

# Total Tax Contribution 2019

endesa

March 2020



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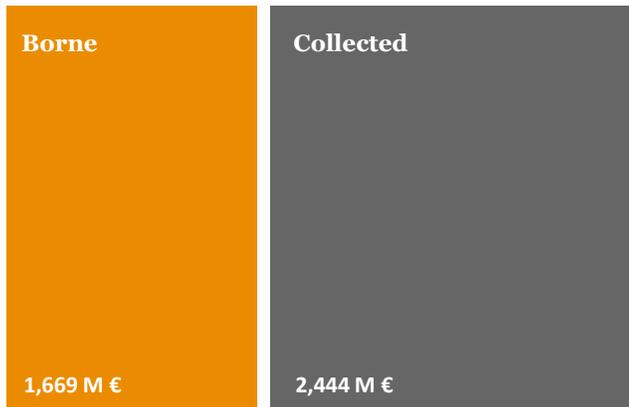
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# Executive summary

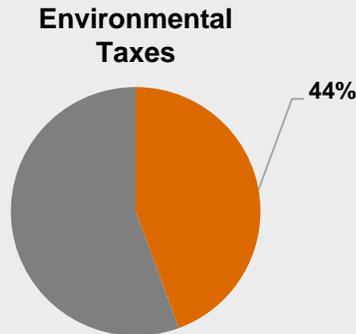
# 1. Executive summary

Endesa's total tax contribution in 2019 amounted to **4,113 million euros**, with **41%** of these corresponding to taxes borne and **59%** to taxes collected.

## Total Tax Contribution 2019 4,113 M €



Source: PwC

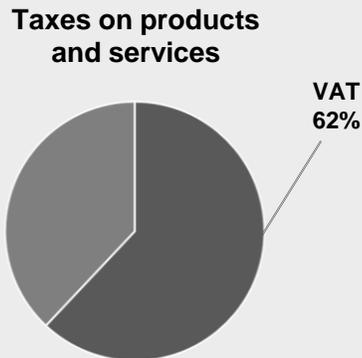


Source: PwC

## Taxes borne 2019

Taxes borne by Endesa in year 2019, amounted to **1,669 million euros**, among which the **environmental** taxes are the most important ones, accounting to **44%**.

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



Source: PwC

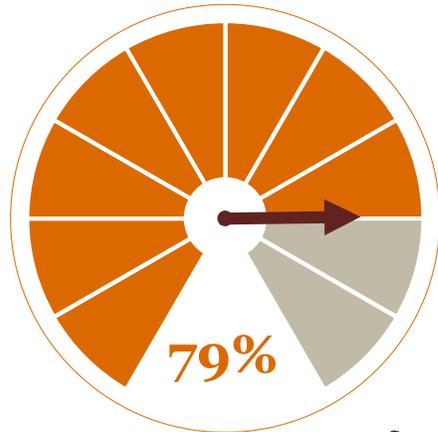
## Taxes collected 2019

Taxes collected by Endesa in 2019 amounted to **2,444 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 2019

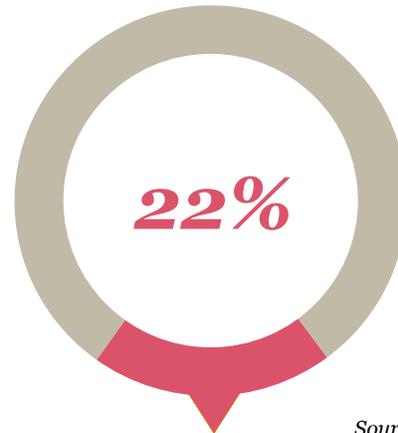


Source: PwC

**79% 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 2019, **79 euros were destined to the payment of taxes.**

## Tax contribution of Endesa with respect to turnover in 2019

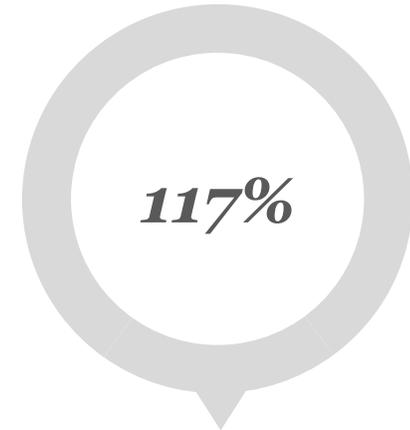


Source: PwC

**For every 100 euros of net revenues** obtained by the Company, **22 euros are destined to paying taxes.**

Of this amount, **9 euros** correspond to taxes borne and **13 euros** to taxes collected.

