

Total Tax Contribution 2018

endesa

March 2019



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An aerial photograph of a large, modern building atrium. The space is characterized by a grid of white lines on a light-colored floor, creating a series of rectangular and square zones. Numerous people are seen walking through the atrium. The building's facade is composed of white panels and large windows. In the upper left, there is an outdoor seating area with green and white striped awnings and a white classical column topped with a golden globe. A semi-transparent red rectangle is overlaid on the left side of the image, containing the text "1. Executive summary" in a white, italicized serif font.

1. Executive summary

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Endesa's total tax contribution in 2018 amounted to **4,086 million euros**, with **40%** of these corresponding to taxes borne and **60%** to taxes collected.

Total Tax Contribution 2018

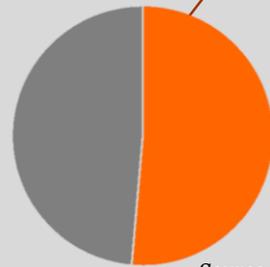
4.086 M €



Source: PwC

Environmental Taxes

51%



Source: PwC

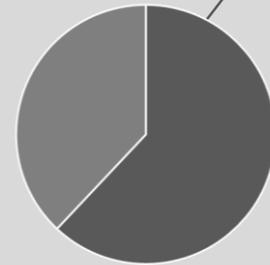
Taxes borne in 2018

Taxes borne by Endesa in year 2018, amounted to **1,650 million euros**, among which the **environmental** taxes are the most important ones, accounting to **51%**.

The main item of environmental taxes borne by Endesa corresponds to the **tax on the value of electricity production**.

VAT

62%



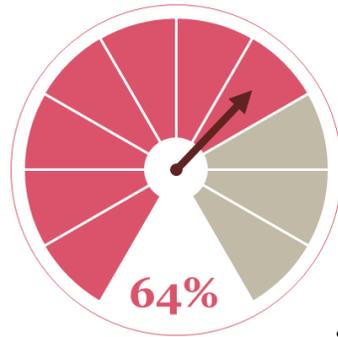
Source: PwC

Taxes collected 2018

Taxes collected by Endesa in 2018 amounted to **2,436 million euros**. A major part of these corresponds to **taxes on products and services** – mainly VAT, which accounts for **62%** of taxes collected.

1. Executive summary

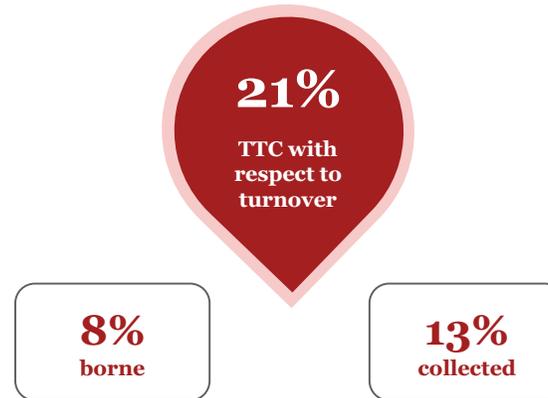
Distributed Tax Value 2018



Source: PwC

64% of the value generated by Endesa has been paid to the Public Treasury in the form of taxes borne and taxes collected. Of every **100 euros** of value generated by the group in 2018, **64 euros** were destined to the payment of taxes.

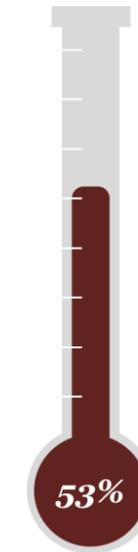
Tax contribution of Endesa with respect to turnover in 2018



Source: PwC

In relation to the size of its business, for every **100 euros** of net revenues obtained by the Company, **21 euros** are used in the payment of taxes. Of this amount, **8 euros** correspond to taxes borne and **13 euros** to taxes collected.

Total Tax Contribution Rate in 2018



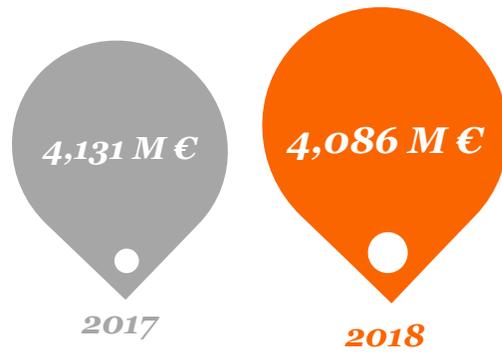
Source: PwC

Endesa's **Total Tax Contribution rate** for 2018 is **53%**.

In other words, taxes borne account for 53% of total income before all taxes borne for the purposes of the Total Tax Contribution.

1. Executive summary

TTC trend for 2017-2018



Source: PwC

Endesa's **Tax Contribution** in Spain fell by approximately 1% compared to that of 2017, mainly as a result of the reduction in environmental taxes borne.

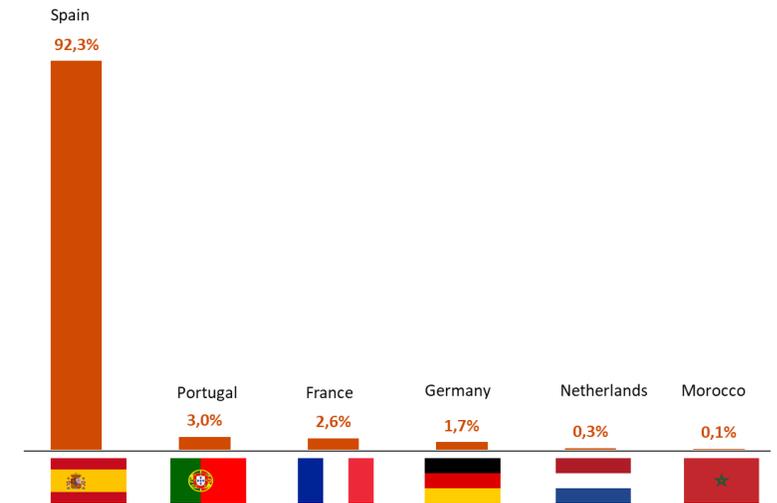
Total amount of payments made to Public Administrations



Source: PwC

Payments made by Endesa to Public Administrations in 2018, including payments in respect of the rates subsidy and energy efficiency charges and other regulatory payments, amounted to **a total of 4,205 million euros.**

Geographic distribution of the tax contribution in 2018



Source: PwC

For every 100 euros of taxes paid by Endesa worldwide, 92 euros are paid in Spain.

A photograph of a modern building with a curved facade. The upper part of the building is made of light-colored stone tiles, and the lower part is a glass curtain wall. The building is set against a clear sky. A dark red rectangular box is overlaid on the left side of the image, containing white text.

2. Background and purpose of this report

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Purpose and scope

The aim of this report is to obtain and analyse the Total Tax Contribution data of Grupo Endesa (hereinafter Endesa or the Company) for 2018, taking into account all the territories in which the Group is present, i.e.: Spain, Portugal, the Netherlands, France, Germany and Morocco.

The data for 2018, and the analyses of contribution profiles and certain indicators have been compared with the equivalent data for 2015 and 2017, and a study made of the trend reflected.

The current economic environment has placed at the centre of the socio-economic debate the discussion of the contribution that large sectors of activity make to the public coffers of the jurisdiction in which they are present and the distribution of their tax contribution.

In this context, and as shown in the Group's current tax strategy, which was updated on 19 June 2017, compliance with the tax legislation in force at any given time forms part of the principles that inspire Endesa's corporate responsibility, with the taxes paid constituting one of its contributions to the economic and social development of the society in which it operates.

In this line, and since the year 2014, Endesa decides to voluntarily publicly disclose the main tax payments in those countries where the Company is present. This reflects the importance given by the Group to tax matters and its level of commitment to the main stakeholders, insofar as in recent years no regulations requiring this information to be published were applicable to them.

The information offered in this report makes it possible to identify, measure and communicate the business asset which is Endesa's tax contribution, so that it can have an effective impact on its reputational value, given the value it generates and passes on to society. This report aims to adopt a broader approach towards the concept of Corporate Social Responsibility, highlighting the value of the social function deriving from Endesa's tax contribution.

The way in which the tax information provided in this report is set out intends to make it more versatile and facilitate its integration so that it can be presented in accordance with the different parameters required by different stakeholders.

Explaining clearly the significance of Endesa's tax contribution is a priority for the Company from the perspectives of transparency and Corporate Social Responsibility

2. Background and purpose of this report

The data compiled by PwC includes information received from Endesa, obtained from its own IT system and its internal working procedures. Our work has consisted of the analysis of the information supplied by Endesa and verification of the consistency of the trends and figures reflected. Their origin has been neither verified nor audited.

In relation to the above mentioned, this report is based on the tax contribution figures provided as of 1 February 2019. Our fieldwork was concluded on the 19th of February, 2019, and significant events may have occurred after that date that would not be covered in this report.



TTC Methodology

The Total Tax Contribution (hereinafter TTC) methodology measures the total impact of the payment of taxes by a company. This valuation takes into account the total contribution of taxes paid to different Administrations, either directly or indirectly, as a result of Endesa's economic activity.

The key points to be borne in mind in relation to this methodology are:

1. It distinguishes between those taxes that constitute a cost for Endesa and those taxes that it collects

Taxes borne are the taxes that Endesa has paid to the Administrations of the different States in which it operates. These are taxes that represent an actual cost for the Company, e.g. certain environmental taxes.

Taxes collected are those that have been paid in because of Endesa's economic activity but which, apart from the related management expenses, imply no cost for the Company.

These are nevertheless amounts which are paid into the public purse as a result of Endesa's economic activity and should therefore be taken into consideration when analysing its tax contribution. Taxes withheld on the earned income paid to workers are one example of what we refer to as a tax collected. They constitute tax revenues obtained by the Administration thanks to the economic value generated by Endesa.

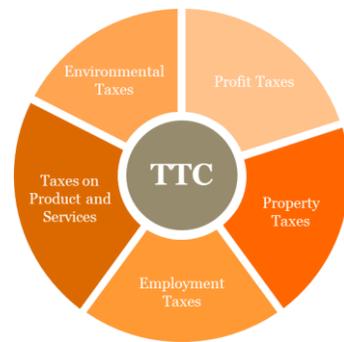
2. Background and purpose of this report

In this respect, the TTC methodology is consistent with the approach adopted by the OECD, which highlights the relevance of the role played by business groups in the taxation system, both as contributors of taxes which imply a cost ("Legal Tax Liability"), and as "collectors" of taxes on behalf of others ("Legal Remittance Responsibility"), as reflected in working paper no. 32. "Legal tax liability, remittance responsibility and tax incidence"^[1].

2. Since taxes are known by different names in different countries, taxes borne and taxes collected have been grouped into 5 main categories:

(i) Profit taxes: This includes taxes borne on the income obtained by companies, such as corporate income tax, the tax on economic activities and taxes collected in the form of withholdings on payments made to third parties.

(ii) Property taxes: These are taxes levied on the ownership, sale, transfer or tenancy of property.



Source: PwC

(iii) Employment taxes: Taxes linked to employment comprise both taxes borne and those collected, including personal income tax withholdings on payments to employees and the social security contributions payable by both the employee and the company.

