice Chairman
D. José Damián Bogas Gálvez Chief Executive Officer	**D. Stefano de Angelis** Board member
D. Gianni Vittorio Armani Board member	**Dña. Eugenia Bieto Caubet** Board member
D. Ignacio Garralda Ruiz de Velasco Board member	**Dña. Pilar González de Frutos** Board member
Dña. Francesca Gostinelli Board member	**Dña. Alicia Koplowitz y Romero de Juseu** Board member
D. Francisco de Lacerda Board member	**Dña. Cristina de Parias Halcón** Board member

Madrid, 27 de febrero de 2024



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 2023 amounted to Euro 1.471 million, of which Euro 1.150 million correspond to income from dividends from Group companies and associates, and Euro 321 million to income for the provision of services to independent companies.

The details of Endesa, S.A.'s income from dividends in 2023 were as follows:

Millions of Euro

Company	Dividends
Edistribución Redes Digitales, S.L.U.	1,045
Endesa Financiación Filiales, S.A.U.	100
Suministradora Eléctrica de Cádiz, S.A.	3
Empresa de Alumbrado Eléctrico de Ceuta, S.A.	1
Other	1
TOTAL	**1,150**

In 2023, operating income amounted to Euro 1,485 million, while operating expenses totalled Euro 590 million, generating profit from operations for the year of Euro 895 million. This positive result is mainly due to the aforementioned dividend income of Euro 1,150 million from subsidiaries received during the year, as well as the expense associated with the Temporary Energy Tax introduced by Law 38/2022 of 27 December, amounting to Euro 208 million.

The financial result for the year 2023 was negative Euro 424 million and mainly includes financial expenses for debts with group companies and associates amounting to Euro 192 million, as well as financial expenses for loans and credit facilities with various financial institutions, and interest accrued on Euro Commercial Paper (ECP) issues amounting to Euro 249 million.

The pre-tax profit for the period was Euro 471 million.

In 2023, Euro 109 million of income was recognised from accrued income tax. This is because the dividends received from Group companies, which are the Company's main source of income, are not taxed. 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 2023 amounted to Euro 580 million.

2. MAIN FINANCIAL TRANSACTIONS

The details of the main financial transactions carried out in 2023 are set forth in Note 13.2 to the financial statements of Endesa, S.A. for the year ended 31 December 2023.

3. EVENTS AFTER THE REPORTING PERIOD

Information concerning events after the reporting period is provided in Note 22 to the financial statements for the year ended 31 December 2023.

4. RUSSIA-UKRAINE CONFLICT

Russia-Ukraine conflict and macroeconomic landscape

The macroeconomic and geopolitical landscape in the year 2023 was fraught with uncertainty and volatility within the energy markets, as a result of:

- the ongoing conflict between Russia and Ukraine, which shows no signs of abating any time soon and the impacts of this on the supply and prices of raw materials, mainly gas. This has been further compounded by simmering tensions and renewed conflicts in the Middle East;
- The sharp increase in inflation together with possible tensions along the supply chain and the implications of the reopening of the Chinese economy;
- Cybersecurity; and
- the current macroeconomic backdrop of rising interest rates, which has resulted in higher costs of financing of public and corporate debt.

The liquid fuels markets balanced out once the sanctions imposed by the European Union on imports of Russian crude oil and other products arising from the conflict in Ukraine entered into force. There is currently availability of products in the main refining and trade hubs in northern Europe. For its part, Endesa has sealed 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.

With regard to gas, Endesa's subsidiaries do not have any counterparties that are possibly affected by the sanctions, nor has it taken out gas supply contracts with Russia; hence, the Company's gas supply is guaranteed. Gas prices in the European markets affected by the reduction of Russian gas to Europe, particularly the Title Transfer Facility (TTF), followed a neutral trend during the year ended 31 December 2023 and proved to be highly volatile, despite considerable gas storage levels and weak demand. Endesa's subsidiaries hold positions in the TTF due to its strategy of hedging expected revenues from gas sales, and liquidity needs have declined as a result of the net position subject to margining of financial instruments traded on organised markets.

With regard to uranium (UF_6), Endesa's subsidiaries has covered its nuclear fuel needs for reactor refuels in successive years.

Given the complexity of the current environment and following the recommendations of the *European Securities and Markets Authority (ESMA)*, Endesa and its subsidiaries monitor both the status and changes in the current situation generated by the conflicts in Russia-Ukraine and the Middle East in order to manage the potential risks and changes in macroeconomic, financial and commercial variables, as well as the regulatory measures in force, with a view to updating its estimates as to the possible impacts on the consolidated Financial Statements. This analysis is described in the following Notes to the Financial Statements for the year ended 31 December 2023:

Matters	Notes	Contents
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.
Financial instruments	9 and 15	Adjusting the business model and the characteristics of contractual cash flows from financial assets, and reclassification among the categories of such assets. Changes in the valuation and settlement of energy stocks, detail of financial instruments and compliance with applicable regulations for applying hedge accounting.
Borrowings	13 and 14	Details of financial debt *(borrowings)*.
Liquidity risk	14.3	Details of the liquidity position.
Credit risk	14.4	Analysis of the impairment of financial assets
Fair value measurement	9.6 and 13.6	Details of financial assets and liabilities measured at fair value.

Accordingly, in the year ended 31 December 2023, the effects on Endesa's subsidiaries of both the conflict and the current context did not have a significant impact on Gross Operating Income (EBITDA) or Operating Income (EBIT). The net position subject to margining in the organised markets in which Endesa's subsidiaries arrange its financial instruments, the prices of which have fallen to below pre-conflict levels, resulted in lower collateralisation needs, with the balance amounting to Euro 1,220 million at 31 December 2023 (31 December 2022: Euro 6,724 million), which has had a positive impact on the liquidity position of Endesa and its subsidiaries.

In a constantly evolving scenario, Endesa continuously monitors macroeconomic and business variables in order to have the best estimate of potential impacts in real time.

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. operating and financial costs.

As a result of this economic-financial strategy, at a meeting on 23 November 2023 the Board of Directors of Endesa, S.A. approved the following shareholder remuneration policy for 2023-2026, unless any exceptional circumstances arise, which will be duly reported:

	Shareholders' remuneration policy
2023, 2024, 2025 and 2026	• For 2023, 2024, 2025 and 2026, 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 net ordinary profit attributed to the Parent Company in the Group's Consolidated Financial Statements, with a minimum equal gross Euro 1 per share. • 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.

Without prejudice to the foregoing, Endesa's capacity to pay out dividends to its shareholders depends on numerous factors, including the generation of profit, the availability of unrestricted reserves and the liquidity situation. Therefore, no assurance can be given that dividends will be paid out in future years or as to the amount of such dividends, if paid.

6. CLIMATE CHANGE CLIMATE STRATEGY

6.1. Climate change

The key performance indicators (KPIs) related to climate change defined in Endesa's 2024-2026 Strategic Plan are:

	Line of action	2026 objectives	Result 2023	Highlights
Decarbonisation of Endesa's own activity [1]	Scope 1 specific greenhouse gas (GHG) emissions from the electricity generation process (gCO_2e/kWh)	145	193	Reduction of specific emissions by 57% compared to 2017.
	Specific greenhouse gas (GHG) emissions from electricity trading (electricity generation process plus electricity purchases from the market) (gCO_2e/kWh)	140	214	An objective of 100% reduction of Scope 1 related to electricity generation and Scope 3 emissions related to electricity distribution has been set for 2040.
	Specific greenhouse gas (GHG) emissions from marketing of natural gas ($MtCO_2e$) – Scope 3.	10	8	An objective of 100% reduction of Scope 3 emissions related to gas distribution has been set for 2040.
	Mainland Carbon dioxide free production (CO_2)(% production)	93	80	100% decarbonization of the generation mix by 2040.
	Gross Installed Renewable Capacity (GW Installed)	13.7	9.9	Planned investment in renewable power development will add 3,600 MW of power, of which 3,000 MW are solar facilities and 1,600 MW wind farms.
	Fossil thermal Net installed capacity (GW installed)	7.7	8.0	Cessation of coal activity in 2027.
	Energy sold to fixed-price customers from zero-emission sources (%)	90	~75	Promotion of clean electrification.

[1] Source: In-house

Management of climate change at Endesa.

As a leading player in the energy sector, Endesa is aware of the key importance of leading the transformation towards a low-carbon economy in order to address climate change. Therefore, as a consequence of the work and ongoing dialogue with stakeholders, and aware of the economic, social and environmental repercussions of all its activities, Endesa has put in place a sustainable development strategy aligned with implementation of 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. As of 23 November 2023, we presented the 2024-2026 Strategic Plan, which guides the Company's activities to grow in clean electrification.

Endesa believes that the transition to a carbon neutral economy is technologically possible, economically viable and socially necessary. To this end, the 2024-2026 Strategic Plan maintains two of the pillars of clean electrification as key drivers: distribution grids and renewable generation.

It promotes initiatives that contribute to a fairer, healthier and more equal society and achieving the Sustainable Development Goals (SDGs), particularly Goals 7 (Affordable and clean energy) and 13 (Climate action).

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 2023 Non-Financial and Sustainability Statement (see section 16 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 reporting climate-related information*, which, together with the *Global Reporting Initiative (GRI) Standards* and the Guidelines on non-financial reporting, provide the main framework for Endesa's climate change disclosures.

Accordingly, the information on climate change contained in this Management Report is fully consistent with the recommendations of the TCFD, including the recommended disclosures: corporate governance, strategy and risks (see sections 6.2, 6.3 and 7.4 respectively, of this Management Report).

Endesa's commitment to address climate change

International and domestic landscape

The most important milestones in the global commitment to fighting climate change are:

Milestone	Description
Paris Agreement	• The main objective is to limit the increase in global temperature to 2ºC compared to the pre-industrial period, with the goal of keeping it below 1.5ºC. It also introduced the condition of carbon neutrality, which must be achieved by the second half of this century.
United Nations Climate Change Conference in Abu Dhabi (UAE) (COP28)	• The conference, held in 2023, marks the conclusion of the first global stocktaking under the Paris Agreement and is therefore of significant importance. Global stocktaking exercises are held every 5 years to assess the global response to the climate crisis and chart a better way forward. COP28 played an influential role in identifying global solutions to limit global temperature rise to 1.5ºC and informing governments about preparations for revised and more ambitious Nationally Determined Contributions (national climate plans), due in 2025. There was a widespread call for increased ambition and international climate finance. Furthermore, for the first time in international negotiations, the need to phase out fossil fuels in order to succeed in the fight against climate change has been pointed out.

In 2023, the EU has continued to make good progress towards its ambitious climate goals despite the recent energy crisis. However, there are still major challenges ahead. These include technological aspects such as electrification of demand, grid interconnections, storage systems, increased deployment of renewable energies and the integration of other energy sources, such as hydrogen and biomethane. However, when transforming the EU's energy system, it is also important to ensure energy security, boost energy independence, ramp up domestic production of clean technologies, and make energy more affordable, as evidenced by the recent energy crisis.

In this context, the main legislative proposals of the *"Fit for 55"* package were deployed over the course of 2023, allowing the EU Commission to submit an updated version of its Nationally Determined Contributions (NDC) to the UN Framework Convention in October 2023.

In Spain, the goals for combating climate change are being transposed through the following plans:

Plan	Description
2021-2030 Integrated National Energy and Climate Plan (PNIEC)	• This Plan sets an ambitious target for renewable penetration, with the aim of making 74% of total electricity generation renewable in 2030, consistent with a path towards a 100% renewable electricity sector by 2050, complemented by increased storage capacity. Energy efficiency, one of the cornerstones of the Spanish national integrated energy and climate plan 2021-2030 (PNIEC), sets a target of 39.5% improvement by 2030. The plan is currently in the process of review and updating.
National Climate Change Adaptation Programme (NAP) 2021–2030	• This is the basic planning tool for driving coordinated action against the effects of climate change in Spain. • Endesa has been working for over a decade on a range of projects to generate awareness about climate change and minimise as much as possible the vulnerability of all its facilities to the phenomenon; share and exchange impressions of the results obtained; and foster ongoing learning about, and resilience to, climate conditions, enabling it to optimise the management of its businesses.

The draft update of the Spanish national integrated energy and climate plan (PNIEC) 2021-2030 includes targets consistent with the emission reductions adopted at the EU level. These objectives will take the form of the following proposed targets for 2030:

Plan	Proposed targets for 2030
2021-2030 Integrated National Energy and Climate Plan (PNIEC) (under review)	• 32% reduction in greenhouse gas (GHG) emissions compared to 1990. • 48% renewable energy out of end-use energy. • 44% improvement in energy efficiency in terms of end-use energy. • 81% of renewable energy in electricity generation. • Reduction of energy dependence by up to 51%.

Once approved, the Spanish national integrated energy and climate plan (PNIEC) 2023-2030 will serve as a guide to Endesa's actions up to 2030 to reduce greenhouse gas (GHG) emissions, implement energy efficiency measures and generate electricity from renewable sources. The plan sets out a clear and sufficiently ambitious roadmap at national level.

Endesa and the energy transition

Endesa designs its strategy in line with the context of climate emergency and the call to be more ambitious, establishing ambitious targets through the successive Strategic Plans prepared since the Paris Agreement was adopted.

Endesa's performance in 2023 was affected by various external factors. Although progress continued to be made in the implementation of renewable energies and in meeting the environmental indicators of its Strategic Plan, such factors hindered progress towards certain goals and objectives related to sustainable and carbon-free generation. Such factors included:

- Delay in the authorisation to close the As Pontes thermal power plant due to security of supply criteria in a context of energy crisis. This meant that it had to continue in operation until October 2023.
- Delays in updates to the remuneration parameters for the cogeneration facilities, which led to a shortfall in the contribution of this technology in 2023.
- Application of the Iberian derogation during the first month and a half of 2023, coupled with the low availability of France's nuclear generation pool and exceptional weather conditions, led to a decrease in hydroelectric production in 2023 compared to previous years not affected by the drought period. This resulted in an increased operation of the combined cycle power plant portfolio.
- Delay in the launch of the competitive tendering procedure in the non-mainland territories (TNP) (Canary Islands, Balearic Islands, Ceuta and Melilla), where Endesa is the main generator, is an obstacle to the possibility of upgrading the generation pool or accessing cleaner fuels. Coupled with an ageing generation base, this has had a significant impact on the emission of greenhouse gases (GHGs) by these electricity systems.

Endesa has set itself the goal of becoming *"Net-Zero"* by 2040, effectively meaning zero emissions, and considering the use of offset schemes only for those emissions for which there is no emission-free technological solution. Endesa thus contributes to the goal certified by the *Science Based Targets initiative* (SBTi) at Group level by its parent company Enel. This accelerates the company's exit from its fossil fuel generation and gas sales business to become a 100% renewable electricity company that is not tied to fossil fuel or emission-producing technologies. Likewise, and within the same certification, a zero emissions target is included for all its electricity marketed, which includes both its own generation and that acquired from third parties.

In the 8 years since the Paris Agreement was adopted, Endesa has reduced its emissions by 66% since 2015 (79% since 2005, when the Kyoto Protocol came into force. In order to stay on the established path of decarbonisation, Endesa adopted additional and more ambitious commitments, also encouraged by the need for energy independence from fossil fuels, maintaining the path towards a completely decarbonised *mix*. As proof, it has signed its support for the Global Renewables Alliance, which at COP28 called for a three-fold increase in renewable capacity by 2030 compared to 2022 levels.

Against a backdrop of inflation and higher finance costs, Endesa has updated its Strategic Plan for the 2024–2026 period to reaffirm its energy transition strategy based on an increase in the installed capacity of renewable sources to achieve a volume of renewable power of 13,900 MW by 2026, 40% more than at the end of 2023. With this, 93% of electricity production in the Iberian Peninsula will be emission-free in 2026, up from 79.8% at the close of this year. The new renewable capacity that will be added to Endesa's energy *mix* in this period will amount to 3,800 MW. In addition, the Strategic Plan 2024-2026 calls for an investment of Euro 2,800 million in distribution grids, a key factor for decarbonisation by allowing for the inclusion of renewables, recharging of electric vehicles and enabling active participation of demand through self-consumption facilities.

6.2. Corporate governance focused on sustainability objectives

Board of Directors

Endesa is aware of the effects that climate change has on its business. It integrates this vision not only as an element in its environmental and climate management policy, but as a major component in decision-making at the business level and in the determination of its strategic plans. Endesa has therefore integrated its climate change action plan into its Strategic Plan.