## Total Tax Contribution Rate in 2019



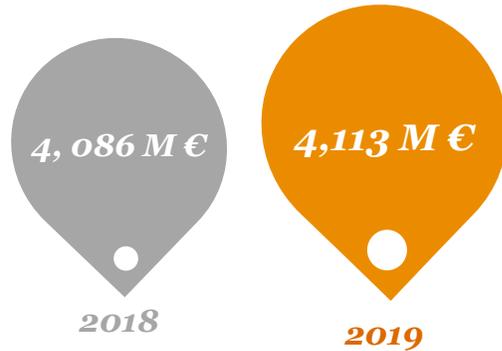
Source: PwC

### TTC Ratio for Endesa in 2019

During 2019, the Total Tax Contribution of Endesa is **over a 100%** of the total income before taxes borne, due to the impact of the **recognition of an impairment** that reduces the profit before taxes, but does not lead to a lower Corporate Income Tax payment.

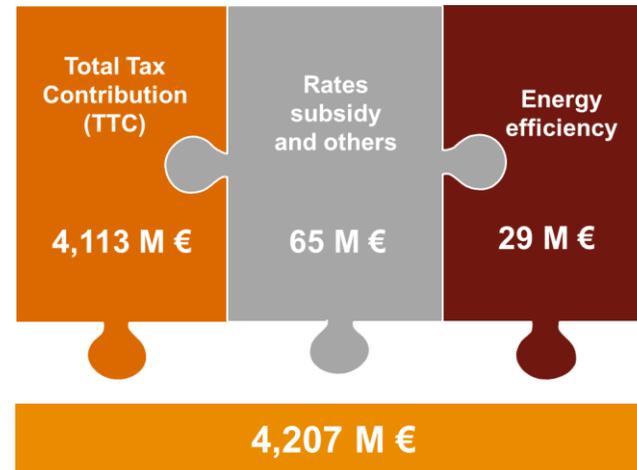
# 1. Executive summary

## TTC trend for 2018-2019



Source: PwC

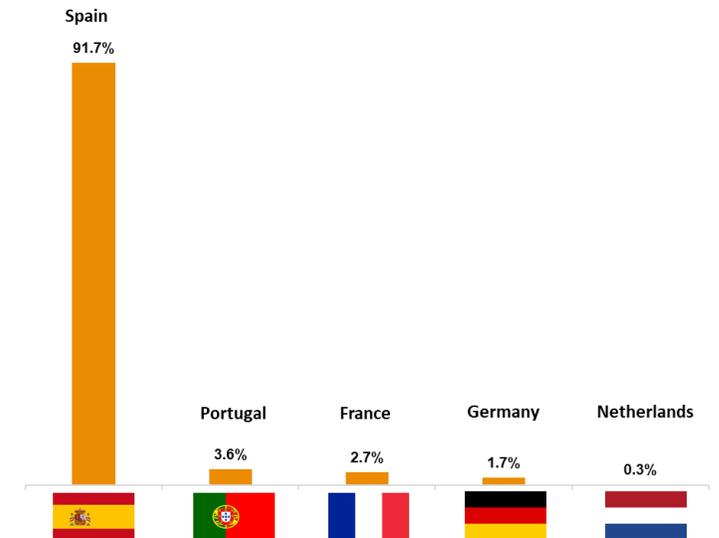
## Total amount of payments made to Public Administrations



Source: PwC

**Payments made by Endesa to Public Administrations in 2019**, including payments in respect of the rates subsidy and energy efficiency charges and other regulatory payments, amounted to a total of **4,207 million euros**.

## Geographic distribution of the tax contribution in 2019



Source: PwC

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



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# Background and purpose of this report

## 2. Background and purpose of this report

### 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 2019, taking into account all the territories in which the Group is present, i.e.: Spain, Portugal, the Netherlands, France and Germany.

The data for 2019, and the analyses of contribution profiles and certain indicators have been compared with the equivalent data for the periods from 2015 to 2018, 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 sense, 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 5<sup>th</sup> of February 2020. Our fieldwork was concluded on the 17<sup>th</sup> of February, 2020, 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.

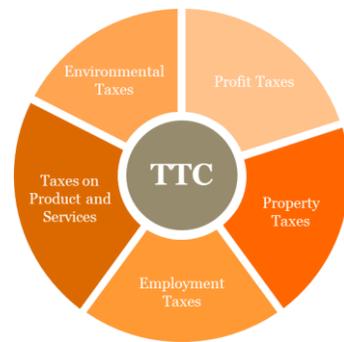
## 2. Background and purpose of this report

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"<sup>[1]</sup>.

### 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"<sup>[2]</sup>.

The Spanish National Institute of Statistics (INE) has also adopted this definition for the purpose of classing taxes as environmental<sup>[3]</sup>.