(iv) Taxes on products and services: These are indirect taxes levied on the production and consumption of goods and services, including VAT, customs duties, etc.

(v) Environmental taxes: Taxes levied on the supply, use or consumption of products and services which are considered to have an environmental impact.

The classing of taxes as environmental is based on the definition agreed upon for the purposes of the harmonized statistical framework developed jointly, in 1997, by eurostat, the European Commission, the Organization for Economic Cooperation and Development (OECD), and the International Energy Agency (IEA), according to which environmental taxes "*are taxes whose base is a physical unit (or a proxy of a physical unit) of something that has a proven, specific, negative impact on the environment. All taxes on energy and transport are included and all value-added-type taxes are excluded*"^[2]. The Spanish National Institute of Statistics (INE) has also adopted this definition for the purpose of classing taxes as environmental^[3].

All of this is without prejudice to the fact that Endesa has challenged some of these taxes on the ground that the legislature has not established them for environmental purposes.

^[1] <http://www.oecd-ilibrary.org/docserver/download/e7ced3ea-en.pdf?expires=1518608619&id=id&accname=guest&checksum=F8B98F3CB2D74B6C44A7DB049DF7A63B>

^[2] <https://stats.oecd.org/glossary/detail.asp?ID=6437>

^[3] <http://www.ine.es/daco/daco42/ambiente/aguasatelite/metimpuestos.pdf>

2. Background and purpose of this report

3. It includes all tax payments made to Public Administrations

When considering the figures reflected in this report, it should be borne in mind that they include tax payments made to Public Administrations in respect of items which, given their characteristics, are in fact taxes even though, for historic or circumstantial reasons, they are not classed as such.

In line with the philosophy adopted by the OECD in relation to the analysis of a country's tax burden, "**social security contributions**" made to different Administrations have also been taken into account in the above-mentioned data, since such contributions are obligatory in nature and generally make up an important part of a State's revenues. In Spain, the design of such payments means that they are charges rather than contributions and they are therefore clearly a form of taxation.

This is indeed the conclusion reached in the **Mirrlees Report**^[4], which recommends the integration of taxes levied on earned income and social security charges when the latter are a form of taxation rather than being contributory in nature.

Similarly, in the so-called "**Lagares report**", Social Security contributions are looked upon as a form of taxation, since they are taken into consideration in the analysis it offers for the purpose of reforming the Spanish tax system.

It defines these payments as "*a tax which is levied directly on employment revenues, although it is based on certain very specific criteria, and which has a crucial economic impact on occupation and employment in the Spanish economy*".

On the other hand, with regard to the possibility of considering surcharges and interest on arrears as a greater (or lesser) contribution, the OECD in its document on the classification as tax on the various payments to public^[5], does not expressly refer to interest on arrears and surcharges. In line with this criterion, for the purposes of this report they are not considered as a tax contribution.

Likewise, the same document clearly indicates that fines and sanctions would not be considered tax even if they are amounts paid to the Tax Authorities, and therefore should not be considered as a greater contribution. In this sense, we maintain the criterion followed by the OECD, and they are not considered as a higher contribution.

^[4] The Mirrlees Report was commissioned by the UK IFS and published after four years of work in 2011 under the title "Tax by Design, The Mirrlees Review". This same report has been studied by experts from the University of Vigo and its conclusions have been reflected in the document entitled "The Mirrlees Report and Environmental Taxation in Spain".

<http://www.ifs.org.uk/mirrleesReview/design>

^[5] <https://www.oecd.org/tax/tax-policy/oecd-classification-taxes-interpretative-guide.pdf>

2. Background and purpose of this report

4. It can be tailored to the specific circumstances of the organization

As for the composition of Grupo Endesa, and the calculation of its overall CTT, the following should be considered:

It takes into account 100% of the tax contribution of those companies that consolidate with the parent company using the full integration method in Spain, as well as those that consolidate using another method in proportion to their percentage of ownership when the information is available. It also includes information on entities established in other countries in which Endesa has a significant presence and from which it has been able to obtain information.

With regard to all the payments to the tax authorities considered in this study, a list of all the taxes in Spain included in this analysis has been included as an appendix, for illustrative purposes.

In accordance with the criteria established by Endesa in 2015 in its Sustainability Report^[6], in the years 2015 to 2017 the estimated amounts at year-end relating to the amount accrued as corporate income tax payable by Endesa, S.A. and the rest of its subsidiaries to Enel Iberia, S.L., which, as the company representing the tax group, maintains the ultimate relationship with the tax authorities, were included as "Corporate Income Tax" in the section on taxes on income received^[7].

With effect from 2018, Law 11/2018 of 28 December establishes that certain "tax information" must be included in the statement of non-financial information, including, inter alia, taxes on profits paid.

As a result, in 2018 Endesa decided to change the accrual criterion used until now in relation to the information from Corporation Tax to the cash criterion, in line with the criterion followed in the statement of non-financial information regulated by Law 11/2018.

Thus, in 2018, the amount of corporate income tax paid by Endesa to Enel Iberia S.L., as the company representing the tax group to which Endesa belongs (to the extent that the requirements for forming a tax consolidation group provided for in Corporate Income Tax Law 27/2014, of 27 November, are met), would amount to 329 million euros, and the same amount paid by Enel Iberia S.L. to the tax authorities in the period would amount to 117 million euros.

For the purposes of this report, and only in relation to the concept of corporate income tax paid to the tax group, the contribution figures for 2017 have been restated in order to homogenize the figures for both years and allow comparability.

In addition, in 2018 corporate income tax payments amounting to 1 million euros were made by other individual taxable companies in Spain and abroad.

^[6]<https://www.google.com/url?q=https://www.endesa.com/content/dam/enel-es/home/sostenibilidad/portada/documentos/Informe-Sostenibilidad-2015.pdf&sa=D&source=hangouts&ust=1550924412161000&usg=AFQjCNGPIob6262hBzjBfnwX-oQxpyAjkw>

^[7] To the extent that the requirements for forming a tax consolidation group under Law 27/2014 are met.

2. Background and purpose of this report

5. The special characteristics of Value Added Tax and equivalent taxes are taken into account

Value Added Tax (and equivalent taxes) are classed as a tax on products and services collected, and its amount reflects the net payments made by Endesa to the tax authorities of each of the jurisdictions in which it operates in the corresponding period.

In view of the way in which VAT works, the figure presented in this respect for a particular country includes the positive amount paid in to the corresponding Treasury, arrived at by subtracting VAT deducted from VAT accrued.

If in the overall calculation for the year for a particular country, the net figure arrived at by subtracting VAT deducted from VAT accrued is negative, owing to a refund, no figure is shown.

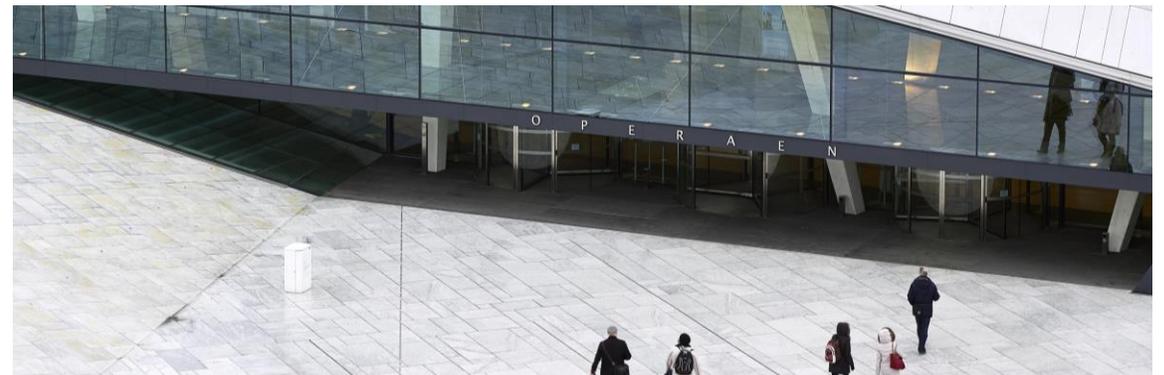
On the other hand, amounts of VAT which are not recoverable because the continuation of the value chain through the charging of output tax is not possible, are regarded as a tax on products and services borne, since they represent a cost for the company.

6. Other payments made to Public Administrations and other circumstances are also taken into consideration

In relation to the amount for total payments made to Public Administrations, this methodology also takes into account - in addition to the contribution of taxes - various non-tax payments made to public bodies of a regulatory nature, such as the rates subsidy or energy efficiency charges:

(i) Rates subsidy: certain companies within the electricity system are required by Law 24/2013 of 26 December to contribute to the financing of the rates subsidy.

(ii) Energy efficiency: gas and electricity marketing companies are required, under the energy efficiency obligations system, to make an annual financial contribution to the national energy efficiency fund. This obligation is regulated by Royal Decree 8/2014 of 4 July.



An aerial photograph of a large, paved public square. The square is divided into sections by wide, light-colored tiles. In the center, a group of people is gathered, some taking photos. To the right, a man is pushing a stroller. Further right, a woman is riding a bicycle. In the bottom left, a man is walking a dog. The square is bordered by a curved wall of steps on the right side. A green lamppost stands near the steps. The overall scene is bright and sunny, with shadows cast by the people and the lamppost.

3. TTC of Endesa in 2018

3. TTC of Endesa in 2018

Total Tax Contribution			
Group Endesa 2018 Report			
Economic data		M €	
Revenues	19,555	¹	
Wages and salaries	664	²	
Average number of employees	9,696	^{2'}	
Income before tax	1,818	^{2"}	
Income before tax borne	3,112	³	
Total taxes borne	1,650	⁴	
Total taxes collected	2,436	⁵	
Total Tax Contribution	4,086		
Taxes borne		M €	
Profit taxes 357			
Imp. sobre Sociedades (impuestos satisfechos al grupo fiscal)	329		
Imp. sobre Sociedades (impuestos satisfechos en régimen individual y otros)	1		
Imp. sobre Actividades Económicas	26		
Otros	1		
Property Taxes 72			
Tax on real property	60		
Other taxes	11		
Employment Taxes 122			
Employer's social security contribution	122		
Taxes on products and services 253			
Non-deductible VAT/IGIC	2		
Tax on the utilization of airspace, soil and subsoil	194		
Other public domain charges	56		
Environmental taxes 847			
Tax on value of electricity generation	269		
Tax on nuclear fuels	122		
Hydraulic charge tax	25		
Tax on nuclear services	166		
Other environmental taxes (regional)	66		
Taxes on electricity	-		
Tax on hydrocarbons	26		
Tax on coal	173		
Other taxes	1		
TOTAL	1,650		
TTC Indicators			
TTC ratio	53%	¹	
TTC in relation to revenues	21%	²	
Taxes borne in relation to revenues	8%	^{2'}	
Taxes collected in relation to revenues	13%	^{2"}	
Tax value distributed to society	64%	³	
Wages and salaries per employee	68,482	⁴	
Taxes paid per employee	34,082	⁵	
Taxes collected		M €	
Profit taxes 68			
Withholdings on payments to non-residents (without PE)	-		
Revenues from investment capital	30		
Withholdings on payments to non-residents	38		
Property Taxes -			
Revenues from property investments	0		
Employment Taxes 209			
Withholdings on earned income	184		
Employee social security contributions	24		
Taxes on products and services 1,511			
VAT (Net position)	1,511		
Environmental taxes 648			
Taxes on electricity	531		
Tax on hydrocarbons	118		
Tax on coal	0		
TOTAL	2,436		
Total Tax Contribution		4,086	

¹ Total taxes borne / Income before taxes borne

² Total Tax Contribution / Revenue

^{2'} Taxes borne / Revenue

^{2"} Taxes collected / Revenue

³ Tax borne and collected / Total value distributed (regarded as the sum of: income after tax or shareholder value, wages and salaries, net interest, taxes borne and taxes collected)

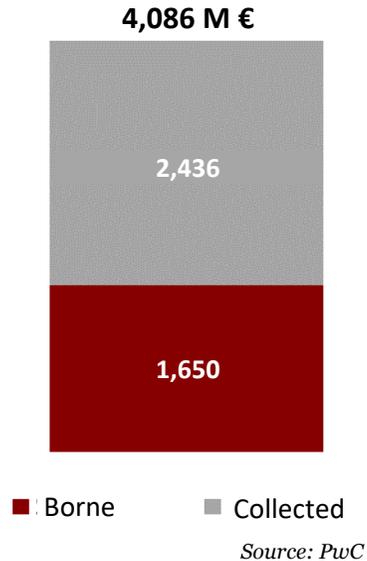
⁴ Wages and salaries / Number of employees

⁵ Total taxes linked to employment (borne and collected) / Average number of employees

Note: The figures presented have been rounded.