In this respect, Endesa's Strategic Plan is geared and prepared for the fight against climate change. It is approved every year by the Board of Directors, and developed and implemented by the company's Senior Management. More precisely, the CEO is ultimately responsible for implementing the company's Strategic Plan and therefore for the company's climate strategy.

The Board of Directors of Endesa, S.A. is responsible for the following matters where climate change is considered a key factor in ensuring success:

Key matters
• Adoption of the Strategic Plan, including the Climate Change Action Plan.
• Approval of the Sustainability Plan, currently focused on energy transition.
• Adoption of the Environmental Policy, which covers climate change. The policy was reviewed, updated and adopted by the Board of Directors in 2021 and is available to the public on Endesa's website[1].
• Establishment of a risk management and control policy, including climate change risks.
• Setting of management targets, annual budgets, investment and funding policies for the Company and its Group, and definition of the basic lines of the general 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).

Appointments and Remuneration Committee (ARC)

The Appointments and Remuneration Committee (ARC) is responsible for reporting on 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 carbon dioxide (CO_2) emission reduction targets to the Board of Directors of Endesa, S.A. It also monitors these targets, which are linked to the variable remuneration of the Executive Directors.

Endesa has in place a long-term incentive system, known as the Loyalty or Strategic Incentive Plan. The main purpose of the plan is to reward the contribution to the Company's business strategy and long-term sustainability of people in positions of senior responsibility, i.e. Executive Directors and Management personnel whose role is considered critical to the achievement of the goals of the Strategic Plan. This long-term variable remuneration is structured around rolling three-year programmes that start each year and involve targets that are reviewed on an annual basis.

At the date of issue of this report, the 2021-2023, 2022-2024 and 2023-2025 Plans are in force, which establish the following objective directly related to the management of climate change:

[1] https://www.endesa.com/content/dam/enel-es/home/inversores/gobiernocorporativo/politicascorporativas/documentos/POLITICA-MEDIOAMBIENTAL-ENDESA_21_06_21.pdf

Targets	Description
Carbon dioxide (CO_2) reduction targets.	Reduction of Endesa's carbon dioxide (CO) emissions in 2023, 2024 and 2025 (1). This parameter has a weighting of 10% in the incentive.

(1) Ratio between the absolute emissions of carbon dioxide (CO_2) due to Endesa's electricity generation and Endesa's total net production for that year.

For more information see Note 19.3.5. 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 2023.

The Appointments and Remuneration Committee is also responsible for establishing the welcome programme for new Directors, and refresher programmes when circumstances so advise.

Audit and Compliance Committee (CAC)

The main function of the Audit and Compliance Committee (CAC) is to supervise and monitor the creation and presentation of financial and non-financial information, the independence of the auditor and the efficiency of internal risk control and management systems, in addition to informing the Board of Directors or the General Shareholders' Meeting of transactions with related parties in accordance with prevailing laws and regulations. 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 lines of defence' model (see Section 7.1 of this Management Report).

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. For example, it analyses information on the Company's risks and objectives regarding climate change, prior to review and submission of the report by the Audit and Compliance Committee and subsequent authorisation for issue by the Endesa, S.A. Board of Directors.

In addition, the Sustainability and Corporate Governance Committee has other functions such as:

Other functions
• To review the Company's sustainability and environmental policies
• To supervise the Sustainability Plan, which includes climate change-related objectives, and the degree of compliance with such objectives.
• To verify that the Non-Financial and Sustainability Statement is adapted to the Endesa Group's Sustainability Plan, and that it includes information risks and the Company's objectives with regard to climate change.

The Sustainability and Corporate Governance Committee currently consists of 3 independent members of the Board of Directors. This ensures that Endesa's commitment to sustainability remains unwavering in all decision-making processes and in the conduct of its day-to-day business. The Sustainability and Corporate Governance Committee establishes an annual work programme that includes specific objectives in relation to each of its functions and an annual schedule of meetings. The Sustainability and Corporate Governance Committee meets in accordance with this calendar, or when convened by its Chairman, when so decided by a majority of its members or at the request of the Board of Directors. A minimum of 4 meetings per year must be held.

In the amendment of the Regulations of the Sustainability and Corporate Governance Committee in February 2022, the powers and duties of the Sustainability and Corporate Governance Committee in the area of climate change were reinforced. Its responsibility to regularly review climate change policies and to verify that the Non-Financial and Sustainability Statement that forms part of this Management Report includes information on the Company's climate change risks and objectives was expressly included. In 2023, the Sustainability and Corporate Governance Committee addressed questions relating to climate change at two of its five meetings.

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 the electrification of demand, as vectors of competitive and efficient decarbonisation.

To guarantee the success of the Company's commitment to carry out its activity in harmony with nature, Endesa works on four fronts that, together, address its main impacts:

Areas of action	Description
Climate action	• It sets out the strategy, roadmaps and targets for reducing emissions and combating climate change, based on solid growth in renewable generation, a broad portfolio of energy products and services of value to customers and the digitalisation of distribution networks.
Fair transition	• A fair and inclusive transition of shared value with society and aligned with the goals of the Paris Agreement.
Protecting biodiversity and natural capital	• Integrating biodiversity conservation and natural capital preservation into the decision-making process with the aim of achieving zero net biodiversity loss in nine projects by 2030.
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 strategic pillars is the energy transition towards the total decarbonisation of electricity generation by 2040, with plans to achieve a complete end to coal-fired electricity generation activity by 2027. Following the closure in 2020 of the coal-fired plants of Compostilla (1,052 MW of installed capacity), Teruel (1,098 MW) and Litoral de Almería (1,120 MW), authorisation was received for the closure of the 1,469 MW As Pontes plant in August 2023. Authorisation for the closure of the As Pontes Thermal Power Plant was requested in 2019, with the aim of being able to close the plant by 30 June 2021, but its granting has been delayed for various reasons beyond Endesa's control and responsibility, in particular due to security of supply criteria in a scenario of energy crisis. As a result, the plant has been forced to continue operation for part of 2023. At present, only units 3 and 4 of the Alcudia Thermal Power Plant are in operation, doing so for a maximum of 500 hours per year on an emergency basis. Alongside the closure of the main greenhouse gas emitting plants, a significant growth in renewable generation is taking place as part of a value creation model that is shared with society. The development and management of renewable energies by Endesa in Spain is carried out through Enel Green Power España, S.L.U.

In 2023, Endesa increased its renewable installed capacity by 607 MW to reach a total of 9,899 MW, of which 4,746 MW are hydro, 2,884 MW wind power, and 2,269 MW solar photovoltaic.

Description of the climate scenarios

Energy transition and climate change scenarios

Endesa promotes transparency in disclosures on the impact of climate change and works to show its stakeholders that it is addressing climate change with diligence and determination. Endesa has committed to adopting the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and to implement any updates that are published. In 2020, Enel Group, Endesa's parent company, participated as a member of the Advisory Board of the TCFD in developing specific recommendations to support scenario analyses. Endesa has been one of the first utilities to take into account the *Guidelines on Climate-Related Disclosures* published by the European Commission in 2019, which, together with the TCFD and the *Standard Global Reporting Initiative* (GRI), constitute the reference framework for the disclosure of climate change-related issues.

Scenario analysis

Endesa develops short-, medium- and long-term macroeconomic, financial, energy and climate scenarios to support planning processes, capital allocation, strategic positioning, risk assessment and strategy resilience. Strategic planning based on the use of scenarios is in line with 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. With respect to the foresight approach, the scenarios offer greater flexibility and enable preparation to affront risks and take advantage of opportunities. The forecasting approach provides projections based on past trends, which therefore do not anticipate changes, nor incorporate assessments of risks or uncertainties. Instead, scenario development makes it possible to analyse and model plausible alternative futures, allowing different pathways, time horizons and options to be designed, and ultimately supporting the strategic decision-making process with the goal of maximising opportunities and mitigating risks. This aspect is particularly relevant in the event of potential significant shocks arising from the development of key uncertainties.

Comparative scenario analysis and planning

Performing a benchmarking (comparative analysis) of energy scenarios is a useful starting point for building robust internal scenarios. Many global, national and regional energy transition scenarios exist, published by different bodies and designed for multiple purposes, from governmental planning to support for business decision-making processes. The *benchmarking* activity involves analysing scenarios prepared by organisations in order to compare the results with respect to the energy *mix*, emission levels and technology options, and to identify, for each scenario, the main drivers of the energy transition.

There are three steps in conducting a comparative analysis of energy transition scenarios:

1. Context analysis of global and national scenarios

Beyond the analysis of reports and databases, scenario analysis 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:

Transition scenarios	**Description**
"Business as usual"/current policies.	• Energy scenarios based on current policies.
"Paris Aligned"	• Energy scenarios consistent with the Paris Agreement, i.e. they include the objective of limiting the average increase in global temperatures to below 2ºC compared to pre-industrial levels.
"Paris Ambitious" / "Net Zero"	• Global energy scenarios that provide for a transition to net zero greenhouse gas (GHG) emissions by 2050, consistent with the most ambitious objective under the Paris Agreement, i.e. to achieve a global average temperature increase of no more than 1.5 °C, taking into consideration various probabilities.

2. Data collection and analysis, and identification of drivers of the energy transition

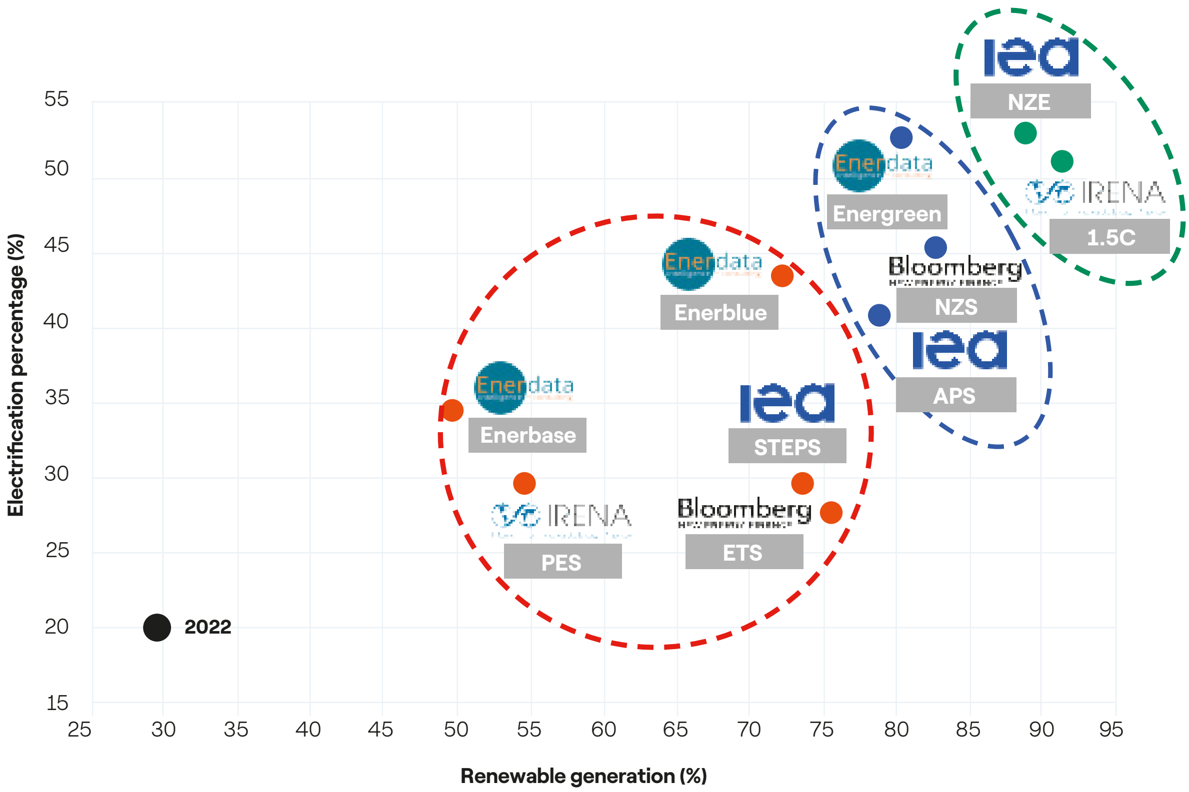
Data collection covers all key energy system metrics, including but not limited to: Primary energy, total and sectoral final energy, total electrical capacity and by technology, total electricity generation and by technology, hydrogen production, fleet of electric vehicles, etc. Data analysis has enabled the agencies designing the scenarios of the key elements of the business-as-usual scenarios to identify the drivers that enable an acceleration of the energy transition in the *"Paris Aligned"* and *"Paris Ambitious"* scenarios.

3. Production of a review paper

A paper is prepared setting out the data analysis and digital representation of the key metrics of the external scenarios to support decision-making by the Company's management on the scenario framework to be used.

KEY DRIVERS OF THE TRANSITION: ELECTRIFICATION AND RENEWABLES

Global energy transition scenarios @2050



Temperature increase: ~ 1,5 °C (Paris Ambitious) < 2 °C (Paris Aligned) ≥ 2 °C (Slower Transition)

Source: own elaboration based on IEA World Energy Outlook 2023, BNEF New Energy Outlook 2022, IRENA World Energy Transition Outlook 2023, Enerdata Enerfuture 2023.

Analysis of the different external scenarios reveals a unanimous consensus among energy analysts as to which are the main drivers for achieving the climate targets: the level of demand electrification and the share of renewables, both in the medium and long term. Specifically, in scenarios compatible with a global average temperature increase not exceeding 1.5°C, the level of demand electrification rises above 50% in 2050, compared to 20% in 2022 (IEA, 2023, WEO: 53%; IRENA, 2023, World Energy Transition Outlook: 51%), while the share of renewable generation in the electricity mix reaches 90%, up from 30% in 2022 (IEA, 2023, WEO: 89%; IRENA, 2023, World Energy Transition Outlook: 91%).

Long-term scenarios

Endesa's scenarios are built with a view to having a general framework that can ensure coherence between the energy transition scenarios and the physical scenarios:

Scenarios	Defining aspects
Transition scenarios	This scenario describes how energy production and consumption in the various sectors evolve in a given economic, social, political and regulatory context.
Physical scenarios	The aim is to address issues related to future trends in climate variables (in terms of frequency and intensity of acute and chronic events).

	Granularity & extensive geographic coverage	Future of metrics & KPIs	Automation and advanced analytical techniques	Integration of interdependencies	Open database available to all stakeholders.
MACRO FINANCE	**More than 150 countries monitored** for country risk analysis and macroeconomic and financial scenarios	Monitoring of market expectations and **analysis of sensitivity** to new social and technological realities	**General balance models** and machine learning techniques for the management of big data	inclusion of **socioenvironmental impacts** in the analyses to quantify the impact of actions taken	Periodic update on **interactive platforms** with optimisation via **graphical analysis**
ENERGY	**Wide coverage** of market and geographic indicators and focus on **areas of presence**	Monitoring of trends in electricity demand and price volatility with study of **regulatory and transition impacts**	Econometric models and **neuronal networks** to shape forecasts	Impact analysis with **exogenous variables** (macroeconomic and climate)	Development of an **integrated database** that is updated automatically
CLIMATE	Climate scenario data available with **high-resolution global coverage**	**Standard metrics and/or metrics constructed ad hoc** to assess **phenomena** of interest for **future scenarios**	**Analytics** and **machine learning** to manage **big data** in **scalable** cloud **environments**	integration of **exposure** data (e.g. population density, location/facility value)	**Platform to share, view and download** results
INTEGRATED MODELLING SYSTEMS	Main countries of interest to Enel. Developed to manage **integrated business models**	Preparation of scenarios by economic sector to detect trends in **electrification and efficiency**	Use of system models capable of optimising the use of technologies to **minimise emissions and costs**	Integrated **generation** and **energy demand** management	**Technology databases** for each service: Types of electric cars, heat pumps,...

As described in the illustration above, the definition of scenarios at the Enel Group level requires the acquisition and processing of an enormous amount of information and data, as well as the identification of the methodologies and metrics needed to interpret complex and, in the case of climate scenarios, very high resolution phenomena. All this requires a continuous dialogue both with the organization itself and with the analysts of the main agencies that design the scenarios. To assess the effects of physical and transition phenomena on the energy system, models are used that describe the energy system taking into account the specific technological, socioeconomic, political and regulatory specificities.