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.

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

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

<sup>[3]</sup> <http://www.ine.es/daco/daco42/ambiente/aquasatelite/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**<sup>[4]</sup>, 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<sup>[5]</sup>, 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.

<sup>[4]</sup> El Informe Mirrlees ha sido elaborado por encargo del IFS de Reino Unido y publicado después de cuatro años de trabajo en 2011, bajo el título "Tax by Design, The Mirrlees Review". Este mismo informe ha sido objeto de estudio por expertos de la Universidad de Vigo y sus conclusiones han sido plasmadas en el documento denominado "El Informe Mirrlees y la Imposición Ambiental en España"

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

<sup>[5]</sup> <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 TTC, 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. It also includes information on subsidiaries 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<sup>[6]</sup>, 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<sup>[7]</sup>.

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 2019, 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 431 million euros, and the same amount paid by Enel Iberia S.L. to the tax authorities in the period would amount to 192 million euros.

In addition, in 2019 corporate income tax payments amounting to 9 million euros were made by other individual taxable companies in Spain and abroad.

<sup>[6]</sup> <https://www.endesa.com/content/dam/enel-es/home/inversores/infoeconomicafinanciera/informesanuales/documentos/2015/Informe%20de%20Sostenibilidad%202015.pdf>

<sup>[7]</sup> En la medida en que se cumplen los requisitos para formar un grupo de consolidación fiscal, previstos en la Ley 27/2014.

## 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.





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# TTC of Endesa in 2019

### 3. TTC of Endesa in 2019

Total Tax Contribution 2019			
<b>Economic data</b>		<b>M €</b>	<b>TTC Indicators</b>
Revenues	19,258	<b>1</b>	TTC ratio 117%
Wages and salaries	695	<b>2</b>	TTC in relation to revenues 22%
Average number of employees	9,761	<b>2'</b>	Taxes borne in relation to revenues 9%
Income before tax	230	<b>2''</b>	Taxes collected in relation to revenues 13%
Income before tax borne	1,426	<b>3</b>	Tax value distributed to society 79.5%
Total taxes borne	1,669	<b>4</b>	Wages and salaries per employee 71,202
Total taxes collected	2,444	<b>5</b>	Taxes paid per employee 37,555
<b>Total Tax Contribution</b>	<b>4,113</b>		
<b>Taxes borne</b>		<b>M €</b>	<b>Taxes collected</b>
<b>Profit taxes</b>		<b>473</b>	<b>M €</b>
Corporate Income Tax (tax group regime)	431		<b>Profit taxes</b> 73
Corporate Income Tax (individual regime)	9		Withholdings on payments to non-residents (without PE) 0
Business Activity Tax	33		Revenues from investment capital 0
Other	0		Withholdings on payments to non-residents 73
<b>Property Tax</b>	<b>65</b>		<b>Property Taxes</b> 0
Tax on real property	62		Revenues from property investments 0
Other taxes	3		
<b>Employment Taxes</b>	<b>135</b>		<b>Employment Taxes</b> 232
Employer's social security contribution	135		Withholdings on earned income 205
Other withholding taxes	0		Employee social security contributions 27
<b>Taxes on products and services</b>	<b>255</b>		<b>Taxes on products and services</b> 1,515
Non-deductible VAT/IGIC	1		VAT (Net position) 1,515
Tax on the utilization of airspace, soil and subsoil	196		
Other public domain charges	58		
<b>Environmental taxes</b>	<b>741</b>		<b>Environmental taxes</b> 624
Tax on value of electricity generation	259		Taxes on electricity 520
Tax on nuclear fuels	134		Tax on hydrocarbons 104
Hydraulic charge tax	57		Tax on coal 0
Tax on nuclear services	178		
Other environmental taxes (regional)	52		
Taxes on electricity	0		
Tax on hydrocarbons	0		
Tax on coal	48		
Other taxes	13		
<b>TOTAL</b>	<b>1,669</b>		<b>TOTAL</b> 2,444
<b>Total Tax Contribution</b>			<b>4,113</b>

**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)

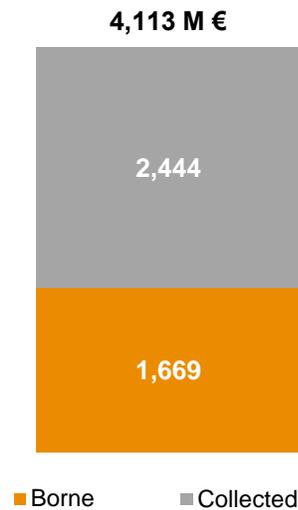
**4** Wages and salaries / Number of employees

**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 2019

#### Analysis of the total tax contribution in 2019



Source: PwC

Endesa's Total Tax Contribution in the countries in which it is present amounted to **4,113 million euros in 2019**, with almost 92% of this figure corresponding to the contribution made in Spain.