3. TTC of Endesa in 2018

Analysis of the total tax contribution in 2018



Endesa's Total Tax Contribution in the countries in which it is present amounted to **4,086 million euros in 2018**, with 92% of this figure corresponding to the contribution made in Spain.

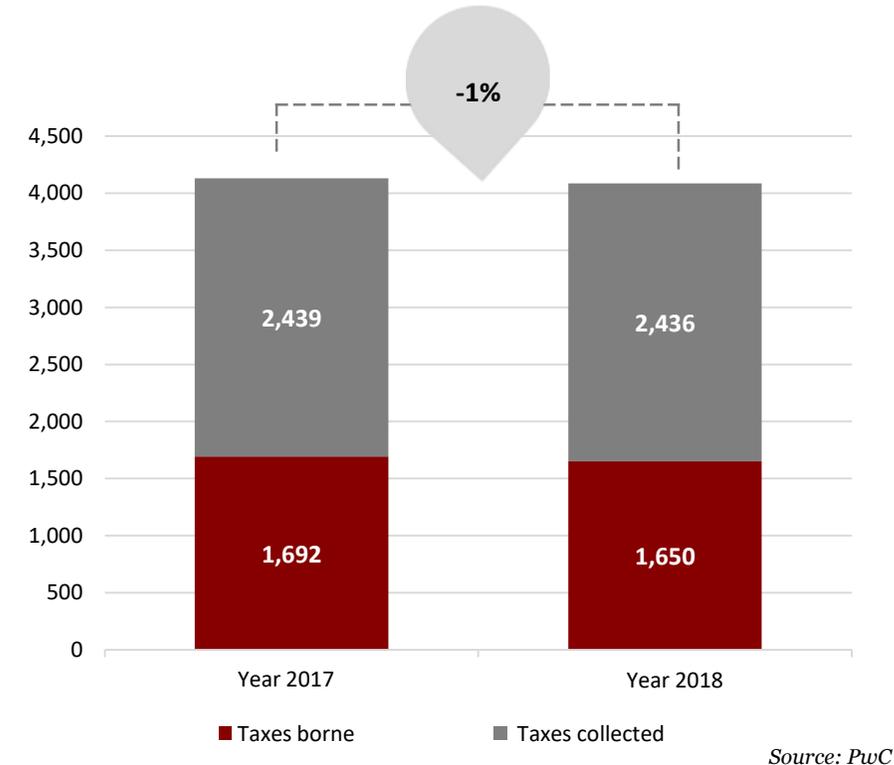
Of this, 40% corresponds to taxes borne which represent a cost for the group and the remaining 60% corresponds to taxes collected by the Group owing to the pursuit of its economic activity.

Total tax contribution trend in 2018

The 1% decrease in the 2018 tax contribution experienced by Endesa is mainly due to the downward trend in **taxes borne** in the 2017-2018 period, which decreased by **2%**, which, as explained in the following section, is mainly due to the suspension of the Tax on the Value of Electricity Production in the last quarter of 2018. Likewise, this decrease would be in line with the trend in the figure for income and profits.

Similarly, the **taxes collected** decreased by less than **1%** in the period, mainly as a result of the decrease in taxes associated with employment.

Evolution of Endesa's Total Tax Contribution



Note: For the purposes of analyzing the trend of the Total Tax Contribution in 2018 and 2017, the magnitudes relating to taxes borne and collected in all the territories in which Endesa operates are taken into account. In addition, the total tax contribution figures for 2017 have been restated only in relation to the concept of corporate income tax paid to the tax group, changing from an accrual to a cash basis for purposes of comparison with 2018.

3. TTC of Endesa in 2018

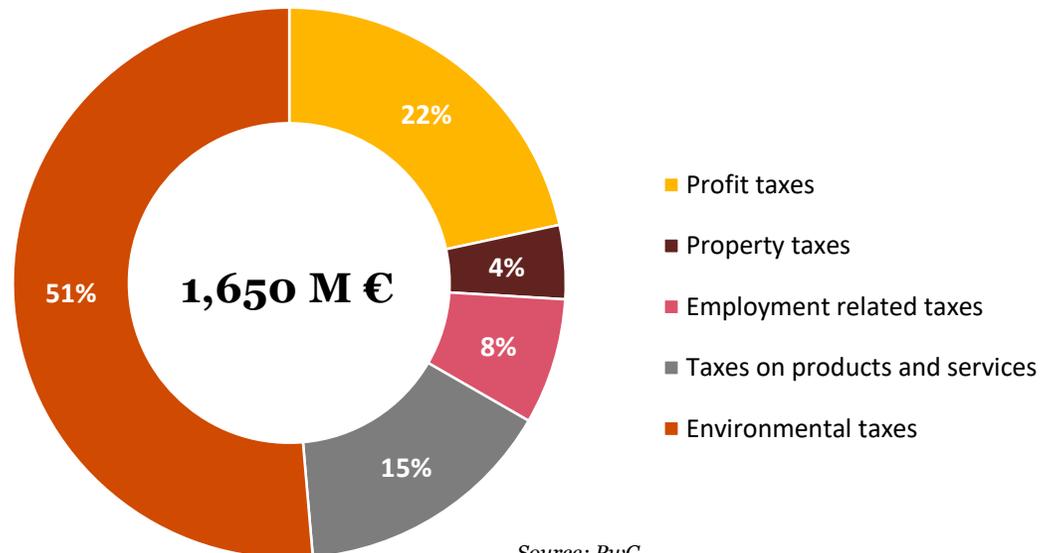
Analysis of the taxes borne in 2018

Profile of taxes borne

The **taxes borne** by Endesa in 2018 amounted to **1,650 million euros**.

Environmental taxes stand out among the taxes borne, amounting to **847 million euros**, representing **51% of total taxes borne**.

Types of taxes borne by Endesa in 2018



The main item of **environmental taxes** is composed of the taxes created by Law 15/2012 (Tax on the value of the production of electrical energy, nuclear tax and hydraulic canon) which have entailed a cost of **416 million euros** in 2018, as well as the Tax on Coal, Tax on Hydrocarbons, Fees for nuclear services and a multitude of environmental taxes created by the Autonomous Communities.



Profit taxes represented nearly **22%** of the total taxes borne by Endesa, amounting to **357 million euros**, including most notably the payments made to the tax group in the form of corporate income tax.



Next, representing approximately **15%** of the total taxes borne by Endesa, are the **taxes on products and services**, which basically correspond to taxes on the use of land, flight and subsoil (amounting to **194 million euros**) and other public domain fees such as those relating to the concession and regulation of dams (amounting to **56 million euros**).



The **employment related taxes represent 8%** of Endesa's tax contribution in respect of taxes paid during the year. This sum is made up of contributions to Social Security (or similar bodies) amounting to **122 million euros**.



Property taxes, which include mainly Property Tax (followed in relevance by fees for building permits and licenses, the Tax on the Increase in the Value of Urban Land and the Tax on Construction, Installations and Works), **represent 4%** of the total tax payments made by the Company in respect of input taxes and amount to **72 million euros**.

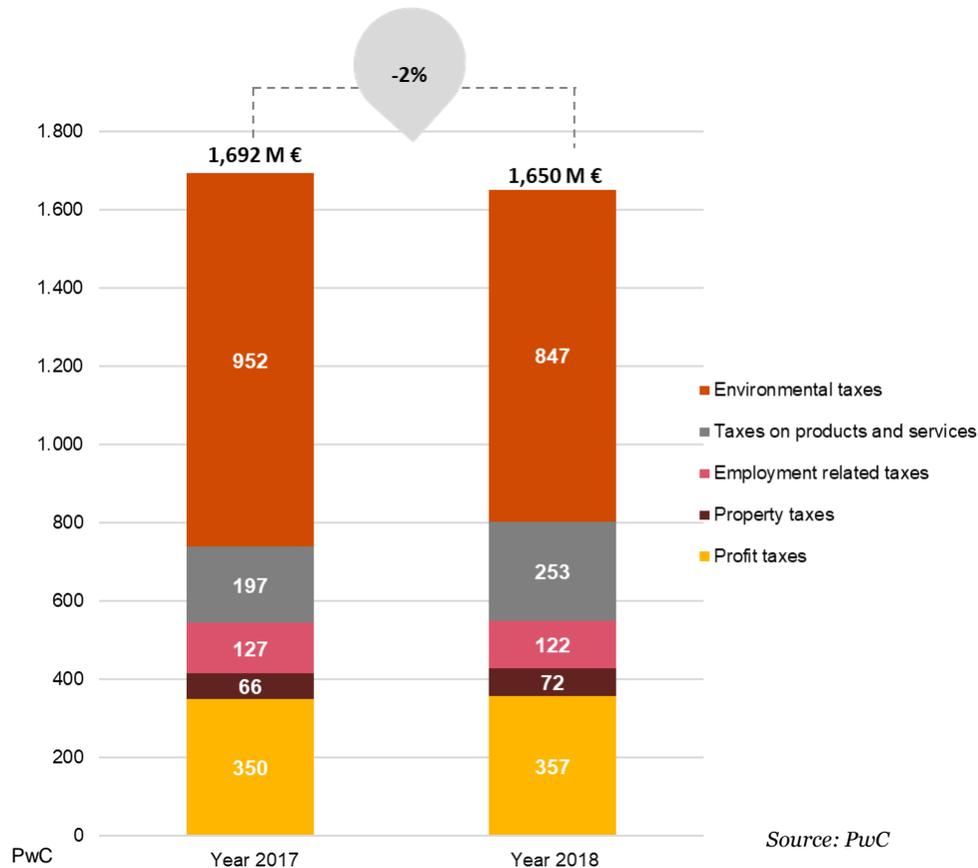
3. TTC of Endesa in 2018

Analysis of the taxes borne in 2018

Trend of taxes borne

Taxes borne show a downward trend during the last year, decreasing 2% in relation to last year.