The adoption of these scenarios and their integration into business decision-making processes reflects the guidelines of the *Task Force on Climate-related Financial Disclosures* (TCFD). It constitutes a facilitating factor in the assessment of the risks and opportunities related to climate change. The process that translates scenario occurrences into useful information for industrial and strategic decision-making can be summarised in 5 steps:

1. **Identification of trends and factors** important to the business (e.g. electrification of demand, heatwaves, 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 reference framework

A transition scenario represents how energy production and consumption may evolve in a given economic, social and regulatory context, and according to the different technological options available. This corresponds to an evolution of Greenhouse Gas (GHG) emissions and a climate scenario, 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. Even 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 considered in the definition of Endesa's Energy Transition scenarios refer to the macroeconomic and energy context, the regulatory framework, the evolution of the market, and the costs of adopting energy production, transformation and consumption technologies.

The reference scenario for planning, known as the "Reference" scenario, is a "Paris Aligned" scenario, which contemplates achieving the objectives of the Paris Agreement, i.e. an increase in the global average temperature with respect to pre-industrial levels below 2°C, with a level of climate ambition higher than "business as usual" but without assuming the global achievement of the Net Zero target in 2050, given the current level of accumulated ambition at global level and the slowdown in the speed of the Energy Transition that the current macroeconomic and energy context is causing at local level in some transition variables. The scenario takes into account recent developments in European and national climate and energy legislation, specifically the draft National Integrated Energy and Climate Plan (PNIEC) published in June 2023. The scenario considers a sustained growth of renewable energies in the coming years, especially solar energy, and a more moderate evolution in terms of green hydrogen development compared to what was foreseen in the National Integrated Energy and Climate Plan (PNIEC).

In addition to the reference scenario, two alternative scenarios have been defined, depending on the degree of climate ambition, which also consider different macroeconomic and raw material price assumptions. The two alternative scenarios are:

Alternative scenarios	Description
"Slower Transition"	• Characterised by a slower energy transition in the medium term. A delay is assumed in the penetration of renewable energy, green hydrogen and electric technologies, in particular for private cars and the electrification of household energy consumption.
"Accelerated Transition"	• Characterised by increased ambition compared to the "Reference" sc*enario, in pa*rticular with regard to some characteristic variables of the energy transition. The scenario envisages an acceleration in renewable energy authorisation pathways, leading to a higher annual level of installations, and development of green hydrogen consistent with the draft national integrated energy and climate plan (PNIEC), as well as a further boost to energy savings in buildings.

The assumptions on the variations in raw material prices used in the "Reference" scenario are in line with the external scenarios that reach the objectives of the Paris Agreement. The price of carbon dioxide (CO_2) is expected to grow steadily until 2030, following a steady reduction in the supply of carbon permits coupled with growing demand and a progressive reduction in the price of coal, due to slumping demand. With respect to gas, it is considered that the price tensions will be relaxed in the coming years as a result of a realignment between supply and demand at global level. Lastly, a progressive stabilisation of the price of oil is foreseen, for which a peak in demand with respect to 2030 is estimated.

	2023[1]	**2030**			
	Endesa	**Endesa**	**Average benchmark**[2][3]	**Benchmark high**[2][3]	**Benchmark low**[2][3]
Price of Brent ($/bbl)	83	~74	~77	~91	~64
Average coal price Api2 (€/MWh)	130	~83	~85	~110	~60
Carbon dioxide (CO_2/€/$_t$)	84	~120	~128	~150	~115
TTF gas price (€/MWh)	41	~30	~26	~30	~16

[1] See Section 5.2 of this Consolidated Management Report.
[2] Fuente International Energy Agency – *«Sustainable Development Scenario»* and *«Net Zero Scenario»*, Bloomberg New Energy Finance (BNEF), *«IHS Green Case Scenario»*, *«Enerdata Green Scenario»*.
[3] The scenarios used as a benchmark were published at different times of the year and could not be updated with the latest market dynamics.

Information on the key assumptions used to determine the value in use to test the impairment of non-financial assets at 31 December 2023 (Strategic Plan 2024-2026) is provided in Note 4.d1.2 to the Financial Statements for the year ended 31 December 2023.

The alternative scenarios, on the other hand, assume on the one hand an acceleration of decarbonisation, driven by regulation, and at the same time a faster decline in demand for fossil fuels, which inevitably translates into lower fossil fuel prices in 2030. In the case of a slower transition, on the other hand, fuel demand will peak more gradually, which will maintain energy commodity prices.

With respect to full achievement of the Paris Agreement targets, i.e. stabilisation of the global average temperature increase at +1.5°C, there remains uncertainty that some countries may remain on business-as-usual pathways and fail to take timely and effective action to reduce their emissions, which would delay the process of decarbonisation towards zero net emissions by 2050. However, Endesa operates a business model and has defined strategic guidelines that are in line with the maximum ambition of the Paris Agreement targets, i.e. consistent with a global average temperature increase of 1.5°C by 2100, as certified by the Science-Based Targets initiative (SBTi) at Enel Group level. Endesa has set a target of 0 direct emissions in 2040 (Scope 1) with fully renewable electricity generation, and 0 emissions related to retail energy sales (Scope 3) also in 2040.

Physical scenarios

Description and reference framework

Three climate scenarios have been selected to assess physical risks in line with those published in the Sixth Report of the Intergovernmental Panel on Climate Change (IPCC).[2] These scenarios are characterised by a level of emissions in line with what is known as the "*Representative Concentration Pathway"* (RCP), with each scenario being related to one of the five scenarios defined by the scientific community as "*Shared Socioeconomic Pathways*" (SSP), based on general assumptions as to population and urbanisation, among others.

In accordance with the above, the three scenarios considered are:

Scenarios	Description
1. *"Shared Socioeconomic Pathways"* 1 (SSP 1) – *"Representative Concentration Pathway"* 2.6 (RCP 2.6):	• Scenario compatible with a global temperature increase of well below 2ºC in 2100 with respect to pre-industrial levels (1850-1900). The Intergovern*mental Panel on Climate Change (IPCC) projects* an average temperature increase of ~+1.8°C over the period 1850–1900. For analysis that considers both physical and transition variables, the Shared Socioeconomic Pathways Scenario 1 (SSP 1) – Repres*entative Concentration Pathwa*y 2.6 (RCP 2.6) *is associated to the Reference and* Accelerated Transition scenarios.
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 2.7ºC in 2100, with respect to the period 1850-1900. This scenario has been considered 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[3]. For the analysis that takes into account both physical and transition variables, the Shared Socioeconomic Pathways Scenario 2 (SSP 2) – Representative Concentration Pathway 4.5 (RCP 4.5) is associated with the Slower Transition Scenario.
3. "Shared Socioeconomic Pathways" 5 (SSP 5) – *"Representative Concentration Pathway"* 8.5 (RCP 8.5):	• Compatible with a scenario based on the premise that no specific measures will be taken to combat climate change. This scenario considers that the global temperature increase with respect to pre-industrial levels will be about 4.4 ºC by 2100.

The Shared Socioeconomic Pathway 5 (SSP 5) – *Representative Concentration Pathway* 8.5 (RCP 8.5) scenario is considered the most unfavourable situation, having been used to assess the consequences of climate impacts under an extreme scenario. The Shared Socioeconomic Pathway 1 (SSP 1) – *Representative Concentration Pathway* 2.6 (RCP 2.6) scenario is used to assess the consequences of climate impacts associated with an energy transition that achieves ambitious targets in terms of mitigation.

The work performed with the climate scenarios considers both chronic phenomena and extreme events. For a description of specific complex phenomena, data and analyses provided by private, public and academic institutions are used.

Analysis of the physical scenarios in Endesa

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

The work carried out by the Department of Earth Sciences of the International *Centre for Theoretical Physics* (ICTP) in Triestre, Italy has allowed the projections of the most important climatic variables with a resolution equivalent to a grid of between 12 and 100 km in length, for a time horizon between 2020-205[4]. The main variables used are temperature, snow and rainfall and solar radiation. For a more robust analysis, we are currently working on the basis of the regional climate model defined by the International Centre for Theoretical Physics (ICTP), plus five others selected from the most representative climate models[5]. Working with various models enables more robust analyses to be performed, based on average assumptions in individual models. For some specific climate variables, such as wind gusts, we work with entities specialised in the field. In 2023, analysis continued of projections for Spain based on the set of models mentioned above, which has provided a more accurately defined representation of the physical scenarios.

The International Centre for Theoretical Physics (ICTP) also provides scientific support for interpretation of the climate data used.

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(2) IPCC Sixth Assessment Report (2021), *«The Physical Science Basis»*.

(3) *"Climate Action Tracker thermometer", global warming estimates in 2100 considering current "Policies & action" and "2030 targets only" (December 2023 update).*

(4) Climate projections mainly cover the Representative Concentration Pathway 2.6 (RCP 2.6) and Representative Concentration Pathway 8.5 (RCP 8.5) scenarios. Where available, the Representative Concentration Pathway 4.5 (RCP 4.5) is also offered. When not available, this is derived from the other scenarios by pattern scaling.

(5) The number of models used varies in accordance with the *«Representative Concentration Pathway»* (RCP).

The analysis of certain aspects depends not only on climate projections, but also on the characteristics of the territory, so it is necessary to carry out a more specific modelling to achieve a high-resolution representation. To achieve this, Natural Hazard maps are used to complement the climate scenarios developed by the International Centre for Theoretical Physics (ICTP). The use of these maps results in the expected frequencies for a number of weather events, such as storms, hurricanes or floods, with high spatial resolution. The findings of this type of analysis using historical series are being used to optimise the insurance strategy. Work is currently underway to integrate these findings with climate scenario projections.

Endesa has equipped itself with tools and acquired sufficient knowledge to work independently with the gross data published by the scientific community. This enables a high-level global overview of the long-term development of key climate variables. The sources used are the outputs of the climate and regional models of the CMIP6 and CORDEX (https://www.wcrp-climate.org/wgcm-cmip/wgcm-cmip6) and CORDEX (https://cordex.org/). CMIP6 is the sixth assessment of the Coupled Model Intercomparison Project (CMIP) from the World Climate Research Programme (WCRP) and the Working Group of Coupled Modelling (WGCM). It provides gross climate data from global climate models, which are used to assess the standard metrics on a global scale, with a resolution of around 100 km x 100 km. The Coordinated Regional Climate Downscaling Experiment (CORDEX) also fits into the scope of the World Climate Research Programme (WCRP), providing regional climate projections with greater resolution.

Conclusions in relation with the territories where Endesa operates

The work carried out in 2019 and 2020 has made it possible to draw the following conclusions regarding the territories in which Endesa operates (Extreme Events and Chronic Phenomena):

Extreme events

Heat waves

The phenomenon of extreme temperatures can be studied by using the standard indicator, the Warm Spell Duration Index (WSDI). This metric measures heat waves of at least six consecutive days with a maximum daily temperature above the ninetieth percentile of the historic distribution[6]. Overall, in Central and Southern Europe, the number of days characterised by an acute episode as defined by the Warm Spell Duration Index (WSDI) will increase in all future scenarios in the period 2030-2050 compared to the historical baseline (1990-2020). In particular, as shown in Figure 1, heat waves in Spain will be more geographically widespread and more frequent in the period 2030-2050. Compared to a past with a number of days per year featuring a "warm spell" of around 20 days, in the "*Representative Concentration Pathway*" scenario 2.6 (RCP 2.6), this phenomenon will oscillate between +10 and +15 days longer in almost the entire Spanish territory. In the *Representative Concentration Pathway* 8.5 (RCP 8.5) scenario, the duration of heat waves will be even longer, especially in the southern part of the country (mainly +20 to +25 day increases, with peaks of up to +37 day increases in certain coastal locations of the Mediterranean).

[6] The scientific literature provides a range of different indicators that measure the same physical behaviour. At Endesa, when necessary, specific indicators are calculated to better calculate the relevant acute events for the various activities.

HEAT WAVES

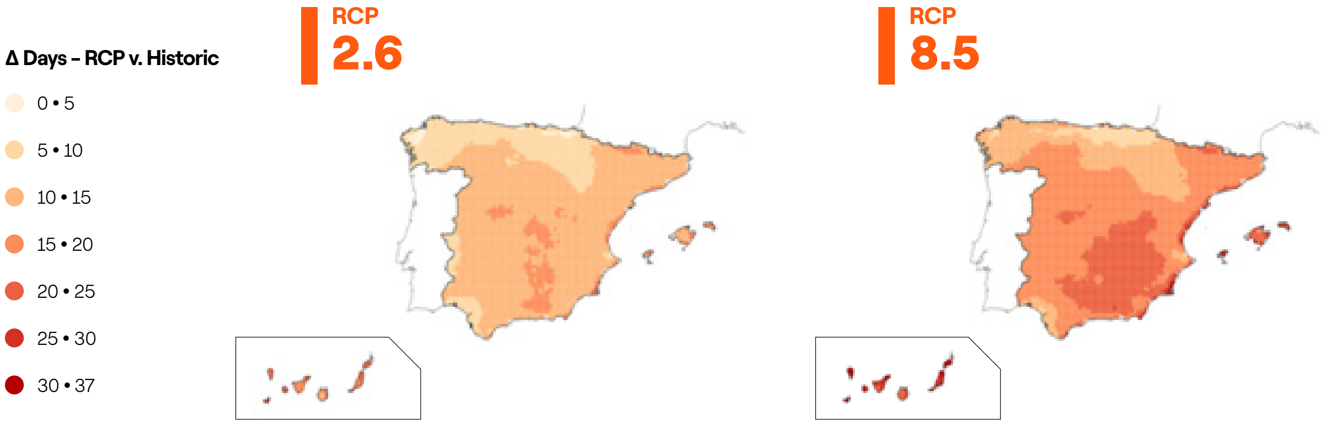


Figure 1 - Average change in days per year characterised by heat waves (as defined by the Warm Spell Duration Index (WSDI)) in the Representative Concentration Pathway 2.6 (RCP 2.6) and Representative Concentration Pathway 8.5 (RCP 8.5) scenarios (2030-2050) compared to the historical data (1990-2020).

Extreme rainfall

Heavy rainfall can be analysed by estimating the variation in daily rainfall above the 95th percentile, calculated as annual mean millimetres over the reference periods. In Central and Southern Europe, the expected change in acute precipitation in the period 2030-2050 compared to the baseline period 1990-2020 varies from area to area and depends on the scenario being considered. In Spain, in particular, this acute phenomenon will undergo changes in most of the territory even with the *"Representative Concentration Pathway"* scenario 2.6 (RCP 2.6). Heavy rainfall will increase slightly in some areas in the north, while it will decrease in the southeast. Under the *"Representative Concentration Pathway"* scenario 8.5 (RCP 8.5) heavy rainfall will decrease in the south of the country and in the northwest.

Fire risk

Fire risk can be assessed by means of the *"Fire Weather Index"* (FWI), a widely used international indicator that takes into account several variables, such as temperature, humidity, rainfall and wind, to estimate a fire risk index. The data, provided by the International Centre for Theoretical Physics (ICTP), is useful to characterise the trend of fire risk and to support companies in successfully managing it. To provide a more complete representation of fire risk, analysis of fire risk can be integrated by studying vegetation indices as well. Vegetation can be a fuel and increase the likelihood of a fire spreading[7].

In Central and Southern Europe, the number of days per year with extreme fire risk (i.e. with a FWI value > 45) will tend to increase almost everywhere in the period 2030-2050 compared to the baseline period 1990-2020. In all future scenarios, the area of Spain that will experience the greatest increase in fire risk is the south-central part of Spain. This increase will be more pronounced in the worst-case scenario *"Representative Concentration Pathway"* 8.5 (RCP 8.5) than in the scenario *"Representative Concentration Pathway"* 2.6 (RCP 2.6).

[7] One of the metrics used is obtained by reprocessing data from the National Aeronautics and Space Administration (NASA) based on the Normalised Difference Vegetation Index (NDVI). The NDVI quantifies vegetation by measuring the difference between nearby infrared light – which vegetation reflects intensively and red light, which vegetation absorbs. It is a good indicator of the growth and density of vegetation. The higher the NDVI, the more abundant and healthy the vegetation.