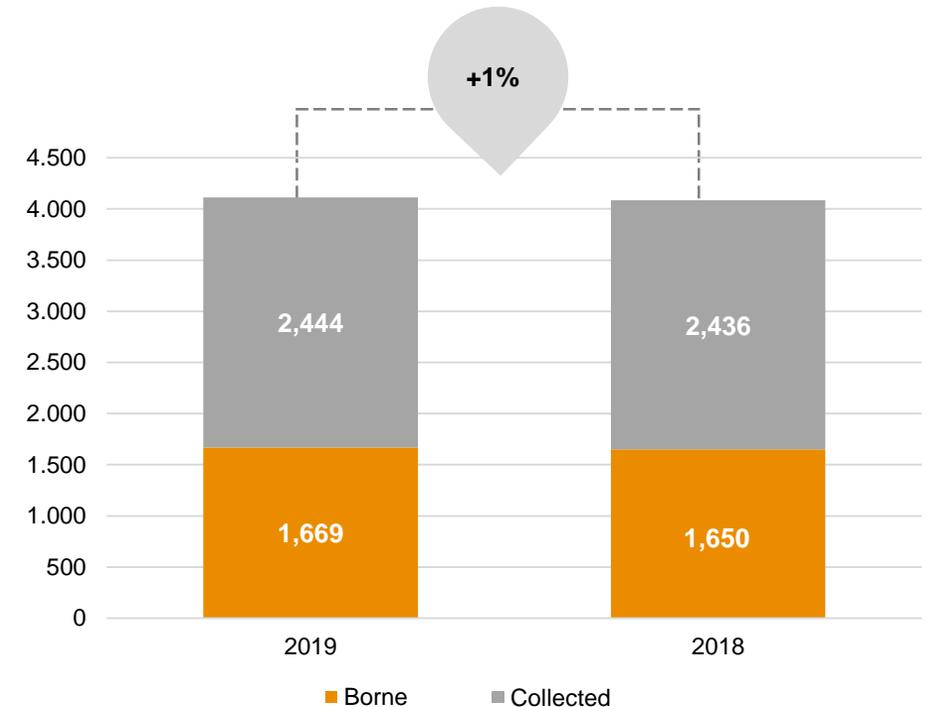
Of this, 41% corresponds to taxes borne which represent a cost for the group and the remaining 59% corresponds to taxes collected by the Group owing to the pursuit of its economic activity.

#### Total Tax Contribution trend in 2019

The 1% increase in the 2019 tax contribution experienced by Endesa is mainly due to the growth in the **taxes borne**, which rise by 1% in relation to year 2018.

The **taxes collected** also grow, but in smaller proportion, increasing by 0,3% in relation to the past year.

#### Evolution of the Total Tax Contribution



Source: PwC

Note: For the purposes of analysing the trend of the Total Tax Contribution in 2018 and 2019, the magnitudes relating to taxes borne and collected in all the territories in which Endesa operates are taken into account.

### 3. TTC of Endesa in 2019

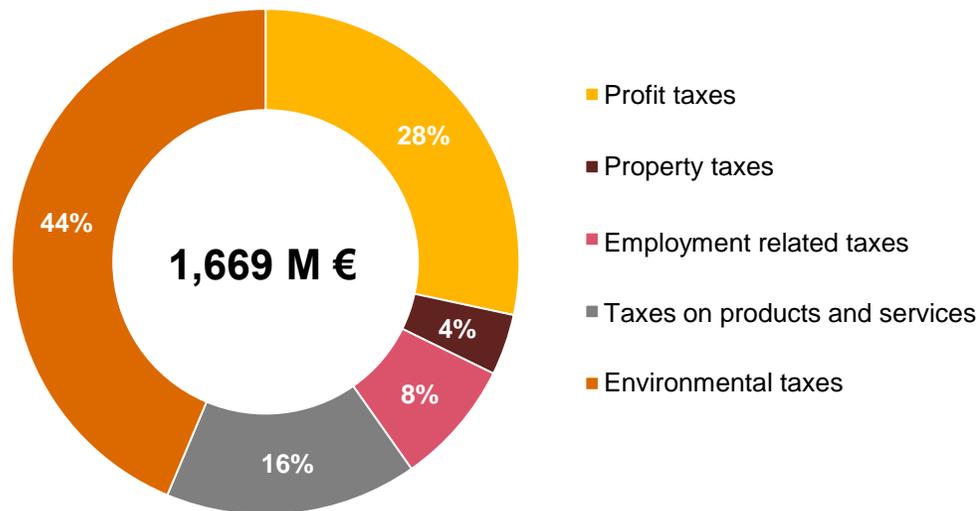
#### Analysis of the taxes borne in 2019

##### Profile of the taxes borne

The **taxes borne** by Endesa in 2019 amounted to **1,669 million euros**.