Evolution of taxes borne by Endesa 2018



More specifically, the main factor that could explain this downward trend would be the decrease in environmental taxes borne, caused mainly by the following:

(i) The decrease in the payment of the **Tax on the Value of Electric Energy Production (IVPEE)** by 24%, from 354 million euros paid in 2017 to 269 million euros in 2018. The main reason for this fall is the suspension of the tax in the last quarter of fiscal year 2018 following the publication of Royal Decree-Law 15/2018 of 5 October.

(ii) A 16% reduction in the payment of the **Tax on hydrocarbons**, from 31 million euros paid in 2017 to 26 million euros in 2018, as a result of the exemption established by Law 6/2018 on the General State Budget for 2018.

On the other hand, it is also important to bear in mind that, for the purposes of this report, the corporate income tax figures paid to the tax group have been restated, changing from the accrual criterion (used in 2017 and previous years) to the cash criterion^[8].

In this sense, had the cash criterion been used in both years, the corporate income tax would increase by 17 million euros, since the payments in 2017 made by Endesa to Enel Iberia S.L. as the representative company of the tax group to which Endesa belongs, would amount to 311 million euros and in 2018 to 329 million euros. As indicated above, the amount of corporate income tax paid by Enel Iberia S.L. as representative of the tax group to the tax authorities in 2018 would amount to 117 million euros.

^[8] As explained in the methodology section, the change in criteria is motivated by the obligations introduced by Law 11/2018, which establishes that, with effect from 2018, it will be mandatory to include in the consolidated management report accompanying the consolidated annual accounts certain "tax information", including, among others, taxes on profits paid, for which the cash criterion has been chosen..

3. TTC of Endesa in 2018

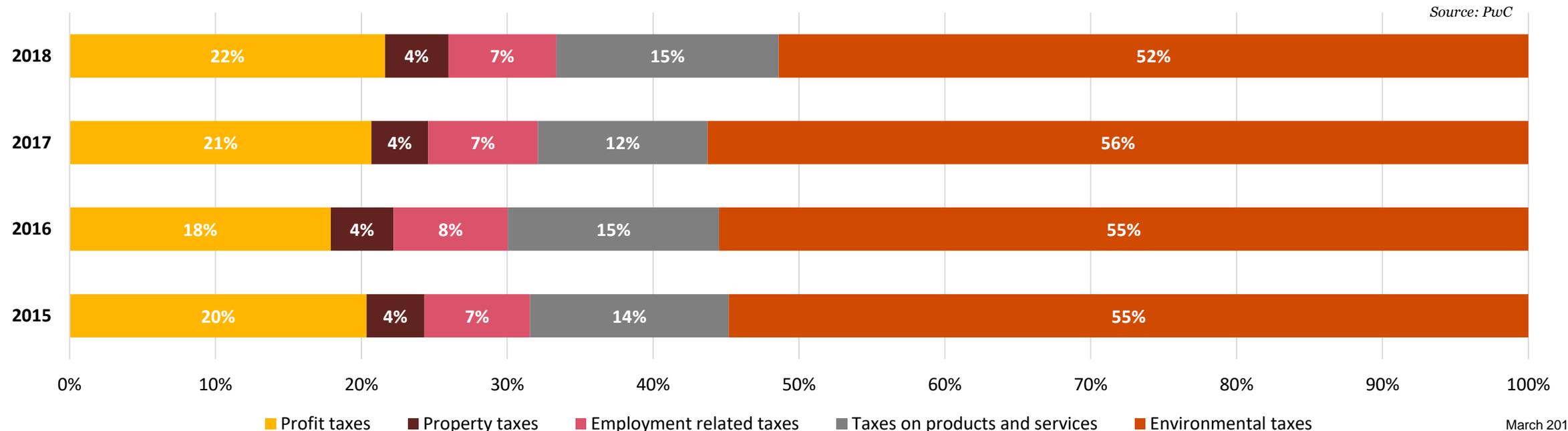
Analysis of the taxes borne in 2018

Trend of the taxes borne

Evolution of the profile of taxes borne by Endesa in 2015-2018

Regarding the evolution of the profile of taxes borne, it should be noted that **environmental taxes** continue to play a **main role**, representing more than half of the taxes borne, despite maintaining a progressive decrease with respect to previous years. The reduction in the relative weight of environmental taxes is mainly due to the reduction in the IVPEE payment and the increase in the relative weight of taxes on products and services and, specifically, the Tax on the occupation of undeveloped land and land and construction sites.

Property taxes also gain relevance in 2018, due to the presence of new parks with their associated taxation.



3. TTC of Endesa in 2018

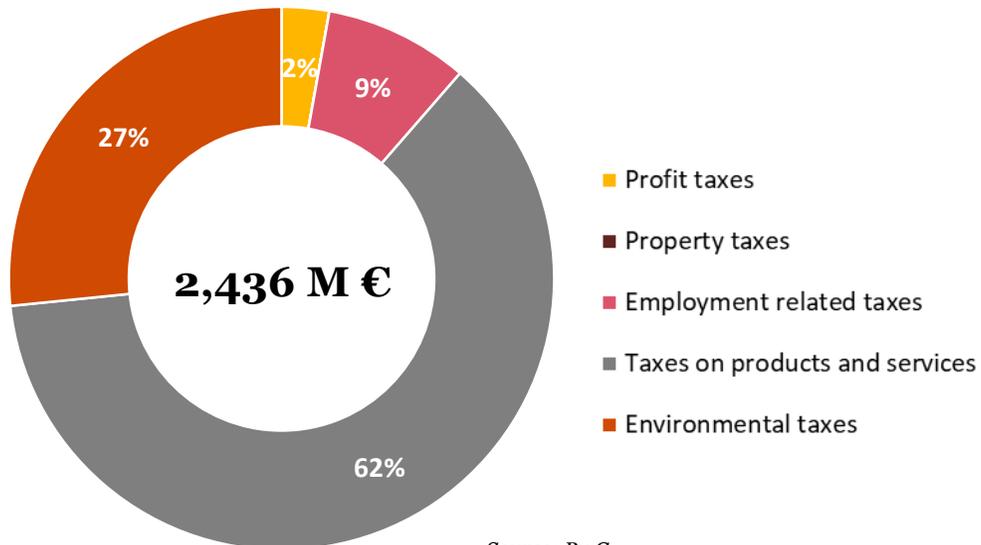
Analysis of the taxes collected in 2018

Profile of taxes collected

As it has been previously explained, the taxes borne by Endesa in 2018 amounted to **2,436 million euros**.

Among these, **taxes on products and services** stand out, which account for **62%** of the total taxes collected, amounting to **1,511 million euros**.

Type of taxes collected by Endesa in 2018



Source: PwC



The main item of taxes collected consists of **taxes on products and services**, which correspond fully to the VAT collected and paid by Endesa in the different geographical areas analyzed, which highlights its commercial activity, mainly in Spain and Portugal.



Also noteworthy are **environmental taxes**, which in 2018 accounted for nearly 27% of total taxes collected. Within this category, the most significant is the electricity tax paid by Endesa in all the jurisdictions in which it operates, which amounted to 531 million euros in 2018, as well as the tax on hydrocarbons (118 million euros in 2018).



On the other hand, it is important to point out that **employment related taxes** represent nearly **9%** of the total taxes collected and correspond mainly to withholdings made on work income paid to employees and payments to Social Security on behalf of employees.



Profit taxes represent **2%** of the total taxes collected, corresponding to withholdings made to non-resident entities without a permanent establishment in Spain, as well as to withholdings made on movable capital during 2018.



During 2018, no payments have been made in respect of **property taxes** collected.

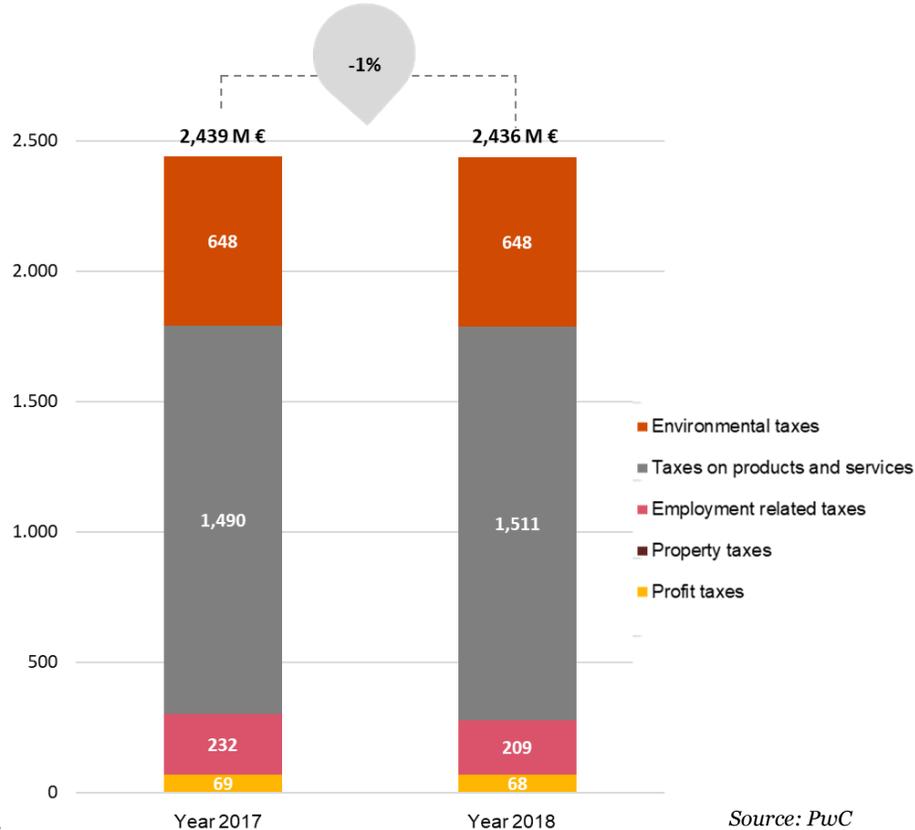
3. TTC of Endesa in 2018

Analysis of the taxes collected in 2018

Trend of taxes collected

The taxes collected maintain a constant trend with respect to 2017, presenting a variation of only 3 million euros in absolute terms, which does not reach a 1% decrease.

Evolution of the taxes collected by Endesa in 2018



Source: PwC

Although the **trend** in taxes collected has been constant, the slight decrease in their amount is mainly due to the decrease in the amount of **employment related taxes**, as a result of a 13% decrease in the amount of withholdings on income from work. This could be due to the decrease in the number of employees and its effect on wages and salaries of around 2%.