Cold snaps

There are several indicators for measuring extreme cold-related events[8]. One such clue is the so-called frost days index, i.e. the average number of frost days per year.[9] Comparing the *"Representative Concentration Pathway"* 2.6 (RCP 2.6) (2030-2050) with the baseline period (1990-2020), in Central and Southern Europe, frost days will remain unchanged or slightly decrease in all countries. In Spain, only in some areas, such as the Pyrenees, there will be a further decrease in the number of severe frost days (a decrease ranging between -5 and -10 days compared to historical levels). Under *"Representative Concentration Pathway"* 8.5 (RCP 8.5), a geographically more extensive decrease in frost days is expected. In fact, a decrease of up to -15 frost days per year is expected in parts of northern and central Spain compared to the historical period. It should be noted that the decrease in frequency does not preclude an increase in the severity of this acute phenomenon. This matter is currently being explored.

Chronic phenomena

Temperature

The analysis of the potential demand for cooling and heating has been refined and updated. In terms of *"Heating Degree Days"* (HDD)[10] and *"Cooling Degree Days"* (CDD)[11], in the period 2030-2050, compared to the period 1990-2020, *"Heating Degree Days"* (HDD) are projected to decrease in all scenarios, from -4% for *"Representative Concentration Pathway"* 2.6 (RCP 2.6) and *"Representative Concentration Pathway"* 4.5 (RCP 4.5) to -16% for *"Representative Concentration Pathway"* 8.5 (RCP 8.5). The data also confirm an increase in *"Cooling Degree Days"* (CDD), +38% under *"Representative Concentration Pathway"* scenario 2.6 (RCP 2.6) and an increase of +57% and +94% under *"Representative Concentration Pathway"* scenario 4.5 (RCP 4.5) and *"Representative Concentration Pathway"* scenario 8.5 (RCP 8.5), respectively.

Average country data have been calculated as a national average, weighting each geographical node by population using the *"Shared Socioeconomic Pathways"* (SSP) linked to each *"Representative Concentration Pathway"* (RCP) scenario. Since *"Cooling Degree Days"* (CDD) is the variable that will change the most.

Rainfall

We have analysed the variation in total rainfall in the basins of relevance for Endesa's hydroelectric production. Based on this analysis, the data show no appreciable change when comparing the *"Representative Concentration Pathway 2.6"* (RCP 2.6) scenario (2030-2050) with the historical scenario (1990-2020), showing a slightly decreasing overall trend.

Endesa has been a pioneer in the use of climate scenarios. In 2009, the Company launched its first project to analyse and assess the vulnerability of all its businesses and facilities globally. This led it to be selected by the former Ministry of Agriculture and Fisheries, Food and Environment (now the Ministry of Ecological Transition and Demographic Challenge (MITECO)) as the representative of the energy sector for the ADAPTA I and II initiatives. Endesa has continued to explore this topic in greater depth, engaging in multiple international initiatives and developing projects related to different areas.

Joint effect on the transition scenarios and physical scenarios with respect to electricity demand

The country's demand can be quantified using the energy system modelling tools described in the Transition Scenarios section. This level of detail makes it possible to discern the specific effects that a change in temperature can have on energy demand.

[8] In addition to the standard indicators found in scientific literature, ad-hoc metrics have also been developed to study the phenomenon at a technological level.

[9] *Frost days* are the number of days a year on which the minimum temperature is below 0°C.

[10] *«Heating Degree Days»* (HDD): annual sum of the difference between the indoor temperature (estimated at 18°C) and the outside temperature, considering every day of the year with an outdoor temperature of 15°C or less.

[11] *«Cooling Degree Days»* (CDD): annual sum of the difference between the indoor temperature (estimated at 21°C) and the outside temperature, considering every day of the year with an outdoor temperature of 24°C or higher.

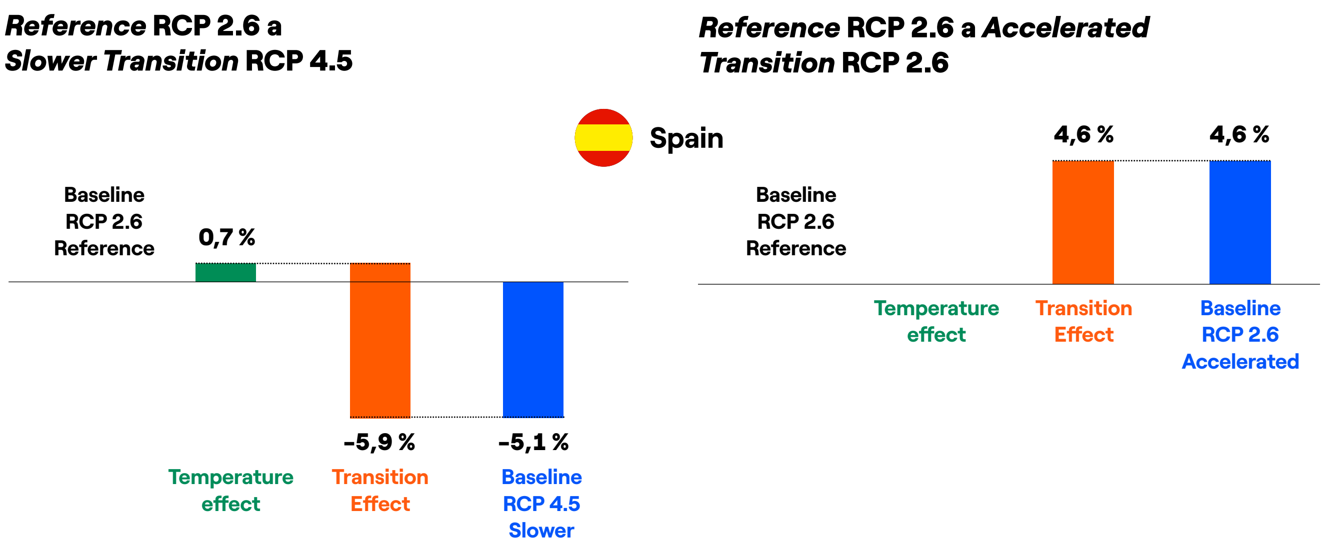
	Transition scenarios	Effect ▲ Temperature	Definition of strategic baseline scenario[1]
Change in temperatures	*"Reference"* *"Slower Transition"* *"Accelerated Transition"*	• Quantified using Heating Degree Days (HDD) and Cooling Degree Days (CDD). • Impact on total energy demand, not just electricity, of the effects of needs for air conditioning and heating in the residential and commercial sectors.	• Link *"Heating Degree Days"* (HDD) and *"Cooling Degree Days"* (CDD) in accordance with the *"Representative Concentration Pathway"* Scenario 2.6 (RCP 2.6) to the *"Reference"* and *"Accelerated Transition"* scenarios. • Link the *"Heating Degree Days"* (HDD) and *"Cooling Degree Days"* (CDD) that are consistent with the *"Representative Concentration Pathway"* Scenario 4.5 (RCP 4.5) to the *"Slower Transition"* Scenario. • To stress the analysis further, this latter scenario (RCP 4.5) was also linked to a *"Representative Concentration Pathway"* 8.5 (RCP 8.5) scenario.

[1] Strategic base scenario aligned with compliance with the Paris Agreement on the reduction of emissions at the European level.

In view of current policies and the significant commitment of the European Union to achieve carbon neutrality by 2050, all 3 scenarios (*"Reference"*, *"Slower Transition"* and *"Accelerated Transition"*) converge to that outcome. However, the Slower Transition scenario is associated with a different and higher Representative Concentration Pathway (RCP) scenario, which corresponds to a slower trend in GHG emission reductions.

Regarding the effect of the transition considered independently, the faster speed in reaching carbon neutrality of the *"Reference"* scenario makes it a more electrified scenario compared to the *"Slower Transition"* scenario. This scenario estimates, for the period 2031-2050, lower average values of electricity demand of around 5% in Spain. In addition, faster penetration of green hydrogen and higher electrification of buildings means that electricity demand in the Accelerated Transition scenario is 4.6% higher than in the Reference scenario. If the effect of electricity demand for hydrogen production is disregarded, the differential is +2.3% for the *"Accelerated Transition"* scenario and remains essentially unchanged for the *"Slower Transition"* scenario. It should be noted, however, that the level of materialisation of green hydrogen demand remains similar to that of the *"Reference"* scenario in the 2 comparative scenarios: only the speed of penetration of the technology varies.

JOINT EFFECT OF TRANSITION SCENARIOS AND PHYSICAL SCENARIOS ON ELECTRICITY DEMAND



Average effect on electricity demand (2031-2050) of the 3 transition scenarios associated with RCP scenarios 2.6 and 4.5.

The speed of the energy transition has an impact on the level of electricity demand that is much greater than the increase in temperature as a result of climate change. Decarbonisation policies, together with technological innovation and social responsibility, will play an active role in the development of electricity demand and the energy mix in general. In any case, the analysis performed makes its clear that the increase in temperature as a result of climate change involves an increase in electricity demand, although with a reduced impact.

Sensitivity analysis

TTo ascertain the impact of temperature on the transition scenarios, and extend the range of assumptions related to climate change, sensitivity analysis was performed associating the Slower Transition scenario with the Representative Concentration Pathway 8.5 (RCP 8.5) scenario rather than the Representative Concentration Pathway 4.5 (RCP 4.5) scenario. This analysis shows, on average, a non-significant variation in electricity demand as a consequence of the worsening climate scenario in the period 2031-2050.

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7. MAIN RISKS AND UNCERTAINTIES ASSOCIATED WITH ENDESA'S ACTIVITY

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 General Risk Control and Management Policy seeks to guide and lead the series of strategic, organisational and operational activities that enable the Board of Directors of Endesa, S.A. to identify precisely the acceptable risk level, so that the managers of the various business lines, staff and service functions can maximise the Company's profit, maintaining or increasing its equity and the certainty of this occurring above certain levels, preventing future uncertain events from undermining the Company's profit targets set, its operations, sustainability, resilience or reputation in a sustained manner over time, contributing an adequate level of guarantees to the shareholders and safeguarding their interests, those of the customers and of other stakeholders.

The principles of Endesa's Risk Control and Management Policy, which aims to control and mitigate the possible risks identified, are as follows:

	Principles
General Risk Control and Management Policy of Endesa	• 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, 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 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.
	• Safety is Endesa's number one concern and the health and safety of the people who work at and for Endesa must be preserved at all times.
	• Commitment to Sustainable Development, efficiency and respect for the environment and human rights.
	• Responsible optimisation of the use of available resources, in order to generate returns for our shareholders as part of a relationship based on the principles of loyalty and transparency.

The General Risk Control and Management Policy is prepared and approved with other risk policies specific to the lines of business, staff and service functions, as well as with the limits established for the optimal risk management of each 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 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 model of three lines of defence.

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	• Supervises the management and monitoring of all risks, specifically including tax risks, and excluding criminal risks and those relating to the Internal Control over Reporting System (ICRS), submitting the results of its deliberations and conclusions to the Audit and Compliance Committee (CAC).
Transparency Committee	• Chaired by the Chief Executive Officer and comprising the main executives of Endesa, including all members of the Executive Management Committee, together with other members of Endesa's management directly involved in the preparation, certification and disclosure of financial and non-financial information. Its main purpose is to ensure compliance with and correct application of the general principles of financial and non-financial information (confidentiality, transparency, consistency and responsibility), by evaluating events, transactions, reports and other significant matters that are externally disclosed, determining the manner and timing for making these disclosures. The Transparency Committee is also the Endesa Management body responsible for assessing conclusions with regard to compliance with and the effectiveness of the controls established in the Internal Control of Reporting System (ICRS) and internal controls and procedures for the external disclosure of information, and prepares corrective and/or preventive actions in this regard. The conclusions of the Transparency Committee are submitted to the Audit and Compliance Committee (CAC).
Criminal Risk Prevention and Anti-Bribery Supervision Committee	• This collegiate body has autonomous powers of initiative and control with respect to criminal risks. It is supervised directly by the Audit and Compliance Committee (CAC). It supervises compliance and updating of the model for preventing criminal risks that may result in criminal liability for Endesa.

The General Risk Control and Management Policy defines the Internal Risk Control and Management System as an interwoven system of rules, processes, controls and information systems. As part of this, global risk is defined as the risk resulting from the full view of all the risks to which Endesa is exposed, having regard to the effects of mitigating the various exposures to and categories of risk. This makes it possible to consolidate and evaluate the risk exposure of the Company's units, and to prepare management information for making decisions on risk and the adequate use of capital.

The risk control and management process consists of identifying, assessing, monitoring and managing 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	• Aims to generate the risk inventory based on events that could prevent, impair or delay the meeting of targets. This identification should include risks whether their origin is under the control of the organisation or whether it is due to unmanageable external causes.
Assessment	• The objective is to obtain parameters that can be used to measure the economic and reputational impact of all risks so they can then be prioritised. This assessment includes different methodologies in line with risk characteristics such as, for example, the valuation of scenarios and the estimation of potential losses based on evaluation of impact and probability distributions.
Follow-up	• The objective is to monitor risks and establish management mechanisms that enable the risks to be kept within the established limits, and to take the appropriate management actions.
Management	• The purpose is to implement actions aimed at adjusting risk levels to their optimum levels, respecting the limits established in all cases.

The General Risk Control and Management Policy, which is approved and set by Endesa, S.A.'s Board of Directors 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 suggest measures to mitigate them, complementing the existing top-down risk management and control systems and mailboxes and specific procedures for sending communications in connection with breaches of ethical conduct and criminal, tax and employment risks.

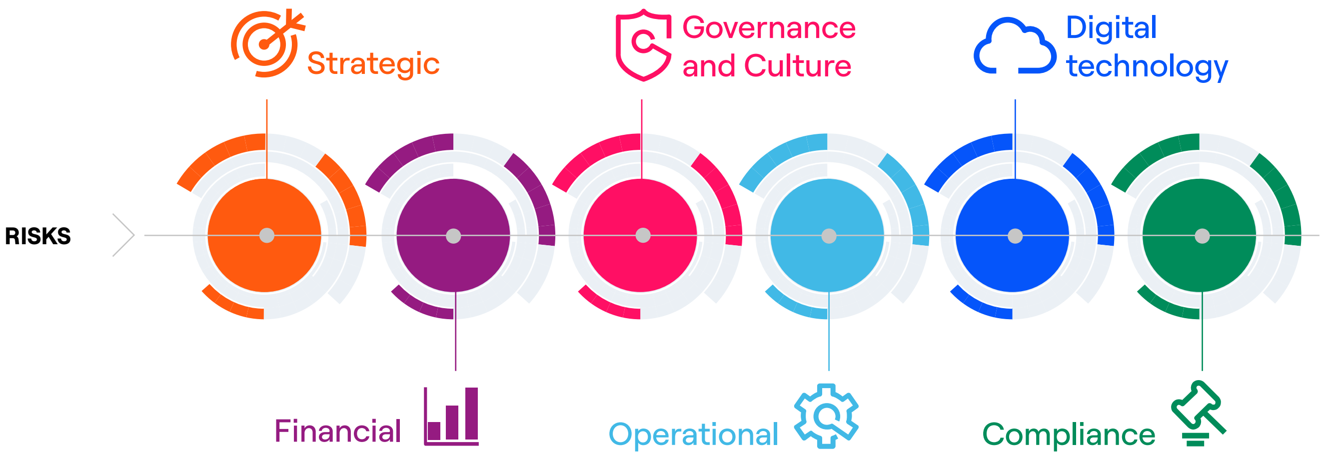
Information regarding Endesa's risk management and the use of derivative financial instruments is provided in Notes 14 and 15, respectively, to the Financial Statements for the year ended 31 December 2023.

Section E, "Risk Control and Management System", of the Annual Corporate Governance Report describes Endesa, S.A.'s risk control and management systems 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 categories

Endesa classifies the risks to which it is exposed into six categories: Strategic, Financial, Operational, Compliance, Corporate Governance and Culture, and related to Digital Technologies.



The risk catalogue is a reference source for all areas of the company involved in management processes. Adoption of a common language facilitates mapping and organic representation of the risks within Endesa, enabling identification of those that impact the company's processes and the duties of the organisational units involved in their management.

The risks that could affect Endesa's activity are set out in Section 7.4 of this Management Report.

7.1.2. 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 (ICRS). 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 its internal operating instructions and procedures, the Risk Control area is tasked with preparing the following documents for the risks in its 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. The framework 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.

According to the latest report by PwC, which assessed the performance of the internal control and risk management function, Endesa is one of the listed companies and one of the companies in the electricity sector most closely aligned with applicable best practices. This assessment fulfils the provisions of the regulations of the Audit and Compliance Committee, which state that an assessment of the performance of the internal risk control and management function must be conducted regularly by an independent external expert selected by the Audit and Compliance Committee (CAC).