Environmental taxes stand out among the taxes borne, amounting to **741 million euros**, representing **44% of total taxes borne**.

Types of taxes borne by Endesa in 2019



Source: PwC



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 **450 million euros** in 2019, 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 over **28%** of the total taxes borne by Endesa, amounting to **473 million euros**, including most notably the payments made to the tax group in the form of corporate income tax.



Next, representing approximately **16%** 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 **196 million euros**) and other public domain fees, mainly those relating to the concession and regulation of dams (amounting to **58 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 **135 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 **65 million euros**.

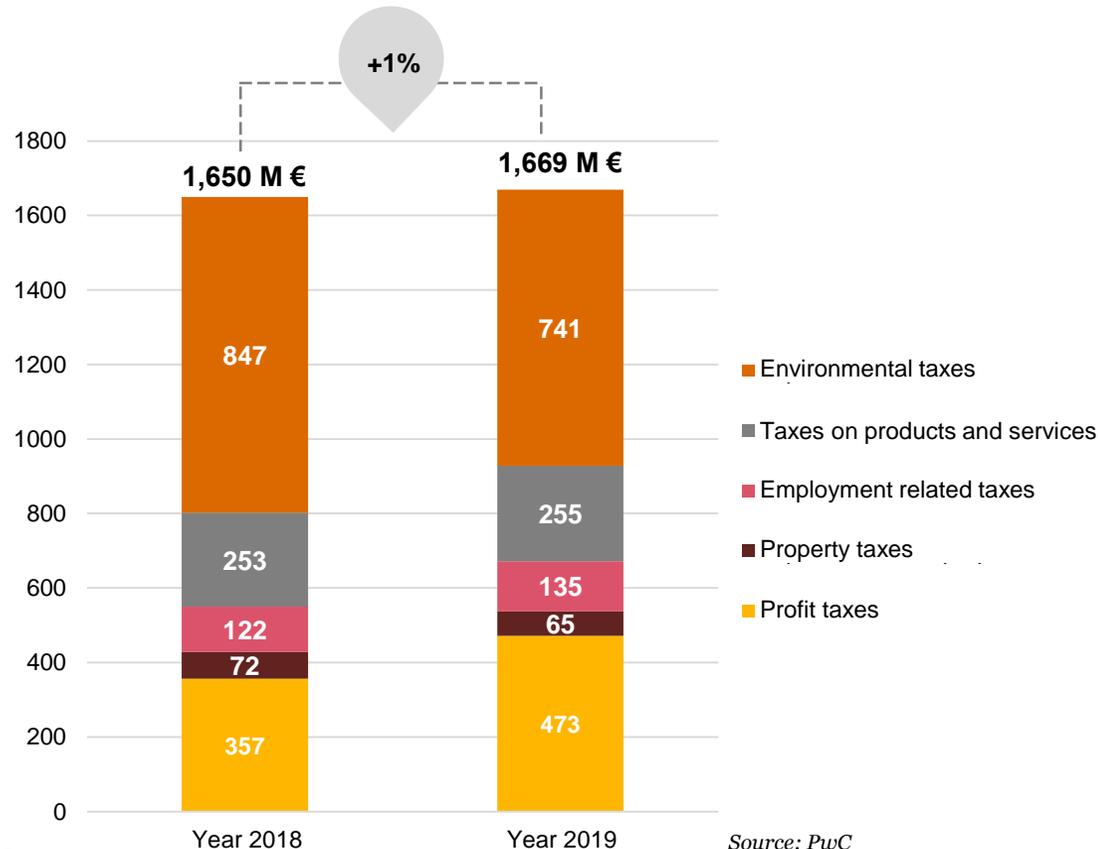
### 3. TTC of Endesa in 2019

#### Analysis of the taxes borne in 2019

##### Trend of taxes borne

Taxes born show an upward trend during the last year, increasing by 1% in relation to last year.

Evolution of taxes borne by Endesa in 2019



Source: PwC

Overall, Endesa's taxes rise by 19 million euros compared to the previous year, an increase of 1% in relative terms.

Income tax, employment related taxes and taxes on products and services grow, maintaining the trend seen in previous years.

On the other hand, both property and environmental taxes decrease, with the latter showing the greatest variation with respect to 2018, falling by 106 million euros, 14% in relative terms.