3. TTC of Endesa in 2018

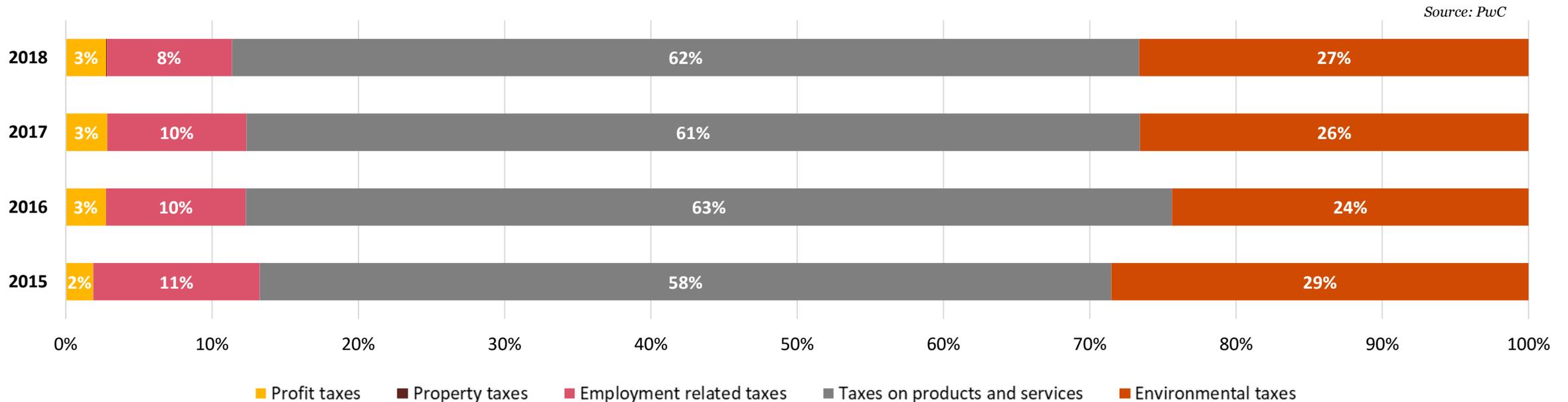
Analysis of the taxes collected in 2018

Trend of taxes collected

Evolution of the profile of taxes collected by Endesa in 2015-2018

Comparing the four years we can see the homogeneity of Endesa's contribution profile between 2015 and 2018. Along these lines, the weight of the environmental taxes collected remains at around 27% in 2018 with respect to previous years.

Revenue from taxes on products and services remains as the main item in taxes collected, representing around 60% in the years analyzed.



3. TTC of Endesa in 2018

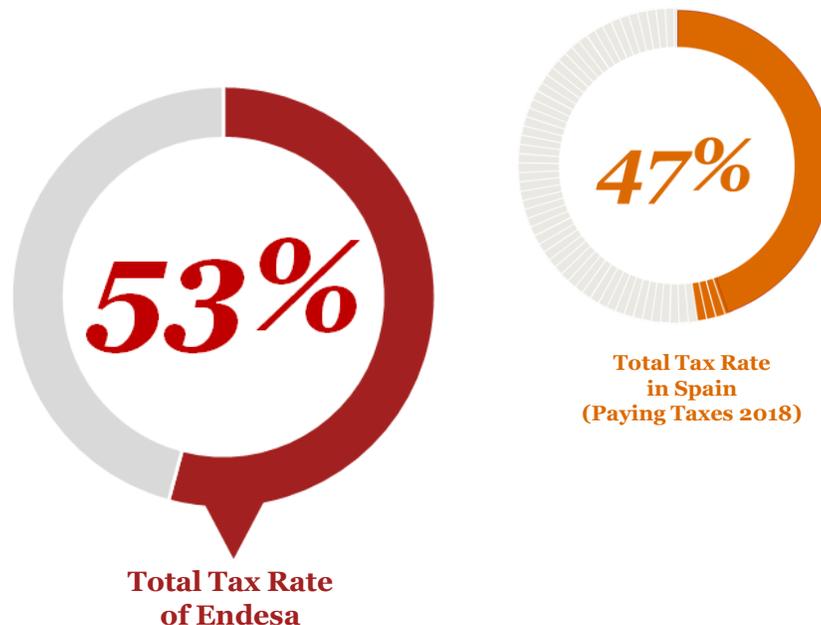
TTC Indicators

Total Tax Rate

The Total Tax Rate is an indicator of the cost of the taxes borne in relation to the profits obtained.

The total tax contribution rate is calculated as the percentage of taxes borne with respect to profit before such taxes, based on the consolidated figures for Endesa's activity at global level.

This rate is used in the annual *Paying Taxes* study conducted by the World Bank and PwC in order to measure the competitiveness of the tax systems of 190 countries, based on PwC's Total Tax Contribution methodology. According to the results of the *Paying Taxes 2018* report, the rate for Spain was 47%.



Source: PwC

In 2018, the taxes collected, those which represent a direct cost for Endesa, account for more than half of the profit before taxes collected, similarly to previous years

3. TTC of Endesa in 2018

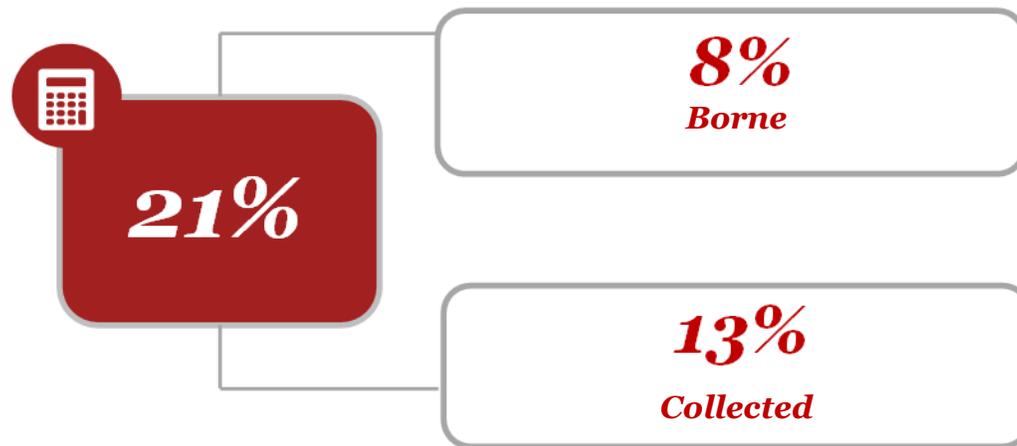
TTC Indicators

TTC with respect to turnover

TTC with respect to turnover is an indicator that reflects the extent of the contribution made by the Company in relation to the size of its business.

For Endesa, the average Total Tax Contribution rate in relation to net revenues averages at 21% for 2018. In other words, for every 100 euros of the Company's turnover, 21 euros are used to pay taxes, of which 8 euros are taxes borne and Euros 13 are taxes collected.

It is to be noted that this indicator has remained stable in relation to that calculated for the period 2015 to 2017, which is consistent with the trend in TTC.



Source: PwC

Endesa pays 21 euros in taxes for every 100 of net revenues, of which 8 euros represent a direct cost for the group

3. TTC of Endesa in 2018

TTC Indicators

Tax value distributed to society

According to the TTC methodology, the distributed value of a company is made up of the sum of the following elements:

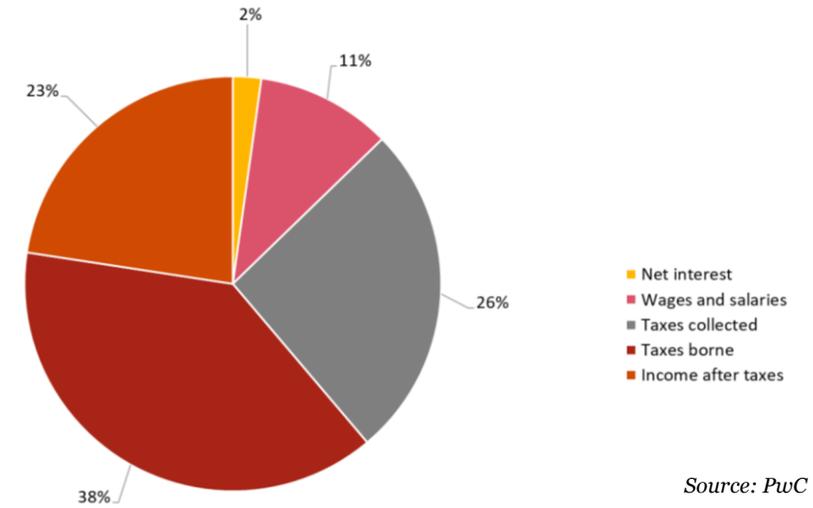
- Net interest
- Wages and salaries (net of taxes collected on payments to employees)
- Taxes (borne and collected)
- Shareholder value (i.e. dividends, reserves, etc.)

The **distributed tax value ratio** indicates the percentage of the total value generated by Endesa that is used to pay taxes borne and collected to Public Administrations.

In essence, the distributed tax value reflects the way in which Endesa brings to society the economic value it generates.

Item	Amount (€)	%
Net interest	139.000.000	2%
Wages and salaries	664.000.000	11%
Taxes collected	1.650.392.980	26%
Taxes borne	2.436.454.331	38%
Income after taxes	1.426.000.000	23%
Total	6.315.847.311	100%

Source: PwC



Source: PwC

In 2018, the distributed value amounted to **6,316 million euros**, of which **4,086 million euros** were paid to different public administrations in the form of taxes borne and collected.

As the chart shows, **64%** of the value generated by Endesa benefits society through the payment of taxes borne and collected in the different territories in which it operates.

In 2018, 64% of the value generated by Endesa was used to pay taxes borne and collected

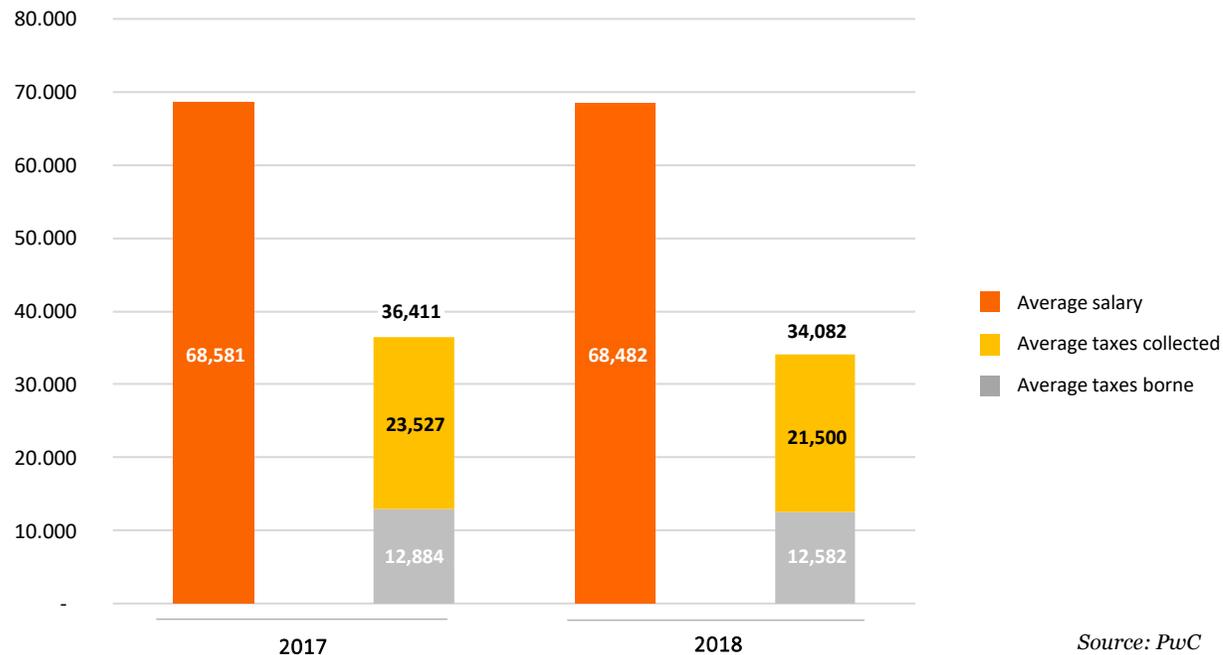
3. TTC of Endesa in 2018

TTC Indicators

Taxes paid in respect of wages and salaries per employee

Taxes paid in respect of **wages and salaries per employee** are an indicator that relates the level of employment to associated taxes. This indicator is calculated by dividing total taxes linked to employment (borne and collected) by the number of employees.