7.2. The Internal Control over Financial Reporting System (ICRS)

The quality and reliability of the financial and non-financial/sustainability reporting that listed companies disclose to the market is a key element for the Company's credibility, which significantly affects the value that the market assigns to it. Incorrect or low-quality financial or non-financial reporting could prompt a material decrease in the Company's value, with the consequent detriment to shareholders.

The Internal Control over Reporting System (ICRS) for financial and non-financial/sustainability reporting 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/sustainability reporting.

Endesa, S.A.'s Internal Control Unit is responsible for identifying the key processes, activities, risks and controls of the Internal Control over Reporting System considered material to provide reasonable assurance that the financial and non-financial/sustainability information reported 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, non-financial Sustainability reporting process and their subsequent disclosure, including authorisation and processing, with the following basic objectives:

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/sustainability reporting.
• Identification and categorisation of the controls in place to mitigate these risks.

Endesa's Internal Control over Reporting System (ICRS) had 88 processes in place in 2023. There are more than 1,800 control activities (also referred to as *"controls"*), including controls of related entities. In addition, there are more than 200 IT general control (ITGC) activities.

At the process level, Endesa identified the following 10 business cycles that are common to all its entities:

Business cycles
1. Fixed assets
2. Accounting close
3. Capital investments
4. Finance
5. Inventory
6. Personnel expenses
7. Procurement cycle
8. Revenue cycle
9. Taxes other than income tax
10. Sustainability

Corporate reporting, a critical function of communication with all the Company's stakeholders (shareholders, investors, financial institutions, supervisory bodies, civil society, suppliers, customers, etc.), is fed by information from a variety of sources. In fact, to a greater or lesser extent, nearly all of Endesa S.A.'s organisational units supply information of relevance to the corporate reporting process. This is why compliance with the information transparency and accuracy imperatives is the responsibility of all the units comprising Endesa, S.A. in their respective areas of concern. This shared responsibility of all areas is precisely one of the cornerstones of the functioning of the Internal Control over Reporting System (ICRS).

All the documentation of Endesa S.A.'s Internal Control over Reporting System (ICRS) is contained in a corporate IT tool. Information in the system is continuously updated, reflecting changes in the Company's activities and controls.

Every six months, Endesa, S.A. assesses the Internal Control over Reporting System (ICRS), in which each of the control heads of the Internal Control over Financial Reporting System evaluates both its design and its effectiveness. Within the model, an ongoing verification process is additionally performed of the Internal Control over Reporting System (ICRS) by an independent expert.

At the end of each six-monthly evaluation, Endesa, S.A.'s management, meeting in the Transparency Committee and based on the results obtained in the evaluation and ongoing verification processes, reaches a conclusion on how well Endesa's Internal Control is functioning, establishing action plans as required to address any shortcomings or areas for improvement uncovered. The findings are reported to:

a. The Board of Directors which, in accordance with the Corporate Enterprises Act, has a duty, which it cannot delegate, 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.

Also, since 2017, the Audit and Compliance Committee of Endesa, S.A. annually engages the services of an independent expert to conduct a comprehensive assessment of the functioning and effectiveness of the Internal Control over Reporting System (ICRS) of Endesa, S.A. The result of this assessment is presented by the independent expert at the year-end meeting of the Audit and Compliance Committee.

7.3. Endesa's anti-bribery and criminal risk prevention model

Endesa, S.A. is aware that the sustainable compliance with its corporate responsibilities should also include constantly striving for excellence in terms of business ethics in all decision-making processes, which must be understood in a corporate environment that strictly complies with the most-advanced national and international standards, practices and principles applicable in the area, as a basic pillar of company operations.

Organic Law 5/2010, of 22 June, amending Organic Law 10/1995, of 23 November, on the Criminal Code, not only included offences applicable to legal persons, but also referred to the need to establish surveillance and control measures to prevent and detect them. This legal 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 crime prevention and detection. Organic Law 1/2019, of 20 February, further 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, further modified certain aspects of the criminal liability of legal persons.

In line with these legal requirements, Endesa, S.A. has internal rules that meet the need for adequate control and management systems for the detection and prevention of criminal behaviour.

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

Regulations	Description
Criminal and Anti-Bribery Risk Prevention Model	• Document that provides Endesa, S.A. with a control system aimed at preventing criminal offences within the company, complying with the provisions of the applicable regulations on the criminal liability of legal persons.
Code of Ethics	• A document setting out the ethical commitments and responsibilities in the management of businesses and business activities assumed by ENDESA, S.A.'s employees, whether Directors or employees of any kind, in these companies.
Zero Tolerance Plan Against Corruption	• Document that represents Endesa, S.A.'s firm commitment to the fight against corruption, which is the result of its membership of the United Nations Global Compact.
Corporate Integrity Protocols	• Action protocols in matters of conflicts of interest, exclusive dedication and commercial competition. • Protocol for accepting and offering presents, gifts and favours. • Action protocol for dealing with public servants and the 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.A.'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.

In addition, in June 2023, Endesa, S.A. adopted the necessary measures to comply with Law 2/2023, of 20 February, regulating the protection of people who report regulatory infringements and the fight against corruption, implementing a Whistleblower Protection System consisting of a compliance model that includes, among other measures, a Policy, a Procedure for Managing the facts reported and a person in charge, enabling the appropriate management of the same through the relevant Internal Channel. The Internal Whistleblower Protection System guarantees, among other aspects, the right to submit information anonymously, the prohibition of reprisals in any form, support measures and the special protection of personal data, which is further proof of Endesa, S.A.'s commitment to complying with the most advanced ethical and regulatory compliance principles applicable in this area.

At 31 December 2023, 618 employees had received training in anti-bribery policies and procedures (48.3%), compared to 720 employees, 58% at 31 December 2022).

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 ensuring the correct application of the *Criminal and Anti-Bribery Risk Prevention Compliance System*, in which it is supported by the Supervision Committee, which is a collegiate body with autonomous powers of initiative and control, and independence in the exercise of its functions, 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 Regulations.

Endesa, S.A. has a Whistleblowing Channel as part of its Criminal Risk Prevention and Anti-Bribery System, through which it reports are made of deeds in relation to breaches in the prevention of criminal risks and bribery, among other issues. In 2023, the Company fully complied with all of the processes put in place to apply the Code of Ethics correctly.

There now follows detailed information on the reports received for different breaches of the Code of Ethics:

	Number		% Chg.
	2023	2022	
Number of total reports received through the Whistleblowing Channel for possible breaches	2	3	—
Proven breaches	—	—	—
Related to corruption and/or fraud	—	—	—

7.4. 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 ongoing conflict between Russia and Ukraine, the conflict in the Middle East and the prevailing macroeconomic environment, 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.

As a result, certain risks have become more relevant and others have become more volatile.

In a scenario characterized by a context of high inflation, interest rate hikes and financial instability, there are risks that are difficult to manage and of undetermined probability, including regulatory changes in the electricity sector, cybersecurity, temporary fiscal measures, delays in the delivery of supplies and contract compliance, as well as greater restrictions on access to credit, which could add pressure to the challenge of meeting the objectives of the Strategic Plan.

7.4.1. Details of the main risks that affect Endesa

A prioritisation of the main risks that may affect the operations of Endesa are as follows:

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 heavily regulated, 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.		
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; on the supply of electricity and natural gas used for its own consumption and supply; and on the supply of other commodities, the prices of which are subject to market forces that 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]	Medium
		Exchange rate	Endesa is exposed to foreign currency risk.	Stochastic [2]	High
		Interest rate	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 under 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]
		Digitalisation	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.		

Category	Section	Risk	Definition	Metrics	Relevance [3]
Risks Operational	d.1, d.2, d.3, d.4, d.5, d.6 and d.7	Business interruption	Endesa is exposed to risks associated with the construction of new electricity generation and distribution facilities.	Scenarios [1]	Medium
			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]	Medium
		Asset Assets	Endesa's insurance cover and guarantees may not be adequate or may not cover all damage.	–	[4]
		Environmental issues	Risk that the activities undertaken by Endesa may negatively impact the quality of the environment and the ecosystems involved, as well as incurring court or administrative sanctions, economic or financial losses and reputational damage as a result of non-compliance with international, national or local environmental laws and regulations.	Stochastic [2]	Low
		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.	–	[4]
			Endesa considers occupational health and safety (OHS) and fluid social dialogue to be priority objectives. Any 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]	Low
Compliance Compliance	e.1, e.2, e.3, e.4, e.5 and e.6	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 is involved in various 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	Corporate culture and ethics	Risk of (i) inadequate integration of the ethical principles defined by the Company in business processes and activities, (ii) inability to implement policies and processes that ensure respect for the principles of diversity and equal opportunities, and (iii) unsanctioned conduct by employees and executives that is contrary to Endesa's ethical values.	–	[4]

(1) Scenario: calculated as the loss arising from the hypothetical situations.
(2) Stochastic: calculated as the loss that could be incurred with a certain degree of probability or confidence.
(3) The significance of the risks is measured based on the expected potential loss: High (exceeding Euro 75 million), Medium (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 heavily regulated, 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. Climate change is one of the main pillars of the Company's strategy. The Board of Directors of Endesa, S.A. is responsible for approving the strategy, and Senior Management for developing and implementing it.

As proof of this commitment, Endesa has presented its updated Strategic Plan for the period 2024-2026, which guides the company's activities so as to grow in clean electrification.

The process of identifying risks and opportunities includes those related to climate change: transition risks, related to regulation, new technologies, market changes and reputation, and those related to potential physical impacts related to climate change.

With respect to climate change, risks are assessed based on established risk tolerance levels, considering: exposure (climate impacts that can affect facilities), sensitivity (potential effects and their implications for business or facilities), and vulnerability (ability to adapt to overcome the impacts of climate change 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 transition 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 are identified linked to both the regulatory and regulatory context, and the progress of technological development, electrification and consequent market developments.
Physical risks	These are classified into acute (extreme events) and chronic events. • Acute (extreme events) these are related to weather conditions of extreme intensity. Such events expose ENDESA to potential unavailability, of variable duration, at its facilities and infrastructures, repair costs, customer complaints, etc. • Chronic: these are related to gradual and structural changes in climate conditions. Chronic changes in climate conditions expose Endesa to other risks and opportunities, such as changes in the production system of the various technologies, and changes in electricity demand.

Endesa has decided to lead and enable the transition by ensuring that it is ready to seize all opportunities. As noted above, the Company's strategy is fully focused on the energy transition, with more than 90% of planned investments earmarked to improve one of the Sustainable Development Goals (SDGs), enabling Endesa to adopt risk mitigation from the design phase and maximise opportunities by taking a stance that takes into account the relevant phenomena identified in the medium and long term. These strategic decisions are supported by the best operating practices in place at the Company.

The risk and opportunity framework below highlights the relationships between physical and transition scenarios and factors that influence Endesa's businesses:

Scenario	Classification	Category	Time horizon	Risks and opportunities	Management mode
Physical Acute	Acute	Extreme events	From Short term (1-3 years).	Risk: extreme weather and climate events in terms of intensity, which can cause impacts in terms of asset damage and inoperability.	Endesa adopts best practices to manage the recovery of activity in the shortest possible time. With regard to insurance risk management, the Company runs a Loss Prevention programme for property risks, also aimed at assessing the main *exposure* factors associated with natural events. Changes to the climate expected to occur in the long term will also be considered in the evaluation in the future.
Physical Chronic	Chronic	Market	Medium (2027-2034) and Long Term (2035 -2050)	Risk / Opportunity: Higher or lower electricity demand, influenced by temperature, fluctuations of which can impact the business. Higher or lower renewable production, which can also be influenced by structural changes in the availability of resources.	Geographical and technological diversity can mitigate the impact of changes (whether positive or negative) in individual variables. To properly manage the impact of meteorological phenomena, meteorological forecasting activities, real-time monitoring and control of facilities and long-term climate scenarios are implemented to assess possible chronic variations in the availability of renewable resources.
Transition		Policies and Regulation	From Short term (1-3 years)	Risk / Opportunity: Price and CO_2 emissions policies; policies and incentives for the energy transition; review of market design and permitting procedures, and resilience regulation.	Endesa minimizes exposure to risks through progressive decarbonization, and to focus the business on the development of renewables, grids and products and services for customers. Endesa's strategic actions allow mitigating potential risks and taking 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 (2027-2034)	Risk / Opportunity: Changes in the price of *commodities and* energy; trends in the energy mix; change *in* consumption of end customers, changes in the competitive situation of the market.	Endesa maximises opportunities through an energy transition-oriented strategy and its strong commitment to development of renewable production and the electrification of demand. Considering two alternative transition scenarios, Endesa assesses the effects of trends in commodity prices, renewable penetration into the energy mix and the *electrification* of demand.
		Products and services	From Medium term (2027-2034)	Risk / Opportunity: Higher/lower margins and greater investment capacity as a result of the energy transition, considering the penetration of new technologies for the electrification of demand, electric transport and distributed generation.	Endesa maximises opportunities with strong strategic positioning on new business opportunities and services. Furthermore, and considering alternative energy transition scenarios, Endesa assesses the impact of the different trends in terms of the electrification of demand.
		Technology	From Medium term (2027-2034)		Endesa maximises opportunities through strong strategic positioning in new businesses and in electricity infrastructure. Considering alternative energy transition scenarios, and taking into consideration the trend in terms of the penetration of electrification technologies, Endesa assesses the opportunities to scale solutions related to the digitalisation and resilience of the electricity grid.

.The table shows the reference framework for risks and opportunities identified based on the trends in energy transition scenarios and of physical variables, and shows the relationships between physical scenarios, energy transition scenarios and factors that influence Endesa's business. These effects, related to the scenario phenomena described above, materialise over three-time horizons:

- Short-medium term (1-3 years), in which sensitivity analyses can be performed based on the Strategic Plan.
- Medium term (2027-2034), in which it is possible to

appreciate the effect of the Energy Transition and the impact of the National Integrated Energy and Climate Plan (PNIEC).

- Long-term (2035-2050), in which chronic structural changes at the climate level should begin to become visible, in addition to the most obvious effects of the energy transition.

In order to enable the correct identification and management of the risks and opportunities associated with climate change, a policy was published at Enel Group level in 2021 describing common guidelines for assessing climate change risks and opportunities. The document, entitled *"Climate Change: Risks and Opportunities"* defines a shared approach for integrating climate change and the energy transition in into Endesa's processes and activities, thus informing industrial and strategic decisions to improve the business' resilience and create sustainable long-term value in accordance with the adaptation and mitigation strategy. The main steps in the policy are as follows:

- Prioritisation of phenomena and scenario analysis: These activities include identifying physical and transition phenomena that are relevant to Endesa, and the subsequent preparation of scenarios to be considered, which are developed through analysis and processing of data from internal and external sources. For the identified phenomena, functions can be developed that link scenarios (e.g. data on change in renewable resources) to business operations (e.g. change in expected production).
- Impact assessment: includes all analyses and activities necessary to quantify the effects at operational, economic and financial level, depending on the processes in which they are integrated (e.g. design of new facilities or assessment of operational performance, etc.).
- Operating and strategic actions: information from the above activities is integrated into the processes, informing Endesa's business decisions and activities. Examples of activities and processes that benefit from this are capital allocation, e.g. for the evaluation of investments in existing assets or new projects, the definition of resilience plans, risk management and risk financing activities, and engineering and business development activities.

The main sources of risks and opportunities identified, the best operating practices for managing climate events and the qualitative and quantitative impact assessments carried out up to the date of authorisation for issue of these Financial Statements will be described below. All these activities are carried out through a continuous effort of analysis, evaluation and management of the information processed. The process of disclosure of Climate Change related risks and opportunities will be gradual and incremental from year to year, in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and in line with evolving standards of disclosure.

a.2.1. Chronic and acute physical risks and opportunities

As regards the risks and opportunities associated with physical variables, taking the scenarios defined by the Intergovernmental Panel on Climate Change (IPCC) as a reference and based on the reference framework described above, an assessment is performed of the impact on electricity demand and on the different generation technologies for the different categories of physical risks.