This is mainly due to the discontinuity in the production of coal-fired power plants on the Iberian Peninsula during the year as a result of the change in market conditions affecting them, mainly due to the international price of commodities and the effectiveness of the new mechanisms for regulating the CO2 market<sup>[9]</sup>. Therefore, the tax on the value of electricity production decreases by 10 million euros and the tax on coal by 125 million euros, which in relative terms means a reduction of 4% and 72% respectively, with respect to 2018.

In addition, the exemption from the tax on hydrocarbons established in Law 6/2018 on the State Budget for 2018, which will continue to apply in 2019, also has an impact on the decrease in the payment of environmental taxes.

<sup>[9]</sup> <https://www.cnmv.es/porta1/HR/verDoc.axd?t={f5dc733e-6eb0-46f4-8a2e-7dcdded7975c}>

### 3. TTC of Endesa in 2019

#### Analysis of the taxes borne in 2019

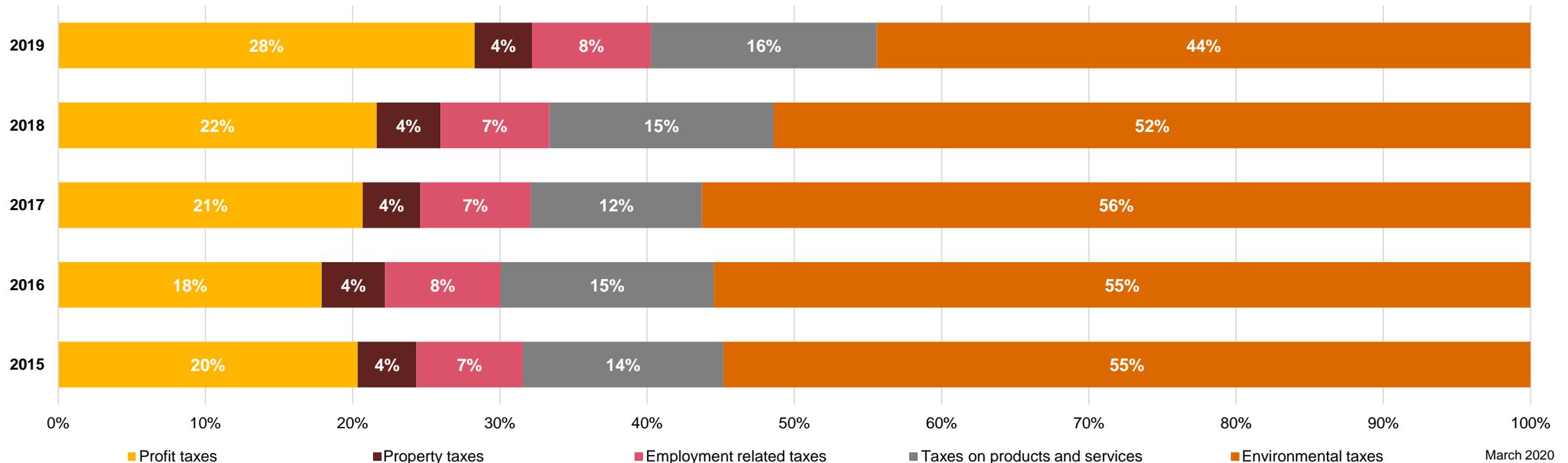
##### Trend of taxes borne

##### Evolution of the profile of taxes borne by Endesa in 2015-2019

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.

On the other hand, in 2019, taxes on profits will also gain prominence, due to the decrease in the payment of environmental taxes as a result of the closure of coal-fired plants.