Trend in average salary and average taxes linked to employment in Endesa



Source: PwC

In 2018, Endesa earned **34,082 euros** per employee in employment related taxes. Of this figure for employment taxes, 21,500 euros correspond to taxes collected on account of the employee and 12,582 euros to taxes borne by Endesa.

In relation to the average salary paid by Endesa in the countries in which it operates, which amounted to 68,482 euros, the **employment related taxes** borne and collected by Endesa in 2018 represented **50% of the Group's average salary**, slightly reducing the trend obtained in 2017, where it represented 53%.

The average employment related taxes remain sustained during the period, in line with the magnitudes of wages and salaries, and with the number of employees



4. Comparative indicators

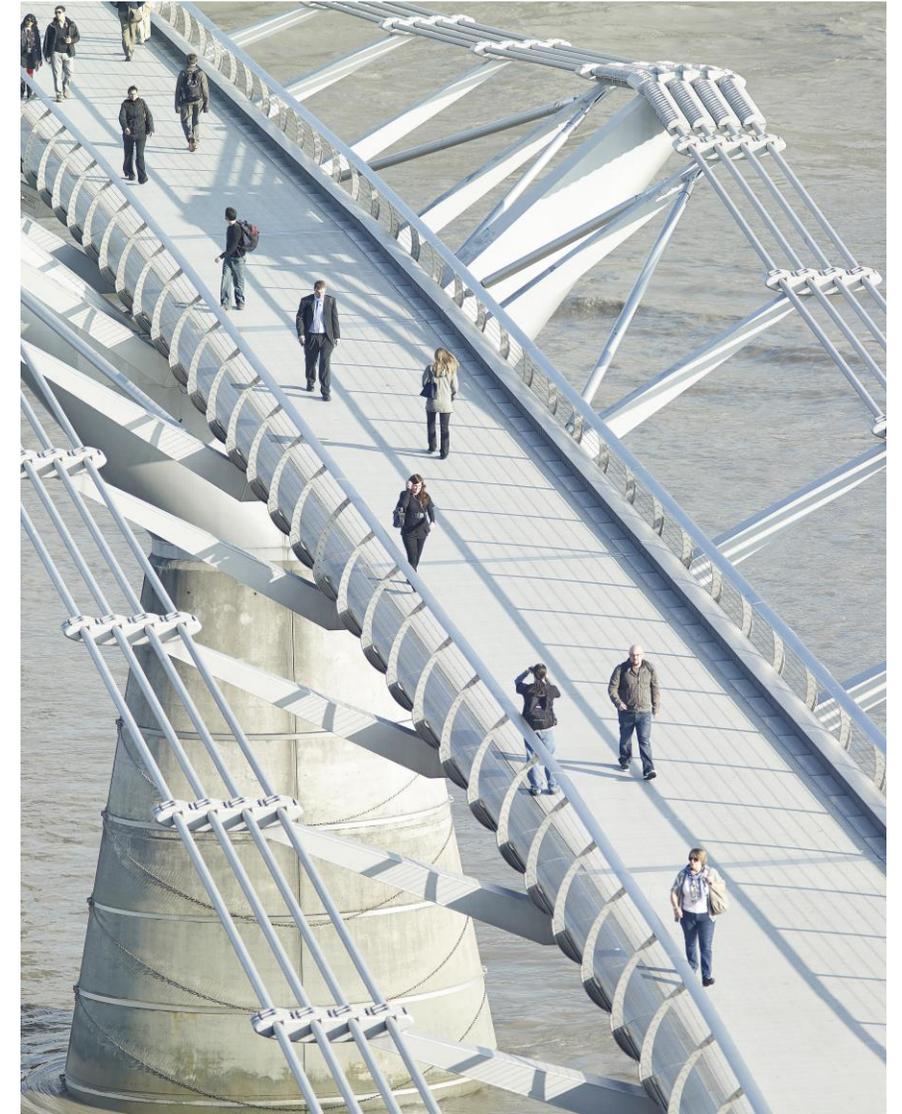
4. Comparative indicators

Corporate Income Tax Effective rate

The benchmarks considered in the following pages for the purposes of comparison are: (i) the Corporate Income Tax effective rate of the companies that make up the IBEX 35^[9]; and (ii) a group of multinational companies which operate in different jurisdictions in the years 2015, 2016 and 2017.

On the one hand, we will analyze the effective tax rate ("ETR") and the factors affecting the difference between this rate and the nominal rate.

Our methodology is based on the publicly available information; tax expense data is information which is published by companies in their consolidated annual accounts and this enables us to perform comparative analyses such as that contained in this section.^[10]



^[9] Index composition as of December 31st 2017

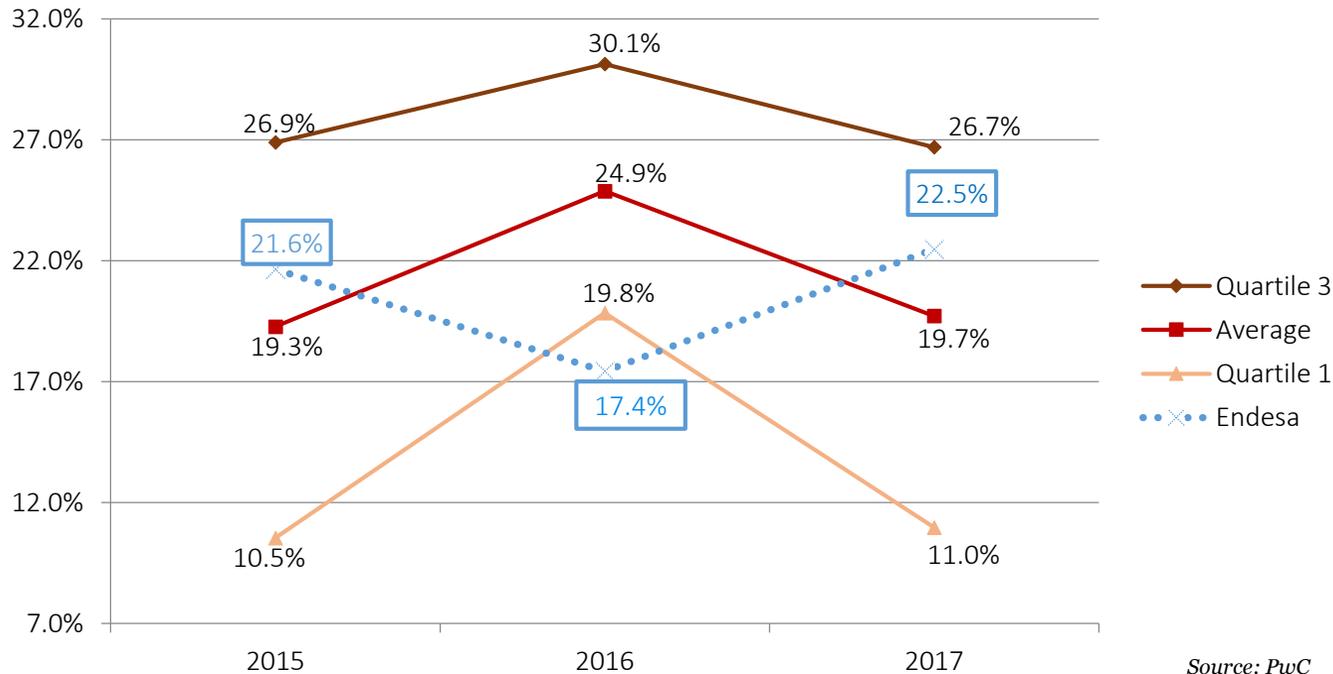
^[10] See Annex V: Methodology

4. Comparative indicators

Comparison of the ETR of Endesa with that of the IBEX 35 companies

In relation to the effective tax rate (ETR), calculated as the ratio of **Corporate Income Tax expense to income before taxes**, the attached chart compares the effective tax rate of Endesa with the average effective tax rate of the IBEX 35 companies, taking into account all 35 companies making up this index, irrespective of whether they are in a loss-making or profit-making situation.

Comparison of the ETR of Endesa with that of the IBEX 35 companies



Source: PwC

The above chart shows that the **average effective tax rate of the IBEX 35 companies for 2017 is 19,7%**, almost **3% below Endesa's ETR**, which is **22,5%**.

In any case, Endesa's average ETR for the 2015-2017 period was 21%, in line with the IBEX 35 average rate for the period, which was 21%.

The average Effective Tax Rate of Endesa in 2017 was 22,5%, above the average ETR of the IBEX 35 companies in the same period

4. Comparative indicators

Reconciliation between the nominal rate and the effective tax rate of Endesa compared with those of the IBEX 35 companies

In relation to the difference between the nominal rate in 2016 (25%) and the effective tax rate (22,5%), indicated here are the factors affecting the ETR of both the IBEX 35 companies and of Endesa.