Chronic physical changes. Associated potential risks and opportunities

Based on Climate Scenarios developed together with the International Centre for Theoretical Physics (ICTP) in Trieste, major changes will become apparent between 2030 and 2050. The main impacts resulting from chronic physical changes can be seen in the following variables:

Variables	
Electricity demand	• Variation of the average temperature level with a potential effect (increase/decrease) on electricity demand, as demand for climate control changes.
Thermoelectric production	• Variation in the average temperature level of water bodies an impact on thermoelectric production as cooling conditions are affected.
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 production	• Changes in the average wind level with a potential increase and/or reduction in 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 reflects the importance of the impact associated with the main chronic climate changes for Endesa's different facility types and their corresponding priority in the analysis:

Priority

Priority High · Priority Low · Not Relevant

Event	Rain and snow	Wind	Solar radiation	Sea level	Air Temperature	River and sea temperature
Thermal	Priority High	Not Relevant	Not Relevant	Priority High	Priority High	Priority High
Solar	Priority Low	Not Relevant	Priority High	Not Relevant	Priority Low	Not Relevant
Wind	Not Relevant	Priority High	Not Relevant	Not Relevant	Not Relevant	Not Relevant
Hydraulic	Priority High	Not Relevant	Not Relevant	Not Relevant	Priority High	Not Relevant
Storage	Priority Low	Not Relevant	Not Relevant	Not Relevant	Priority Low	Not Relevant
Networks	Priority High	Not Relevant	Not Relevant	Not Relevant	Priority High	Not Relevant
Commercialization	Priority Low	Not Relevant	Priority Low	Not Relevant	Priority Low	Not Relevant

Analysis of the impact of chronic climate change on renewable generation

To calculate the impact of the chronic climate change effects on production at Endesa facilities, a series of ad-hoc functions were constructed for each renewable technology (wind, solar and hydroelectric) and plant, which connect each change in climate variables (for example, temperature, solar radiation, wind speed, rainfall) to the likely changes in terms of their electrical production.

To calibrate these functions, we started with historical data on meteorological/climate variables[12] and information available internally regarding energy production at generation facilities. This led to the generation of connections corresponding to the specific features of each plant and renewable technology. This has facilitated the study of chronic climate impacts for possible future climate variables projections (*"Representative Concentration Pathway"* (RCP) 2.6, 4.5 and 8.5 scenarios).

In addition to chronic phenomena, which entail average structural changes, the volatility inherent to meteorology, which are therefore more short term, must also be studied. As part of the strategic planning process, both information in relation to variation ranges in chronic trends projected by the Climate Scenarios and the historical volatilities of meteorological data have been used as inputs, based on the analysis of variations in electricity production (TWh) over the past 10 years.

All meteorological and climate fluctuations can result in adjustments being made in terms of coverage needs for electricity production. In other words, production by generation facilities is the basis for covering the energy needs of customers, although a reduction in renewable production can lead to imbalances in supply that may require the missing energy being purchased on the market to cover the commercial strategy. At the opposite end of the scale, higher renewable production may result in a possible reduction in purchasing volumes on the market (or possibly higher sales).

The first conclusions taken from the scenario analysis demonstrate that chronic structural changes in recent physical variable trends will be evident in the long term. However, to obtain an indicative estimate of potential impacts, and to include the progress of chronic effects, the Strategic Plan can be subject to stress tests on the factors potentially affected by the physical scenario, bearing in mind historic meteorological variability and the forecast long-term climate changes. The current Strategic Plan has been constructed based on the information contained in the average chronic phenomena scenarios, with a view to considering the possible effects of climate variable trends. The following table reflects the result of this analysis:

[12] Historical data from the Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA) and ERA5 data from the European Centre for Medium-Range Weather Forecasts (ECMWF).

Scenario	Category of risk and opportunity	Description	Temporal horizon	Description of impact	Activity affected	Perimeter	Quantification – Type of impact		Advantage/ disadvantage	Quantification range < 100 €min	100–300 €min	> 300 €min
Physical chronic	Market	**Risk/ opportunity:** Increase or decrease **Demand electric.**	Short term	Electricity demand is also influenced by temperature, fluctuations in which may impact the business. Although structural changes are not expected to materialize in the short to medium term, sensitivity analyses on energy prices consistent with changes in electricity demand are used to assess the sensitivity of the Company's results to possible fluctuations in temperature.	Generation and Distribution	Endesa	EBITDA/Year		Advantage		●	
									Disadvantage		●	
Physical chronic	Market	**Risk/ opportunity:** Increase or decrease **renewable production.**	Short term	Renewable production is also influenced by the availability of the resource, fluctuations in which may have an impact on the business. Although structural changes are not expected to materialize in the short or medium term, sensitivity analyses are used to assess the sensitivity of the Company's results to possible temperature fluctuations with respect to variations in producible electric power compatible with different climate scenarios and historical weather volatility. Statistically, the deltas considered are within +/-10% of annual renewable production.	Generation	Producibility hydroelectric	EBITDA/Year	+10%	Advantage	●		
								-10%	Disadvantage	●		
						Producibility wind	EBITDA/Year	+10%	Advantage	●		
								-10%	Disadvantage	●		
						Producibility solar	EBITDA/Year	+10%	Advantage	●		
								-10%	Disadvantage	●		

● Bullish scenario current policies ● Current downward political scenario

Extreme events. Associated potential risks ad 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 (RCP) 8.5, 4.5 and 2.6).

The table below reflects the importance of the impact associated with the main extreme climate events for Endesa's facilities and their corresponding priority in the analysis:

Priority: ● Priority High ● Priority Low ● Not Relevant

Event	Heat waves	Floods Extreme rainfall	Snow, wet/heavy	Hail	Gale	Fire	Thunderstorm
Thermal	Priority High	Priority High	Not Relevant	Not Relevant	Priority Low	Priority Low	Under Evaluation
Solar	Priority High	Priority High	Priority High	Priority High	Priority High	Priority Low	Under Evaluation
Wind	Priority High	Priority Low	Priority High	Priority Low	Priority High	Priority Low	Under Evaluation
Hydraulic	Priority Low	Priority High	Priority Low	Not Relevant	Priority Low	Not Relevant	Priority Low
Storage	Not Relevant	Priority Low	Not Relevant	Not Relevant	Not Relevant	Priority Low	Not Relevant
Networks	Priority High	Priority High	Priority High	Priority Low	Priority High	Priority High	Priority High
Commercialization	Priority High	Priority Low	Priority Low	Priority Low	Priority Low	Priority Low	Under Evaluation

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)(13). 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:

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 infrastructure 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:

(13) L. Wilson, *"Industrial Safety and Risk Management"*. University of Alberta Press.
T. Bernold. *"Industrial Risk Management"*. Elsevier Science Ltd.
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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 (until 2050 and/or 2100)	Probability maps and specific studies for the Intergovernmental Panel on Climate Change (IPCC)'s Representative Concentration Pathway (RCP} climate scenarios.		Trend in Endesa's values over the long term.

Risk management of extreme phenomena in the short term.

In addition to the measures described in the previous sections on risk quantification and assessment, in the short term (1-3 years) Endesa is implementing actions to reduce the impact on the business as a result of catastrophic extreme events. Two types of action are being performed: the definition of effective insurance coverage and adaptation activities as regards Climate Change, with a view to preventing the damage that could be caused by extreme events. Below, the general characteristics of these actions are established and, in the case of adaptation activities for the prevention and mitigation of damage, specific reference is made to the actions in the different Business Lines of the Company.

Insurance

Enel defines annual insurance coverage programmes for its businesses, covering all of the Group's subsidiaries, including Endesa. The two main programmes, in terms of coverage and volume, are as follows:

Programmes	
Property Damage and Business Interruption Insurance Programme	• For the coverage of material damage that assets may suffer and the consequent disruption of activity. In addition to the cost of reconstructing the asset (or parts thereof), economic losses caused by lack of service are also remunerated, within the limits and conditions defined in the policies, in terms of production and/or distribution of energy.
General & Environmental Liability Insurance Programme.	• Coverage of the indirect damages caused to third parties as a result of the impact of extreme events that occur on the Group's assets and businesses.

The policy conditions are defined on the basis of risk assessment, including extreme events associated with climate change. As has been seen from past events, the impact on Endesa's activity of extreme events may be relevant, although Endesa has demonstrated an absolute capacity for recovery thanks to the extensive limits of insurance coverage, which are also a result of a solid reinsurance structure, with respect to the Group's insurer, Enel Insurance N.V.

Endesa's preventive maintenance actions for its generation and distribution facilities are also important and essential. These actions make it possible to both mitigate the impact as a consequence of extreme events and to optimise the costs of global insurance programmes, including the risk related to catastrophic natural phenomena.

a.2.2. Adaptation to Climate Change

Endesa applies solutions to adapt to Climate Change as part of a global approach that evaluates potential impacts to adequately calibrate the necessary measures to improve the response capacity to adverse events (Response Management) and increase the resilience of the business (Resiliency Measures), thus reducing the risk of future negative impacts as a result of adverse events. What's more, the skills and tools developed to analyse the effects of Climate Change will be used to create value through the design of new value-added solutions, aimed at facilitating the adaptation of the Company as a whole.

Adaptation solutions may include both the establishment of procedures and the application of best practices in the short term and long-term decisions.

For new investments, it is now possible to act from the design and construction phase to reduce the impact of climate risks, for example, taking Climate Scenarios and the vulnerability analysis of facilities to specific phenomena into consideration as part of the project phase to design resilient solutions.

The following table provides an overview of the type of actions that Endesa implements to correctly manage adverse events and increase resilience to meteorological phenomena and how they are changing due to climate change. Below the table are details of a number of the activities listed:

Business	Management of adverse events	Risk prevention
Generation	**Existing facilities:** • Management of incidents and critical events. • Specific emergency management plans and procedures. • Specific tools for forecasting imminent extreme events.	**Existing facilities:** • Hydro technology: guidelines for risk assessment and design. • *Feedback processes based on lessons learned* from operation and maintenance to the construction and development of new facilities. **New facilities:** In addition to the actions planned for existing facilities: • Climate Change Risk Assessment (CCRA) included in the environmental impact documents (pilot).
Distribution	**Existing facilities:** • Strategies and guidelines on risk prevention, preparedness, response and recovery activities of the distribution network. • Global guidelines for the management of emergencies and critical events. • Risk prevention and fire preparedness measures for electrical facilities (lines, transformers, etc.).	**Existing facilities:** • Guidelines for definition of the Network Resilience Improvement Plan. • Strategies and guidelines on risk prevention in distribution networks.
Supply	**Existing facilities:** • Management of critical events.	**Existing facilities:** • Preliminary analysis of the impacts of climate change in the medium and long term.

A project has been performed to define a catalogue of practical intervention actions aimed at improving the resilience of assets and their capacity to respond to the possible effects of Climate Change. This catalogue includes specific actions for each of the relevant events listed in the impact matrices included in the previous section and broken down by the different technologies. The catalogue of possible adaptation actions is maintained and updated periodically and includes more than 100 possible actions, including but not limited to:

Key Actions
• Meteorological alert (which includes the use of different tools to monitor and manage both assets and natural resources).
• Automation (for example, in medium-voltage grids to reduce the impact of faults on customers).
• Structural reinforcement of the entire asset base, with special attention paid to critical components.
• Ongoing staff training.
• Maintenance work for plant life and care for the surroundings of facilities.

The catalogue is an important element that brings together the different adaptation options, from which it is possible to make estimates of the cost and risk avoided by carrying them out at specific facilities. This information allows us to choose, based on the cost-benefit analysis, the most appropriate action based on the expected risks according to the scenario in each specific situation.

Endesa develops actions for the effective management of extreme events and chronic physical changes in all its business lines. The sections below provide details of the areas of action, best management practices and policies adopted in each Business.

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 room temperature at combined cycle generation facilities.
• Installation of drainage pumps, elevation of filling gradients, 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, a number of good practices have also been adopted for the management of adverse weather events:

Good practices	
Weather forecasting	• Monitoring of weather parameters to monitor 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 with drones) and monitoring of possible vulnerabilities through *"Geographic Information System"* (GIS) digital systems and data obtained from satellites.
Monitoring of dams and hydraulic infrastructure	• Advanced monitoring of more than 100,000 parameters taken in dams and hydraulic civil works.
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 for minimising the impact of weather events is the Lesson Learned Feedback process, through which information is transferred from the technical operations 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 climatic phenomena is being undertaken based on the mapping of relevant climatic events, with a view to estimating the impact they may have in the medium-long term on generation plants. The analysis of acute phenomena has been split into two phases:

Phases
• Preliminary analysis of the hazard and exposure of all hydroelectric, wind and solar power plants with a view to grouping them based on their degree of vulnerability, as well as identifying the plants at highest risk, selecting 1 or 2 of these to define potential adaptation actions.
• Detailed analysis of the plants identified as being at higher risk, with a view to defining potential adaptation actions in the future, as well as measures for the prevention of production losses.

The detailed analysis has been undertaken to ascertain the potential increase in the frequency and intensity of extreme events and identify the facilities exposed. This analysis has shown that, for the entire series of meteorological phenomena taken into consideration, a limited number of facilities are exposed to high risk in the long term. The meteorological phenomena subject to analysis include:

Weather events	
Torrential rain	• An analysis of a significant number of plants (some photovoltaic plants) has been performed, as a result of which, it was concluded that there is a high correlation between the geomorphology of the location and the impact of the meteorological phenomenon on the facility, confirming the need to carry out a specific analysis for each site, especially for facilities most exposed to the phenomenon. • More detailed analyses have identified potential measures for structural adaptations that would be useful in reducing the level of flood risk to an acceptable level; to proceed with their implementation, a cost-benefit analysis is required. These structural adaptation interventions would include, for example, the construction of mitigation hydraulic works (mainly embankments, reprofiling of channels, adaptation of drainage channels, expansion and lamination ponds) and the elevation of components at risk by earthworks and increasing the length of support structures in the case of photovoltaic panels.
Heat waves	• An analysis has been performed of the impact of heat waves on photovoltaic installations; these critical events involve persistent high temperatures over a period of several days with no rainfall. • Despite the increase in the frequency and intensity of this climate phenomenon, the conclusion was that there are no significant impacts on these facilities, there is simply a reduction in the performance of the inverter at certain times of the year and in specific locations.
Wind storms	• In relation to the risk of wind storms, although the scenarios show an increase in the frequency of this phenomenon, the impact analysis shows there is high resilience by design, especially in the wind farms subject to analysis. • The implementation of any adaptation measures would require specific assessments of the affected sites based on a cost-benefit analysis, considering the limited impact of the phenomenon.
Fire	• In relation to the risk of fire, a study has been undertaken to identify the areas where the risk is highest; with a view to preventing and/or reducing response times, some potential adaptation measures to be adopted in the design and/or operation phase of the facilities have been identified, such as the elimination of plant life around the project site, the creation of fire breaks and additional coordination with local authorities on how to respond in case of fire.

The methodologies developed will be refined to apply them 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 (for example, the adoption of an adaptive design), and in terms of event management and residual risk management.

Distribution

For the Distribution Business Line, a specific policy (Climate Change Risk Assessment) has been prepared with a view to establishing the general criteria, methodology and requirements for the identification, analysis and assessment of risks inherent to climate change, both in relation to the facilities and the activities undertaken, to monitor the risk and actions to be implemented to mitigate their 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 management is coordinated through 4 phases of action:

Action Phases for the Management of Extreme Climate Events	Description
1. 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 corresponding technical solution is chosen by referring to a catalogue that makes it possible to choose the solution to be implemented depending on the climate event and the geographical location of the facility
2. Readiness	• Includes all actions aimed at improving the speed 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.
3. 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.
4. Recovery	• The final phase, which aims to re-establish the network service under normal operating conditions as quickly as possible when extreme events cause service interruptions despite all the preventive measures taken.

The distribution business has adopted various specific procedure and policies to integrate the different aspects and risks related to climate change:

Policies and action	Description
Guidelines for Emergency Readiness, Response and Recovery	• Includes guidelines for the final 3 phases of the *4R* management approach. • This includes recommendations for improving the preparation strategy, mitigating the impact of total service interruptions and recommissioning the network, for as many customers as possible in the shortest possible time.
Guidelines for Network Resilience Improvement Plan	• The aim is to identify the extraordinary climate events that can cause the highest impact on the network, assessing the indicators in their current state, as well as the improvement that these indicators would have experienced as a result of actions on the network, all with a view to establishing an order of priority for interventions. • These guidelines structured around the first two phases of the *4R* management approach. An analysis is currently being performed to establish an investment plan that makes it possible to increase the network's resilience to extreme weather events, bearing in mind the different territorial aspects.
Risk Prevention and Readiness Measures in case of forest fires affecting electrical installations	• An integrated approach to emergency management applied to fires in wooded areas, whether caused by the network or external causes. • The document provides guidelines for identifying facilities at risk, defining specific prevention measures (e.g. evaluating specific maintenance plans) and, when a fire does occur, optimally managing the emergency to limit its impact and restore services as soon as possible.
Support Actions	• Implementation of weather forecasting systems, monitoring of the network's status and assessment of the impact of extreme events on the network, preparation of operational plans and organisation of drills. • The agreements reached to mobilise extraordinary resources (internal and contractor) to deal with emergencies are also noteworthy.