Source: PwC



### 3. TTC of Endesa in 2019

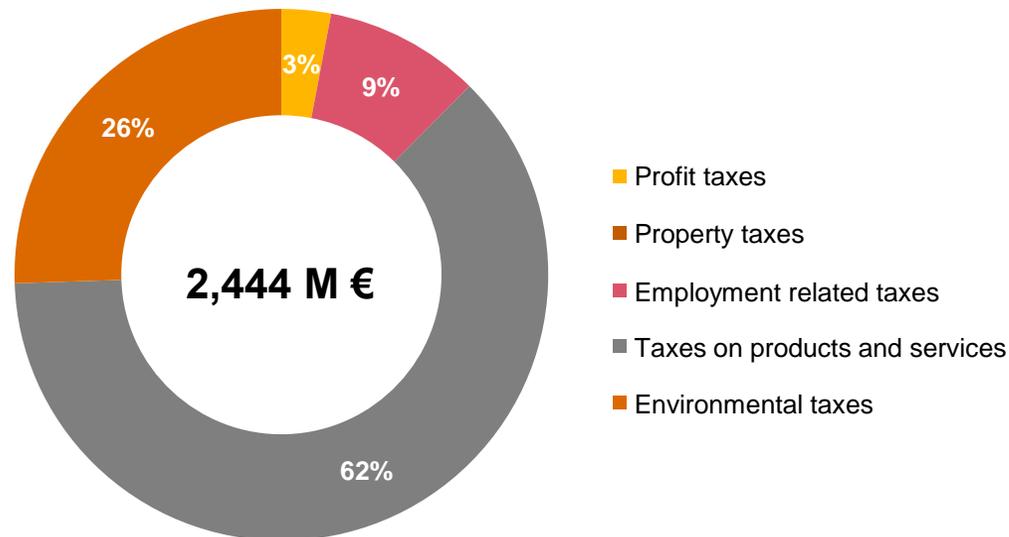
#### Analysis of the taxes collected in 2019

##### Profile of the taxes collected

The taxes borne by Endesa in 2019 amounted to **2,444 million euros**.

Among these, **taxes on products and services** stand out, which account for **62%** of the total taxes collected, amounting to **1,515 million euros**.

Type of taxes collected by Endesa in 2019



Source: PwC



The main tax item collected is **taxes on products and services**, which correspond entirely to the VAT and equivalent taxes collected and paid by Endesa in the various geographical areas under analysis, amounting to approximately **1,515 million euros**, reflecting its commercial activity, mainly in Spain and Portugal.



Also, in line with previous years, **environmental taxes** stand out, which in 2019 accounted for 26% of total taxes collected. Within this category, the most significant is the **tax on electricity** paid by Endesa in all the jurisdictions in which it operates, which amounted to **520 million euros** in 2019, and the **tax on hydrocarbons (104 million euros)** in the year).



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, amounting to **232 million euros**.



**Profit taxes represent 3%** 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 2019, for a total amount of **73 million euros**.



During 2019, like in the previous year, no payments have been made in respect of **property taxes** collected.

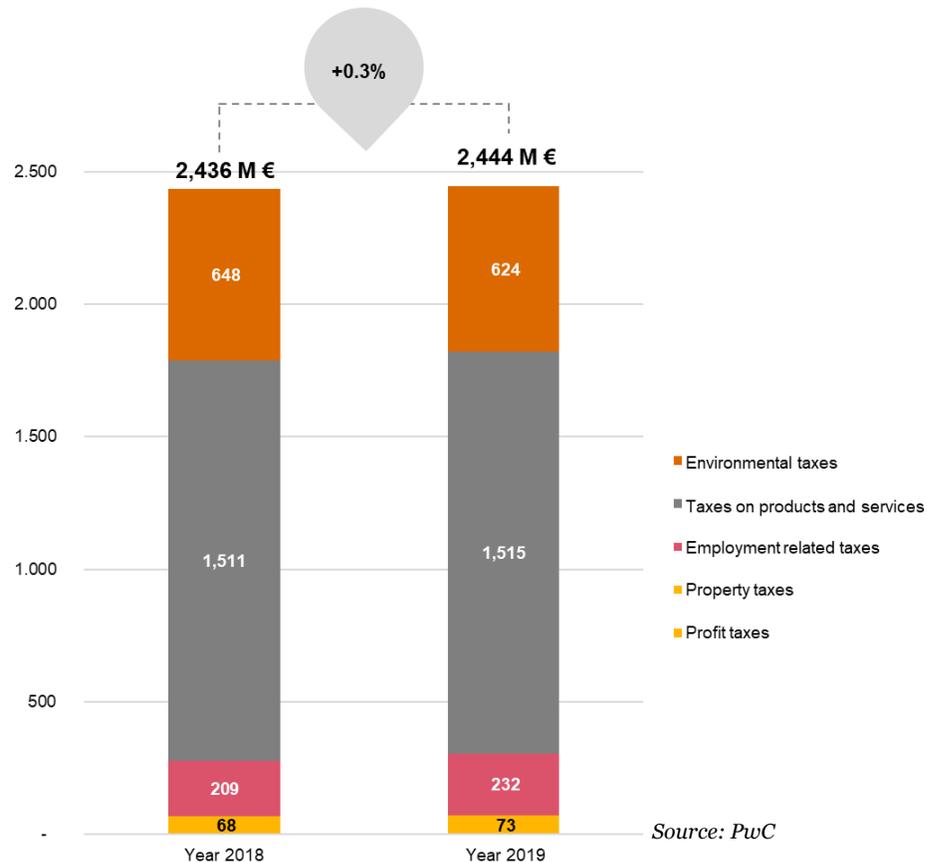
## 3. TTC of Endesa in 2019

### Analysis of the taxes collected in 2019

#### Trend of taxes collected

The taxes collected in 2019 maintain a constant trend with respect to 2018, presenting a variation of only 8 million euros in absolute terms, which represents an increase of 0.3%.