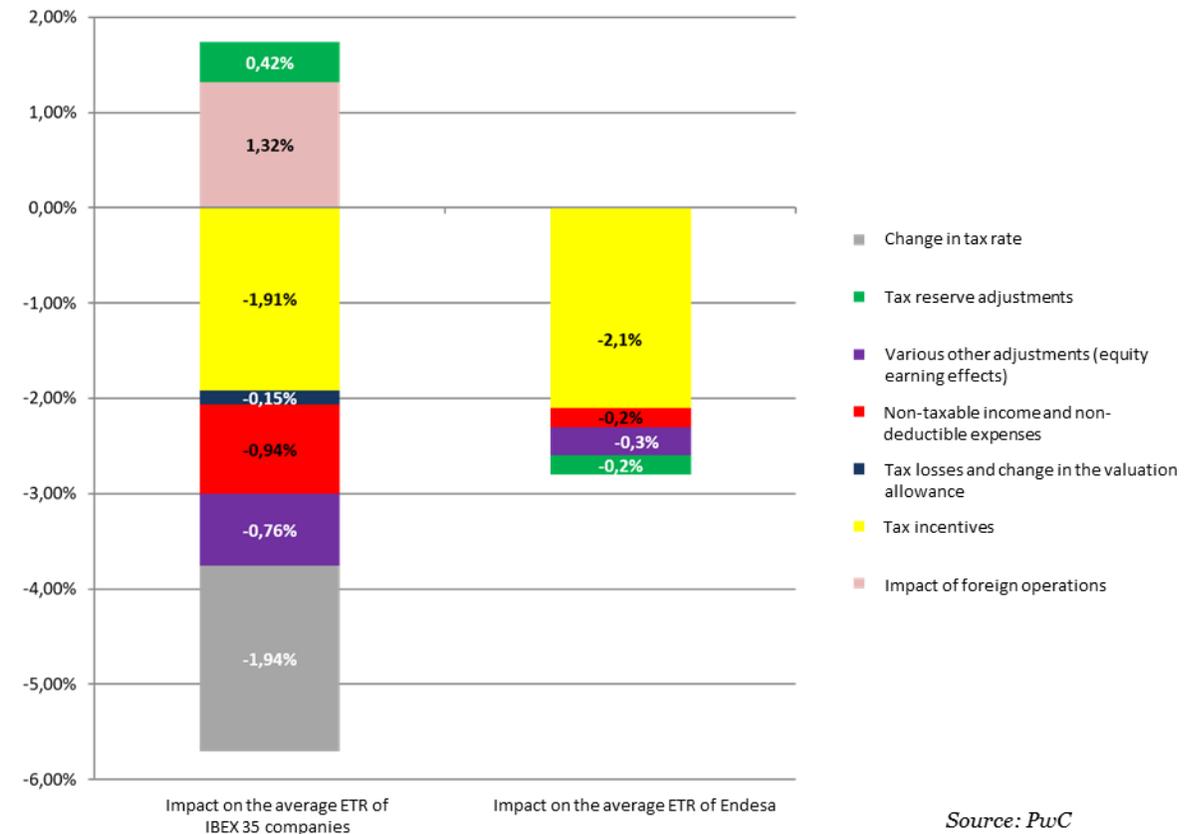
The following chart shows the factors that are favorable to a reduction of the nominal rate (those with a negative impact are situated below 0%), and those that have an unfavorable impact (positive impact, above 0%).

These factors are grouped into seven general categories, based on the descriptions provided by the companies in the reconciliation between book result and tax expense contained in the consolidated annual accounts

The element that most influences Endesa's nominal rate are the tax incentives, relating mainly to the Reserve for Investments in the Canary Islands and other deductions and bonuses generated in the year.

Along these lines, tax incentives are also one of the main causes of the decrease in the ETR of the average number of IBEX 35 companies.

Factors affecting the nominal tax rate



Source: PwC

4. Comparative indicators

Comparison of the ETR of Endesa with that of the 50 companies in the gas, electricity and water sector with the highest stock market capitalisation

For the purposes of this comparative study, we have taken into account the following:

(i) The 50 companies in the electricity, water and gas sector with the highest stock market capitalisation.

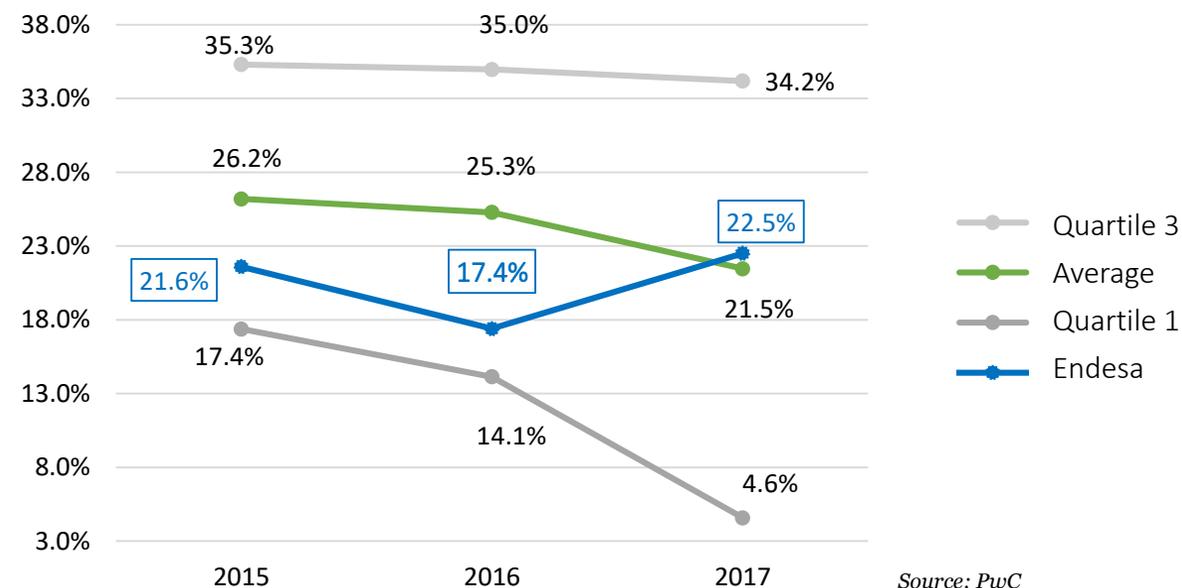
(ii) We have used the publicly available information in the DataStream data base, updated as at 6 February 2017.

(iii) We have analysed the financial data of these companies for the years 2015, 2016 and 2017.

These data have been duly compared with Endesa's information, which was provided to us during the preparation of this report.

The chart shows that **Endesa is on average in 2017**, having been below the average in previous comparative years, although it must be borne in mind that comparable companies could operate in territories with a nominal rate higher than the Spanish rate (25% in 2017).

Comparison of the ETR of Endesa with that of the 50 companies in the gas, electricity and water sector with the highest stock market capitalisation



4. Comparative indicators

Endesa's tax contribution in economic and social terms

... **3,4 times** public expenditure on water management and infrastructure



Source: General Budget of the State

... **2,7 times** the budget for scholarships and student grants



Source: General Budget of the State

... **11,1 million euros** paid a day in taxes borne and collected in 2018



Source: PwC

... **8%** of the EU budget for growth and employment



Source: EU Budget for 2017

... **2%** of the gross revenue of the Spanish Tax Administration in 2017



Source: General Budget of the State

A photograph of a modern building with a glass facade. The building has multiple floors with glass railings. The glass reflects the surrounding environment, including other buildings and the sky. A red semi-transparent overlay is positioned on the left side of the image, containing white text. The text is in a serif font and is centered within the red area. The overall scene is brightly lit, suggesting daytime.

***5. Other payments
made to Public
Administrations***

5. Other payments made to Public Administrations

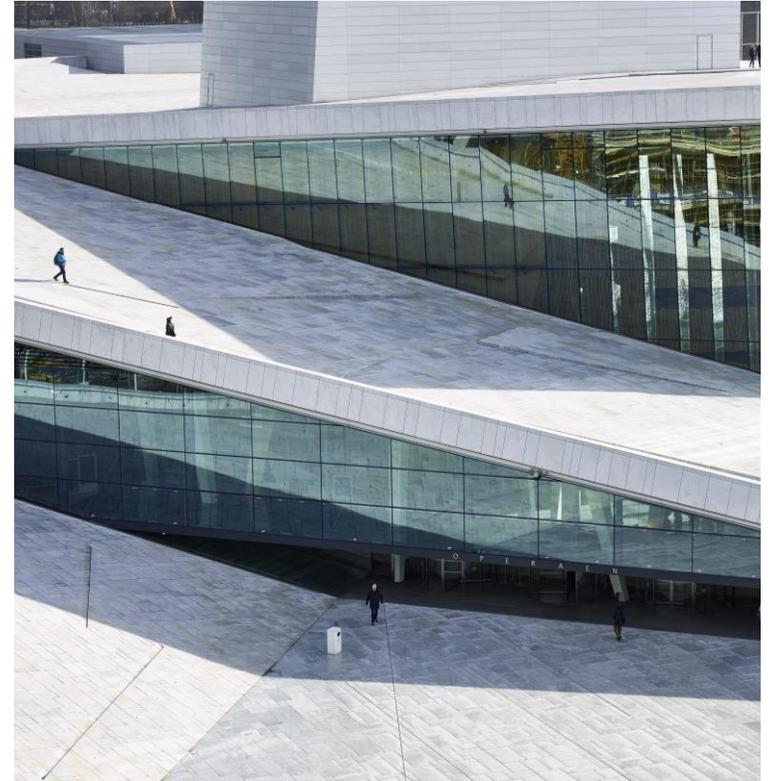
In addition to its Total Tax Contribution, it should be noted that Endesa makes other contributions to Public Administrations in the jurisdictions in which it operates. These include, among others, **regulatory payments to the national energy efficiency fund and contributions towards the funding of the rates subsidy.**

During 2018, payments made by Endesa to different Public Administrations have amounted to **119 million euros**, showing a 7% growth in relation to year 2017, in line with the increasing trend this payments shows. A breakdown is provided here:

(i) Energy efficiency: as a result of its status as a gas and electricity trading company, Endesa is an obligated subject of the energy efficiency obligations system, which has to make an annual financial contribution to the national energy efficiency fund by virtue of the provisions of Royal Decree-Law 8/2014 of 4 July. During 2018, payments for this concept amounted to **29 million euros.**

(ii) Rates subsidy: in 2018, Endesa paid **85 million euros** as a contribution to the financing of the rates subsidy, a mechanism regulated by Law 24/2013, of 26 December, imposing a funding obligation on certain companies within the electricity system. Of the above amount, more than **11 million euros** are paid as a social bond to the Portuguese Public Administration.

(iii) Others: Endesa pays the French administration contributions intended to finance pensions in the electricity and gas sector (*Contribution Tarifaire d'Acheminement*), paid directly to a government association, amounting to **5 million euros.**



Endesa has contributed to the Administrations under which it operates through regulatory payments amounting to 119 million euros in 2018

A man in a dark suit and glasses stands in a modern, brightly lit transit station. He is looking down at a device in his hands. A black briefcase sits on the floor next to him. The station has a high ceiling with a complex metal and glass structure. A red semi-transparent overlay covers the left side of the image, containing the text '6. Appendices'.

6. Appendices

6. Appendices

Appendix I: 2018 global summary

Total payments made to public authorities Summary Grupo Endesa 2018				
Country	Spain	Portugal	Other (1)	TOTAL
Taxes borne	1,660	0.0	-10	1,650
Taxes collected	2,112	123	201	2,436
Total Tax Contribution	3,772	123	1941	4,086
Porcentaje CTT sobre el total	92%	3%	5%	100.00%
Other regulatory payments	Spain	Portugal	Other (1)	TOTAL
Rates subsidy	73	11	5	90
Energy efficiency	29	0	0	29
Total other payments to public authorities	102	11	5	119
TOTAL PAYMENTS MADE TO PUBLIC AUTHORITIES	3,874	134	197	4,205

(1) "Other" relates to ENDESA'S presence in Netherlands, Morocco, Germany and France.