Thanks to the knowledge acquired in the field, a significant contribution is being made to the preparation of the first publications in the sector on the importance and possible actions regarding resilience and adaptation to Climate Change, such as the ad-hoc report published by Eurelectric-EPRI in December 2022, entitled "The Coming Storm: Building electricity resilience to extreme weather".

Also, with continuous improvement in mind, exploration activities are being undertaking, which involve directly contacting start-ups, industry experts and performing challenges proposed by the innovation area, with a view to identifying innovative technological solutions to support climate impact analyses and adaptation measures aimed at increasing network resilience.

Analysis of future climate impacts to identify adaptation needs

By mapping relevant phenomena at a global level, the trend of the most critical phenomena is monitored with a view to estimating the future impact of Climate Change on the network in the medium and long term. To this end, first of all, it is necessary to perform a preliminary assessment of extreme weather events that have occurred in the past and their impact on the network (as well as in terms of associated failures). In Spain, the most critical acute phenomena are forest fires, heavy snowfall, frost, windstorms and floods and extreme rainfall. In terms of thunderstorms, this phenomenon has been classed as *"medium risk"*. This classification makes it possible to identify the priority analyses to determine possible adaptation measures. Based on these assessments, detailed analyses have been performed of the different phenomena, with some examples provided below:

Extreme events	Impact on the network in the short and long term
Fire	The guidelines regarding fire risk prevention are being updated, applying an index that assesses the fire risk of areas, based on their orographic and environmental characteristics (FWI), as a support instrument to project scenarios to 2050. 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	An analysis has been undertaken to provide further information about explosive cyclogenesis (combination of wind and torrential rain), projecting events to 2050 and evaluating the possible future impacts on facilities. The initial results indicate a trend that is for the large part aligned with the historical trend, with the exception of the Catalan coast, where events are expected to intensify.

Supply

The Supply Business Line, which markets value-added products and services to customers, with a view to confronting extreme climate phenomena, has continued its work of estimating the potential impacts of physical phenomena to define the subsequent actions for adapting to Climate Change, by identifying risks and opportunities for priority assets. For owned assets, which represent a minority, an analysis of the impacts has been carried out; while for *Business to Business* (B2B) and *Business to Government* (B2G), potential risks and potential resiliency solutions are being assessed.

Adaptation work focussed on the definition of the methodology for assessing the vulnerability of marketing assets by expanding the studies performed on generation and distribution assets for the assessment and management of acute climate events for photovoltaic installations (energy distributed), storage and public lighting.

In the case of photovoltaic facilities, a preliminary climate risk assessment was carried out on the assets identified as priority in relation to relevant acute phenomena such as extreme wind, torrential rains and floods and fire risk. On the reporting date, the work undertaken, taking into account both the results obtained as part of the preliminary screening processes and the more detailed analyses, has not revealed any important problems in relation to Climate Change. The analysis will also be extended to sites where new constructions are planned. In terms of storage, the work performed to date does not reveal any critical issues related to acute climatic phenomena. Finally, in relation to public lighting, the acute phenomena pertaining to this type of facilities is being subject to study.

Introduction of solutions based on the nature of resilience solutions

Endesa analyses the effects of Climate Change employing a philosophy that is inspired and supported by nature.

Endesa is committed to promoting an integrated approach between the services and products offered to customers and *Nature-Based Solutions* (NBS), in other words, the series of techniques and designs that use nature and the processes inspired by nature to provide integrated services that increase the resilience of cities to Climate Change, mitigating the microclimate, air quality and, in general, improving the quality of life. To promote its *Nature-Based Solutions* (NBS), Endesa has developed the *Biodiversity Manual* of *Nature-Based Solutions* (NBS) and the *"Urban Biodiversity Scoring Model* to integrate *Nature-Based Solutions* (NBS) into its business solutions and assess the generation of positive climate, natural resource and human experience impacts.

The introduction of *Nature-Based Solutions* (NBS) in Endesa's product portfolio has been performed using a wide range of scientific indicators recommended to measure the positive impacts and accompany customers in the adoption of these internationally recognised practices as valuable tools for adaptation to acute climate phenomena. In practice, *Nature-Based Solutions* (NBS) can be integrated into Endesa's technological solutions to provide ecosystem services to support nature. These solutions also contribute to the adaptation to Climate Change and its mitigation, as well as improving the quality of life in urban centres.

Inclusion of the effect of Climate Change on the assessment of new projects

Many activities related to the assessment and execution of new projects can benefit from climate analyses, both general and site-specific, which are now being integrated into those already considered as part of the assessment of new projects. For example:

Climate Analysis Phase Description	
Preliminary studies	• During this phase, climate data can offer a preliminary screening, by analysing specific climate phenomena, such as those shown previously during the analysis of physical scenarios, and indicators such as the Climate Risk Index. This data provides a preliminary measurement of the most relevant phenomena in the area, including those identified as being of interest for each technology.
Estimated Expected Production	• Climate Scenarios will be progressively integrated to facilitate an assessment of how Climate Change will change the availability of the renewable resource at the specific site. The preliminary production analysis describes the approach applied to date at certain pilot sites that will later be expanded to the entire generation portfolio.
Environmental Impact Analysis	• The Climate Change risk assessment is now being integrated into the series of documentation prepared, which includes the representation of the main physical phenomena and their expected change in the area.
Resilient Design	• Particularly important in relation to the activities to adapt to Climate Change are those aimed at making assets resilient by design. Work is underway to progressively consider analyses based on climate data, for example, the increase in the frequency and intensity of acute events. These will complement the analyses already performed based on historical data, with a view to increasing the resilience of future assets, including adaptation actions that may be necessary throughout the life of the project.

Endesa's activities to expand knowledge in relation to adaptation to climate change

The National Climate Change Adaptation Plan ("PNACC") 2021-2030 (currently under review), 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 previous 2013-2020 National Climate Change Adaptation Plan ("PNACC").

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 all 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: *RESCCUE*, *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 transition opportunities

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.

Politics and regulation

- Limit on carbon dioxide (CO_2) emissions and price: regulation that introduces stricter emission limits, through both legal compliance and market mechanisms.

Risks and opportunities	
Opportunities	• Regulatory mechanisms both as a control and order type and as market mechanisms that strengthen the carbon dioxide (CO_2) price signs, encouraging investment in carbon-free technology.
Risks	• Lack of a coordinated approach among the regulators and actors involved, limiting the efficiency of the regulatory instruments, with consequences on electrification and decarbonisation in the sectors, compared to Endesa's strategy, which is sharply focussed on the Energy Transition.

- Policies and regulation to accelerate Energy Transition and Security: introduction of policies, regulatory frameworks or market rules to encourage the Energy Transition, encouraging the transition towards an energy system based on the use of renewable energy sources, greater electrification of demand, energy efficiency, flexibility of the electricity system and enhancement of infrastructures.

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Risks and opportunities	
Opportunities	• Creation of a more favourable framework for investments in renewable energies, also thanks to the development of long-term contracts (for example PPAs), electrical technologies and distribution networks, in line with Endesa's strategy. The 2021-2030 National Energy and Climate Plan (NECP) (currently under review) establishes an ambitious target for the penetration of renewables, specifically, it foresees 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 the transition to a 100% renewable electricity sector by 2050, complemented by growing additional storage power. One of the pillars of the 2021-2030 National Energy and Climate Plan (NECP) (currently under review) is to improve energy efficiency, with a target improvement of 39.5% by 2030.
Risks	• The slow progress with processes to obtain administrative authorisations and ineffective market design and regulatory framework can adversely affect the profitability of facilities and limit growth opportunities.

- Regulations on resilience and adaptation to improve standards, or the introduction of ad-hoc mechanisms to regulate investment in resilience, in a context of evolving Climate Change.

Risks and opportunities	
Opportunities	• Benefits associated with the allocation of investments aimed at reducing the risk of damage to facilities and the impact on the quality and continuity of service 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 regulators. 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

- Dynamics of the price of raw materials: changes in market dynamics, such as those related to the variability of commodity prices can impact the approach employed by traders, regulators and customers.

Risks and opportunities	
Opportunities	• Acceleration of electrification as a solution for reducing energy costs and exposure to the volatility of the price of raw materials. Greater willingness on the part of customers to switch from conventional technologies that use fossil fuels to more efficient electrical technologies.
Risks	• Disorderly energy transition on account of the introduction of measures that potentially create distortion.

- Market dynamics: customer willingness to use more sustainable technologies, thanks to greater knowledge of the risks associated with Climate Change and greater regulatory pressure.

Risks and opportunities	
Opportunities	• Positive impact associated with the increase in demand for electricity, a bigger gap for renewable energy thanks to greater demand for long-term contracts (PPAs).

Technology

- Progressive penetration of new technologies that facilitate the Energy Transition: progressive penetration of new technologies such as electric vehicles, storage, active response to demand and electrolysers for green hydrogen production; large-scale adoption of digital technologies to transform platform-based operating and business models.

Risks and opportunities	
Opportunities	• Investments in the development of technological solutions that facilitate the flexibility of the Electricity System. More space for renewables on account of the production of green hydrogen. • Electricity grids play a leading role in the 2021-2030 National Integrated Energy and Climate Plan (NECP) (currently under review), 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 (NECP) (currently under review) allocates 24% of its estimated investment to their development, a total of Euro 58,579 million.
Risks	• The slowdown and interruption of raw materials supply and semi-conductors, may cause delays in the procurement and/or increase in costs, which may slow down 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, a 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 increased efficiency and environmentally sustainability of the electricity vector. Increase in opportunities to offer value-added services to customers that will help them reduce energy expenditure and Carbon Footprint. Greater investment in the electricity grid to facilitate the electrification of demand.
Risks	• Increased competition in this market segment. Highly dependent on an adequate development of the electricity grid, necessary for guaranteeing growing demand as well as the continuity of the service.

- 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 recharging 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.

Generally speaking, and in relation to products and services, worth particular mention are the opportunities provided by the 2021-2030 National Integrated Energy and Climate Plan (NECP) (currently under review) in three areas.

Opportunities in Products and Services	
Electrification of the economy	• It will contribute to meeting, among others, the target set for 2030 of reaching 42 % of renewable energies as a percentage of total final energy consumption, as well as achieving a 39 % reduction in diffuse greenhouse gas emissions by the same year with respect to 2005.
Development of electric mobility	• This will involve the presence of renewables in the mobility-transportation sector, which will be a driving force to promote the decarbonization of this sector, with the aim of reaching 5 million electric vehicles by 2030.
Use of electricity in residential heating	• It will incorporate ambitious plans for the renovation of residential equipment.

When the 2023-2030 National Integrated Energy and Climate Plan ("PNIEC") (currently under review) is approved, it will guide Endesa's actions towards 2030 in terms of reducing greenhouse gas emissions, energy efficiency measures and generation of renewable energy.

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 Energy Transition variables. 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.

Identification of scenarios

The energy transition scenarios described in section 6.1 of this 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 demand electrification and therefore the penetration of electricity technologies, and the generation energy mix.

The Reference Scenario considers the sustained growth of renewable energies in the coming years, especially solar energy, and more moderate progress in terms of the development of green hydrogen as regards the provisions of the National Integrated Energy Plan and Climate (NEPC). The dynamics related to the Energy Transition could enable growth opportunities for Endesa; these dynamics should compensate for the gradual reduction in the price of electricity on wholesale markets, as a result of the increase in the presence of renewables in the energy mix. A review of the market design with a view to promoting long-term remuneration would also increase the opportunities open to Endesa.

Reference scenarioSlower	Transition scenario	Accelerated Transition scenario
• There is a 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. • Given the level of ambition defined in the National Integrated Energy and Climate Plan (NECP), the *"Reference"* scenario does not include any substantial additional increases to the penetration of renewable energies.	• In reference to the electrification of demand, the Slow Transition scenario foresees lower rates of penetration of more efficient electricity technologies, particularly electric vehicles, resulting in lower electricity demand in comparison to the Reference scenario. This is expected to have limited impact on the retail electricity market and associated products. At the same time, lower electricity demand will result in less space to develop renewable capacity, impacting the generating business, partially offset by the increase in electricity prices. • The Slow Transition scenario is less ambitious in the fight against climate change. This is reflected in slower development of renewable energy and lower penetration of electrification at all levels.	• It provides for a faster reduction in the costs of production technologies for green hydrogen. This leads to a higher penetration of this energy vector, to the detriment of blue and grey hydrogen (hydrogen produced from gas, respectively with and without the use of carbon capture and storage (CCS) technologies, with a consequent additive effect on Spanish electricity demand and on renewable facilities compared to the *"Reference"* scenario.
• All scenarios, but to a greater extent, the *"Reference"* 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.		

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 would have on 2030 earnings has been analysed compared to the benchmark Reference scenario.

Scenario	Category of risk and opportunity	Description	* estimated to 2030 Temporal horizon	Description of impact	Activity affected	Perimeter	Quantification – Type of impact	Quantification range < 100 €min	100–300 €min	> 300 €min
Transition	Market	**Risk/opportunity:** Greater/less room for investment in new renewable capacity, and wholesale electricity price variation corresponding to a different level of renewable penetration.	Medium *	Two alternative transition scenarios have been considered for which Endesa has evaluated the effects of a different level of renewable penetration on the reference wholesale electricity price and on the additional capacity.	Generation Supply	Spain	EBITDA/year	🟢	🟠	
Transition	Market	**Risk/opportunity:** Higher/lower margins from the effect of the transition in terms of electrification of consumption.	Medium *	Considering two alternative transition scenarios, Endesa has evaluated the effects of a variation in average consumption as a result of higher/lower electrification.	Supply	Spain	EBITDA/year	🟢 🟠		
Transition	Products and Services	**Risk/opportunity::** Risk/opportunity: Higher/lower margins and more/less room for investment as a result of the effect of the transition in terms of penetration of new technologies and electric transportation.	Medium *	Considering two alternative transition scenarios, Endesa has evaluated the effects of different electrification paths for transport and domestic consumption.	Supply	Spain	EBITDA/year	🟢 🟠		

🟢 High value current policies scenario 🟠 Low value current policies scenario

a.3. 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

Every year, Endesa presents its Strategic Plan, which includes the Company's strategic guidelines and its economic, financial and capital growth targets, 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;
- Allocation of production among the various technologies, with costs increases associated with higher activity that do not exceed certain limits and electricity prices that do not fall below certain levels, with the cost of combined cycle plants and availability and cost of raw materials and carbon dioxide (CO_2) emission rights needed to operate the business at the desired levels; and the general development of social, environmental and ethical trends in the environment in which it operates, including factors relating to terrorism, water stress, Cybersecurity, inequality and social instability, increased cost of living, structural unemployment, infectious diseases, extreme political conflicts, extreme weather phenomena, environmental catastrophes, climate change and supply chain disruption.

Endesa cannot guarantee that these outlooks will materialise as described, as they are based, among others, on the following:

- Assumptions about future events that management expects will occur and on actions that management itself expects to perform at the date of drafting; and
- General assumptions relating to future events and the actions of management that will not necessarily materialise, 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 conditions needed for viability of the plants do not arise, Endesa may have to cease production at the facilities and, where appropriate, begin dismantling work. Any such closures would involve a reduction in the installed capacity and output that support energy sales to customers. This could, therefore, adversely affect Endesa's business activities, results, financial position and cash flows.

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 the Company's 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 the level of government debt, falling growth rates and possible downgrading of government bond ratings internationally – particularly in Eurozone countries – and monetary expansion measures in the credit market. Changes in any of these factors could affect 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 its economic and financial position. Current geopolitical conflicts and tensions affect commodity 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).

There can be no guarantee that the economic situation will not deteriorate internationally or in the Eurozone, or that the conflicts will not worsen or even spread, which would have significant impact on the markets, thus affecting Endesa's business, economic situation, financial position, the results of its 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 2023.

The Company'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; on the supply of electricity and natural gas used for its own consumption and supply; and on the supply of other commodities, the prices of which are subject to market forces that may affect the price and the amount of energy sold by Endesa

The contribution margin of Endesa's generation and supply segment in 2023 was Euro 3,913 million, most of which corresponds to deregulated activities, subject to the effects of competition and volatility in the markets. These activities require gas, electricity and raw material purchases, hence:

Materials consumed	Commitments
• In 2023, 451,766 tonnes of coal and 2,435 million m^3 of natural gas were consumed to generate electricity.	• At 31 December 2023, commitments to purchase electricity and energy stocks amounted to Euro 18,791 million, of which some were on a *"take or pay"* basis.

Endesa is exposed to market price risks in relation to fuel purchases and carbon dioxide (CO_2) emission rights prices and guarantees of origin 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 financial instruments arranged in organised markets and Over the Counter (OTC). Trades with daily cash collateral associated with their fair value (*"Mark-to-Market"*), could have a direct impact on liquidity risk at Endesa (see Note 14.3 of the Notes to the Financial Statements for the year ended 31 December 2023).

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. Endesa's business activities, results, financial position and cash flows could be affected adversely in the event of 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 that affects prices as a whole and how they are established, and if its risk management strategies are inadequate in the face of such changes.

Endesa has signed certain natural gas supply contracts that include binding *"take or pay"* clauses that 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 natural gas, the prices of which are usually denominated in US dollars (USD).

This means, therefore, that exchange rate fluctuations could adversely affect the business, results, financial position and cash flows of Endesa. Information relating to foreign currency risk, as well as the exchange rate sensitivity analysis, is included in Note 14.2 of the Notes to the Financial Statements for the year ended 31 December 2023.

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. Endesa's business, results, financial position and cash flows could be adversely affected in the event of a low level of hydro, wind or solar resources, or other circumstances that adversely affect renewable energy generation.

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 is estimated that hydroelectric production could vary by ±35%, wind power by ±6.5% and photovoltaic power by ±4%. In 2023, Endesa's generation from hydroelectric plants amounted to 5,083 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 profitability of the business. Additionally, Endesa must make certain projections and estimates regarding climate conditions when negotiating its contracts, and a significant divergence in rainfall levels and the 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. Interest rate fluctuations could adversely affect Endesa's business activities, results, financial position and cash flows.

Information relating to interest rate risk and the interest rate sensitivity analysis is provided in Note 14.1 to the financial statements for the year ended 31 December 2023.

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 facilities, 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 facilities 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. Capital and turmoil in the capital market, a possible reduction in Endesa's creditworthiness or possible restrictions on financing conditions imposed on the credit facilities if 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. Endesa's business activities, results, financial position and cash flows could be adversely affected if it is unable to access financing under acceptable conditions.

At 31 December 2023, Endesa had negative working capital of Euro 4.069 million. The undrawn amount on Endesa's long-term credit facilities 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 facilities 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 relating to liquidity risk and the main financial transactions carried out is included in Notes 14.3 and 13.2, respectively, of the Notes to the Financial Statements for the year ended 31 December 2023.

Information relating to liquidity risk is provided in Note 14.3 to the financial statements for the year ended 31 December 2023.

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.

b.6. Endesa is exposed to credit and counterparty risk

In its commercial and financial activities, Endesa is exposed to the risk that its counterparty may be unable to meet all or some of its obligations, both payment obligations arising from goods already delivered and services already rendered, 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 consumers may not be able to fulfil 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. Despite commodity prices having improved year on year, the backdrop of high interest rates and high inflation has reduced the liquidity of companies and individuals to pay their energy bills. Although the Company's collection management activities has enabled it to temper the growth of overdue debt among commercial counterparties.

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 14.4 to the financial statements for the year ended 31 December 2023.

c) Risks associated with digital technologies

c.1. Endesa is exposed to 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 in the Company) in the event of Endesa's information systems being 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). The danger of identity theft is increasing in commercial activity, and with it the need for enhanced security measures and protection of 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 assesses the main risks and identifies vulnerabilities, and also conducts 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.

Endesa performs cybersecurity exercises for its plants and 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 set it apart strategically from other companies in the sector, given the business volumes handled and the technical complexity, volume, granularity, functionality and diversity of cases. 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 sales 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 2024-2026 Strategic Plan approved by the Board of Directors of Endesa, S.A. on 23 November 2023 and presented to the market includes a gross investment target of Euro 8,900 million between 2024 and 2026.

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, 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

Endesa has a huge volume of assets related with its activities, including:

Activity	Impacts
Energy generation	• At 31 December 2023, Endesa's potential total net installed capacity in Spain amounted to 21,247 MW, of which 16,984 MW are found in the Mainland Electricity System and 4,263 MW in Non-mainland Territories (TNP) in the Balearic Islands, Canary Islands, Ceuta and Melilla.
Energy distribution	• At 31 December 2023, Endesa distributed electricity in 24 Spanish provinces in 8 Autonomous Communities and in the Autonomous City of Ceuta, covering 195,881 km^2 and more than 21 million people. The total energy distributed by Endesa's grid totalled 136,363 GWh in 2023.
Energy supply	• At 31 December 2023, 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 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 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. Risk that the activities undertaken by Endesa may negatively impact the quality of the environment and the ecosystems involved, as well as incurring court or administrative sanctions, economic or financial losses and reputational damage as a result of non-compliance with international, national or local environmental laws and regulations

Endesa considers environmental excellence to be a key value in its business culture. Accordingly, it performs its activities by respecting the environment, in line with Sustainable Development principles, and is firmly committed to the conservation and sustainable use of its resources.

Endesa has an Environmental Policy in place, which was approved by its Board of Directors, that formalises its commitment to responsible environmental management and that encompasses the entire value chain. This Policy applies to all phases of the life cycle of each product and service.

Endesa is subject to environmental regulations, which affect both the normal course of its operations and the development of its projects, leading to increased risks and costs. This regulatory framework requires licences, permits and other administrative authorisations to be obtained in advance, as well as fulfilment of all the requirements 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 costs 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 risks relating to management of waste, spills and emissions from 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 always 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. Endesa's business activities, results, financial position and cash flows could be adversely affected if it were accused of failing to comply with environmental regulations.

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 Electricity Sector Law 24/2013 of 26 December, the Company is insured for up to Euro 1,200 million against third-party liability claims for any nuclear accidents at its plants. Any loss or damage in excess of this amount would be subject to 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, 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 expenditure 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 applicable regulations could adversely affect Endesa's business activities, results, financial position and cash flows.

d.4. Endesa's insurance cover and guarantees may not be adequate or may not cover all of the 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 losses incurred 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 in premiums or if cover becomes inaccessible. If Endesa is unable to pass on any possible premium increase to its customers, these additional costs may adversely affect its business activities, results, financial position and cash flows.

d.5 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 2023, Endesa had a workforce of 1,279 employees (see Note 20.1 to the financial statements for the year ended 31 December 2023). Endesa needs to guarantee talent management, especially with regard to digital competences, so it can maintain its position in the sector.

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.6. Endesa considers occupational health and safety (OHS) and fluid social dialogue to be priority objectives. The inability not to meet these objectives could adversely affect Endesa's business, image, results, financial position and cash flows

Endesa's occupational health and safety (OHS) information is set forth in section 9 of this Management Report and in Section 4.7.3 *"Occupational Health and Safety"* of the Non-Financial and Sustainability Statement 2023 (see Section 16 of this Management Report).

Information on Endesa's social dialogue is set forth in section 4.6.1.4 *Social Dialogue* of the Non-Financial and Sustainability Statement 2023 (see Section 16 of this Management Report).

d.7. 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

Endesa's relationships 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 consumption that is highly concentrated in few suppliers and countries, which represents a risk in the event of 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 further deterioration in the ongoing conflict between Russia and Ukraine and ensuing crisis may cause delays in supplies and breach of contracts at supply chain level. The occurrence of this event could adversely affect Endesa's businesses, 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 efficiency, as well as the continuity of its business and the processes that contribute to achieving 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 that 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. 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 12.3 to the financial statements for the year ended 31 December 2023.

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.3. 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 national and international arbitration proceedings.

Endesa uses its best estimate to recognise its provisions for legal contingencies, provided that the need to meet such obligations is probable and the 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 12.3 to the financial statements for the year ended 31 December 2023.

e.4. 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 considered by Endesa (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 2023, Endesa's total tax contribution amounted to Euro 3,749 million, of which 58% corresponded to taxes borne that represent a cost for Endesa and 42% 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 80% of the total taxes paid and collected in 2023.

The following was of note with respect to Endesa's tax risk situation:

Tax Risks	References [1]	Endesa mitigates the occurrence of these risks through:
The periods open for review by the tax authorities and significant inspections for the period and their effects	16.10	• 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.
Significant tax disputes that might generate a contingency	12.3	

[1] Notes to the financial statements for the year ended 31 December 2023.

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.

Information on tax litigation is provided in Note 12.3 to the Financial Statements for the year ended 31 December 2023.

e.5 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 for group no. 42/1998 for income tax and for group no. 145/08 for Value Added Tax (VAT).

Additionally, Enel Green Power España, S.L.U., a wholly-owned Endesa subsidiary, was fully consolidated between 2010 and 2016 as part of group 574/10 of which Enel Green Power España, S.L.U. was the Parent. From 1 January 2017, Enel Green Power España, S.L.U. 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, consolidated tax group no. 21/02 was established following Endesa taking control of Empresa de Alumbrado Eléctrico de Ceuta, S.A., of which it held 96.42% of the share capital at 31 December 2023. This consolidated tax group comprises the three companies Empresa de Alumbrado Eléctrico de Ceuta, S.A. (as Parent and representative of the Consolidated Tax Group) 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. is also jointly and severally liable 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 jointly and severally liable with respect to its members.

Even though Endesa or, where applicable, Enel Green Power España, S.L.U. 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. or Empresa de Alumbrado Eléctrico de Ceuta, S.A. belongs or has belonged. Any material tax liability could adversely affect Endesa's business activities, results, financial position and cash flows.

Information on tax litigation is provided in Note 12.3 to the Financial Statements for the year ended 31 December 2023.

e.6. 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 2023, 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 19 to the financial statements for the year ended 31 December 2023.

f) Corporate Governance and Culture Risk

f.1. Corporate culture and ethics

Information on Endesa's Anti-Bribery and Criminal Risk Prevention Model can be found in Section 7.3 of this Management Report.

7.4.2. Reputation management and mitigation of reputational impact on risks

A significant part of the company's intangible value lies its reputation amongst the main audiences with which it interacts. In addition, this reputation represents an important support lever for facilitating the best fulfilment of its economic, commercial, industrial and institutional objectives.

To achieve rigorous and reliable knowledge of the opinion of these audiences and the image and reputation parameters that may affect the Company, Endesa employs social research tools (surveys, press indicators, qualitative studies, pre- and post-test studies, etc.) deployed periodically and exclusively for the company, as well as information generated by similar studies that are publicly accessible. It also has information and conversation monitoring systems on social media with a view to detecting early warnings about possible incidents or critical situations and assessing the calibre of the incident. These tools make it possible to detect possible risks with an impact on image or reputation and design appropriate communication actions to avoid or correct them where appropriate, as well as to improve their perception among the aforementioned audiences.

The design and development of these actions are contained in the annual Communication Plan that the Company prepares as part of the development and promotion of its Strategic Plan. In essence, they cover actions focussed on the management and activation of the brand (advertising, sponsorship of events, etc.), media relations, digital communication and internal communication.

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 works to identify and monitor potential reputational events and affected stakeholders, 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 affect 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. 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 15 to the financial statements of Endesa S.A., for the year ended 31 December 2023.

9. HUMAN RESOURCES

At 31 December 2023, the Company had a total of 1,279 employees (1,241 employees at 31 December 2022).
The Company's average workforce in 2023 was 1,255 employees (1,244 in 2022).

The breakdown, by gender, of the Company's workforce at 31 December 2023 was 49.3% male and 50.7% female.
Information on the workforce is provided in Note 20.1 to the Financial Statements of Endesa, S.A. for the year ended 31 December 2023.

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 2023 and 2022 the main variations in Occupational Health and Safety (OHS) indicators were as follows:

Main figures		
	2023	**2022**
In-house frequency index [1]	0	0
In-house seriousness index [2]	0	0
Combined frequency index [3]	0	0
Combined seriousness index [4]	0.02	0.09
Number of accidents [5]	0	0

(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 2023 and 2022.

10. TREASURY SHARES

At 31 December 2023, the Company held treasury shares to cover its different variable remuneration plans that include the delivery of shares (see Note 11.4 to the financial statements of Endesa, S.A. for the year ended 31 December 2023).

Transactions with treasury shares in 2022 are detailed in Note 11.4 of the Financial Statements of Endesa, S.A.

11. ENVIRONMENTAL PROTECTION

Information on environmental activities is provided in Note 21 to the financial statements of Endesa S.A. for the year ended 31 December 2023.

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 20.3 to the financial statements of Endesa S.A. for the year ended 31 December 2023

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 Annual Corporate Governance Report for fiscal year 2023, in accordance with article 538 of the Capital Companies Act ("LSC"), entitled "Inclusion of the corporate governance and remuneration report in the management report", forms part of this Management Report and is subject to the same criteria for approval, filing and publication. The contents of this report are available on the website of the National Securities Market Commission (CNMV) at the following address: https://www.cnmv.es/portal/consultas/EE/InformacionGobCorp.aspx?nif=A-28023430, as well as on Endesa's website www.endesa.com.

15. ANNUAL REPORT ON DIRECTORS' REMUNERATION

The Annual Report on Directors' Remuneration of Endesa, S.A., in accordance with article 538 of the Capital Companies Act ("LSC"), which is entitled "Inclusion of the corporate governance and remuneration report in the management report", forms part of this Management Report, and is subject to the same criteria for approval, filing and publication. The contents of this report are available on the website of the National Securities Market Commission (CNMV) at the following address: https://www.cnmv.es/portal/consultas/EE/InformacionGobCorp.aspx?TipoInforme=6&nif=A-28023430, as well as on Endesa's website www.endesa.com.

16. NON-FINANCIAL STATEMENT

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 THE AUDIT OF THE FINANCIAL STATEMENTS WITH RESPECT TO NON-FINANCIAL INFORMATION AND DIVERSITY

The Non-Financial Statement required by Law 11/2018, of 28 December, amending the Code of Commerce, the consolidated text of the Spanish Corporate Enterprises Act ("LSC") 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 Section 25 of the Consolidated Management Report of Endesa, S.A. and Subsidiaries for the year ended 31 December 2023 and also in the *Non-Financial and Sustainability Statement 2023.*

This *Non-Financial and Sustainability Statement 2023* 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.

27 February 2024

SIGNATURES FOR AUTHORISATION FOR ISSUE ENDESA, S.A.
OF THE MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The Management Report for the year ended 31 December 2023 of Endesa, Sociedad Anónima was authorised for issue in electronic format by the Board of Directors of Endesa, Sociedad Anónima at its meeting of 27 February 2024, 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 Enterprises Act.

D. Juan Sánchez-Calero Guilarte Chairman	**D. Flavio Cattaneo** Vice Chairman
D. José Damián Bogas Gálvez Chief Executive Officer	**D. Stefano de Angelis** Board member
D. Gianni Vittorio Armani Board member	**Dña. Eugenia Bieto Caubet** Board member
D. Ignacio Garralda Ruiz de Velasco Board member	**Dña. Pilar González de Frutos** Board member
Dña. Francesca Gostinelli Board member	**Dña. Alicia Koplowitz y Romero de Juseu** Board member
D. Francisco de Lacerda Board member	**Dña. Cristina de Parias Halcón** Board member

Madrid, 27 February 2024

4.
STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY

OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023, authorised for issue in its meeting of 27 February 2024 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 2023 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.

D. Juan Sánchez—Calero Guilarte Chairman	**D. Flavio Cattaneo** Vice Chairman
D. José Damián Bogas Gálvez Chief Executive Officer	**D. Stefano de Angelis** Board member
D. Gianni Vittorio Armani Board member	**Dña. Eugenia Bieto Caubet** Board member
D. Ignacio Garralda Ruiz de Velasco Board member	**Dña. Pilar González de Frutos** Board member
Dña. Francesca Gostinelli Board member	**Dña. Alicia Koplowitz y Romero de Juseu** Board member
D. Francisco de Lacerda Board member	**Dña. Cristina de Parias Halcón** Board member

Madrid, 27 February 2024

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