6. Appendices

Appendix II: Endesa TTC Report 2017

Total Tax Contribution			
Group Endesa 2017 Report			
Economic data	M €		TTC Indicators
Revenues	20,057	¹	TTC ratio
Wages and salaries	676	²	TTC in relation to revenues
Average number of employees	9,857	^{2'}	Taxes borne in relation to revenues
Income before tax	1,900	^{2''}	Taxes collected in relation to revenues
Income before tax borne	3,241	³	Tax value distributed to society
Total taxes borne	1,692	⁴	Wages and salaries per employee
Total taxes collected	2,439	⁵	Taxes paid per employee
Total Tax Contribution	4,131		
Taxes borne	M €		Taxes collected
			M €
Profit taxes	350		Profit taxes
Imp. sobre Sociedades (impuestos satisfechos al grupo fiscal)	311		Withholdings on payments to non-residents (without PE)
Impuesto sobre Sociedades (Otros)	9		Revenues from investment capital
Imp. sobre Actividades Económicas	29		Withholdings on payments to non-residents
Otros	2		
Property Taxes	66		Property Taxes
Tax on real property	65		Revenues from property investments
Other taxes	1		
Employment Taxes	127		Employment Taxes
Employer's social security contribution	127		Withholdings on earned income
			Employee social security contributions
Taxes on products and services	197		Taxes on products and services
Non-deductible VAT/IGIC	-		VAT (Net position)
Tax on the utilization of airspace, soil and subsoil	162		
Other public domain charges	35		
Environmental Taxes	952		Environmental taxes
Taxes on electricity	-		Taxes on electricity
Tax on hydrocarbons	31		Tax on hydrocarbons
Tax on value of electricity generation	354		Tax on coal
Tax on nuclear fuels	135		
Hydraulic charge tax	29		
Tax on coal	165		
Other environmental taxes (regional)	44		
Tax on nuclear services	182		
Other taxes	12		
TOTAL	1,692		TOTAL
			2,439
Total Tax Contribution			4,131

¹ Total taxes borne / Income before taxes borne

² Total Tax Contribution / Revenue

^{2'} Taxes borne / Revenue

^{2''} Taxes collected / Revenue

³ Tax borne and collected / Total value distributed (regarded as the sum of: income after tax or shareholder value, wages and salaries, net interest, taxes borne and taxes collected)

⁴ Wages and salaries / Number of employees

⁵ Total taxes linked to employment (borne and collected) / Average number of employees

Note: 2017 figures restated in order to homogenize the figures for 2017 with the figures for 2018 and allow comparability.

6. Appendices

Appendix III: List of taxes considered

Tipo de Impuestos		Impuestos estatales	Impuestos autonómicos	Impuestos municipales	Impuestos soportados	Impuestos recaudados	Alcance
"Profit"							
1	Impuesto sobre Sociedades	✓			✓		✓
2	Retenciones sobre rentas obtenidas por no residentes	✓				✓	✓
3	Retenciones sobre rentas del capital mobiliario	✓				✓	✓
4	Impuesto sobre Actividades Económicas			✓	✓		✓
"Property"							
5	Impuesto sobre Bienes Inmuebles			✓	✓		✓
6	Impuesto sobre el incremento de valor de los terrenos de naturaleza urbana			✓	✓		✓
7	Impuesto sobre Construcciones, Instalaciones, y Obras			✓	✓		✓
8	Retenciones sobre rentas procedentes del arrendamiento de inmuebles urbanos	✓				✓	✓
9	Retención sobre las rentas procedentes de la enajenación, por parte de personas no residentes en España, de inmuebles situados en territorio español	✓				✓	✓
"People"							
10	Retenciones derivadas de los rendimientos del trabajo	✓				✓	✓
11	Retenciones sobre rentas procedentes de actividades económicas y profesionales	✓				✓	✓
12	Retenciones sobre rentas del capital mobiliario	✓				✓	✓
13	Retenciones sobre ganancias patrimoniales	✓				✓	✓
14	Seguridad Social a cargo de la Empresa	✓			✓		✓
15	Seguridad Social pagada en nombre de los trabajadores	✓				✓	✓
"Products and services"							
16	Impuesto sobre el Valor Añadido	✓				✓	✓
17	Impuesto General Indirecto Canario	✓				✓	✓
18	Impuesto sobre la Producción, los Servicios y la Importación (IPSI)			✓	✓		✓
19	Arancel aduanero	✓			✓		✓
20	Impuesto sobre transmisiones patrimoniales onerosas y actos jurídicos documentados		✓		✓		✓
21	Operaciones societarias		✓		✓		✓
22	Actos jurídicos documentados		✓		✓		✓
23	Impuesto sobre Vehículos de Tracción Mecánica			✓	✓		✓
24	Impuesto Especial sobre Determinados Medios de Transporte		✓		✓		✓
25	Impuestos especiales de fabricación	✓			✓		✓

6. Appendices

Tipo de Impuestos		Impuestos estatales	Impuestos autonómicos	Impuestos municipales	Impuestos soportados	Impuestos recaudados	Alcance
26	Impuesto especial sobre la Cerveza	✓			✓		
27	Impuesto especial sobre el Vino y Bebidas Fermentadas	✓			✓		
28	Impuesto especial sobre Productos Intermedios	✓			✓		
29	Impuesto especial sobre el Alcohol y Bebidas Derivadas	✓			✓		
30	Impuesto especial sobre Hidrocarburos	✓			✓		✓
31	Impuesto espeical sobre las Labores del Tabaco	✓			✓		
32	Impuesto especial sobre la Electricidad	✓			✓		✓
33	Impuesto sobre primas de seguro	✓			✓		
34	Impuesto sobre actividades del juego	✓			✓		
35	Impuesto sobre Gastos Suntuarios. Cotos de caza y pesca			✓	✓		
36	Tasa por utilización privativa o aprovechamiento especial del dominio público local			✓	✓		✓
37	Tasa de telecomunicaciones	✓			✓		
38	Tasa por reserva del espacio público radioeléctrico	✓			✓		
39	Tasa por prestación de servicios urbanísticos			✓	✓		
40	Tasa de vados			✓	✓		
41	Tasas aeroportuarias	✓			✓		
42	Tasa por numeración telefónica						
43	Impuesto sobre Aprovechamientos Cinegéticos		✓		✓		
"Planet"							
44	Impuesto sobre el desarrollo de determinadas actividades que inciden en el medioambiente		✓		✓		✓
45	Impuesto sobre depósito de Residuos		✓		✓		
46	Tasa por prestación del servicio de gestión de Residuos Urbanos			✓	✓		
47	Canon de saneamiento		✓		✓		
48	Canon de mejora			✓	✓		
49	Impuesto sobre emisión de gases a la atmósfera		✓		✓		✓
50	Impuesto sobre vertidos a las aguas litorales		✓		✓		✓
51	Impuesto sobre depósito de residuos radiactivos		✓		✓		
52	Impuesto sobre depósito de residuos peligrosos		✓		✓		
53	Impuesto sobre Instalaciones que incidan en el Medio Ambiente		✓		✓		✓
54	Tasa de zanjas, calas y calicatas			✓	✓		
55	Gravamen de protección civil		✓		✓		✓
56	Impuesto sobre el impacto visual producido por los elementos de suministro de energía eléctrica y elementos fijos de redes de comunicaciones telefónicas o telemáticas		✓		✓		✓
57	Impuesto sobre el impacto medioambiental causado por determinadas actividades		✓		✓		✓
58	Impuesto sobre la afección medioambiental causada por determinados aprovechamientos del agua embalsada, por los parques eólicos y por las instalaciones de transporte de energía eléctrica de alta tensión		✓		✓		✓
59	Otras tasas no especificadas anteriormente			✓	✓		✓
60	Otros pagos y contribuciones con las Administraciones Públicas			✓	✓		✓

6. Appendices

Appendix IV: List of the 50 gas, electricity and water companies with the highest stock market capitalisation

	NAME	COUNTRY
1	ENGIE (GDF SUEZ)	FRANCE
2	EDF	FRANCE
3	ENEL	ITALY
4	NATIONAL GRID	UNITED KINGDOM
5	DUKE ENERGY	UNITED STATES
6	IBERDROLA	SPAIN
7	NEXTERA ENERGY	UNITED STATES
8	ENDESA	SPAIN
9	DOMINION RESOURCES	UNITED STATES
10	E ON	GERMANY
11	SOUTHERN	UNITED STATES
12	EXELON	UNITED STATES
13	AMER.ELEC.PWR.	UNITED STATES
14	SSE	UNITED KINGDOM
15	SEMPRA EN.	UNITED STATES
16	RWE	GERMANY
17	KOREA ELECTRIC POWER	KOREA (SOUTH)
18	FORTUM	FINLAND
19	PG&E	UNITED STATES
20	PPL	UNITED STATES
21	CLP HOLDINGS	HONG KONG
22	PUB.SER.ENTER.GP.	UNITED STATES
23	EDISON INTL.	UNITED STATES
24	POWER ASSETS HOLDINGS	HONG KONG

25	CONSOLIDATED EDISON	UNITED STATES
26	CHEUNG KONG INFR.HDG.	HONG KONG
27	XCEL ENERGY	UNITED STATES
28	EDP ENERGIAS DE PORTUGAL	PORTUGAL
29	ORIGIN ENERGY (EX BORAL)	AUSTRALIA
30	EVERSOURCE ENERGY (NORTHEA	UNITED STATES
31	FIRSTENERGY	UNITED STATES
32	ENEL GREEN POWER	ITALY
33	ENTERGY	UNITED STATES
34	DTE ENERGY	UNITED STATES
35	CHINA RES.POWER HDG.	HONG KONG
36	NRG ENERGY	UNITED STATES
37	RED ELECTRICA CORPN.	SPAIN
38	TERNA RETE ELETTRICA NAZ	ITALY
39	AES	UNITED STATES
40	WISCONSIN ENERGY	UNITED STATES
41	CENTERPOINT EN.	UNITED STATES
42	ENBW ENGE.BADEN-WURTG.	GERMANY
43	CALPINE	UNITED STATES
44	AMEREN	UNITED STATES
45	CHUBU ELEC.POWER	JAPAN
46	KANSAI ELECTRIC PWR.	JAPAN
47	CMS ENERGY	UNITED STATES
48	AGL ENERGY	AUSTRALIA
49	SCANA	UNITED STATES
50	PEPCO HOLDINGS	UNITED STATES

Appendix V: Methodology used in the comparative analysis of effective Corporate Income Tax rates

The analysis was carried out on the basis of publicly available information from the sample of the 35 IBEX 35 companies as well as the 50 companies in the gas, electricity and water sector with the largest market capitalization, without any direct contact with any of them.

For these purposes, the effective corporate income tax rate (ETR) has been calculated as the quotient between corporate income tax expense and pre-tax profit, both figures taken from the consolidated income statement for the year.

In this respect, the average of the last three financial years (2015, 2016 and 2017) as well as the upper and lower quartiles have been used to illustrate the results:

- **Narrow arithmetic average**

Our conclusions regarding the individual analysis of companies are based on a statistical analysis of the RTE. In this type of analysis, there are usually elements that distort the mean, such as non-recurring operations or exceptional elements, which must be eliminated in order to draw reasonable conclusions about the sample studied.

- **Quartiles**

The upper quartile (75%) and the lower quartile (25%) of the sample of companies are also calculated, indicating the results obtained. In this way, it is easy to identify the average range of results in which the majority of companies find themselves.

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