Evolution of taxes collected by Endesa in 2019



This constant trend is due to the fact that the increase in employment-related taxes is practically equivalent to the decrease in environmental taxes, which translates into a net effect close to zero.

The 24 million euros decrease in environmental taxes is mainly due to the exemption from the tax on hydrocarbons.

The taxes associated with employment increased by approximately 23 million euros due to the fact that in 2019 Endesa increased its salaries by 5%.



### 3. TTC of Endesa in 2019

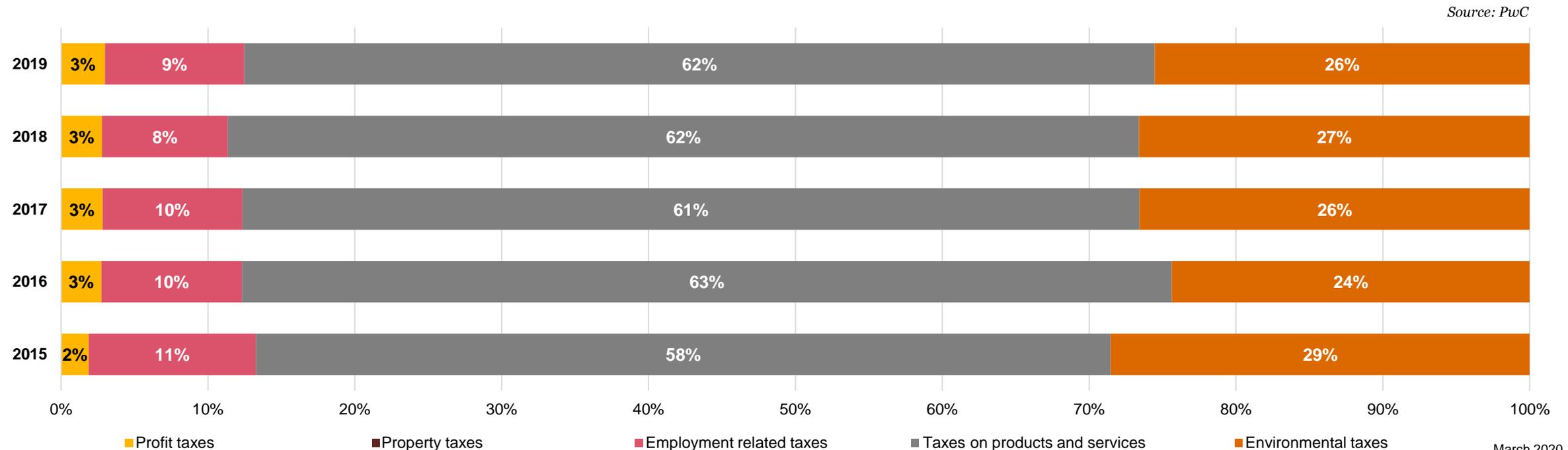
#### Analysis of the taxes collected in 2019

##### Trend of taxes collected

##### Evolution of the profile of taxes collected by Endesa in 2015-2019

In line with previous years, Endesa's contribution profile for 2015 to 2019 will remain consistent in terms of taxes collected.

A comparison of the five years shows that the revenue from taxes on products and services is still the main item in the taxes collected, accounting for around 60% in the years analysed, coinciding mainly with VAT and other equivalent taxes. Likewise, the weight of the collection of environmental taxes remained constant in all the years analysed, representing an average of around 27%.



## 3. TTC of Endesa in 2019

### TTC Indicators

#### Total Tax Contribution Rate

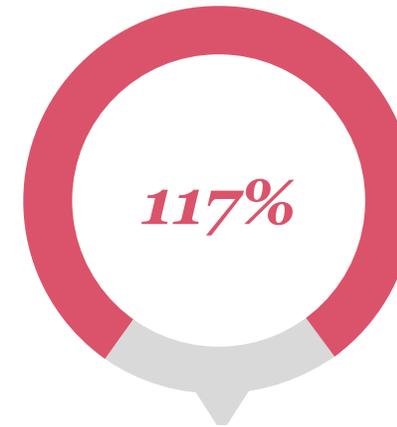
The Tax Contribution ratio is an indicator of the cost of the taxes borne in relation to the profits obtained.

It is calculated as the percentage of the taxes borne in relation to the profit before these taxes, taking into account consolidated figures that include the activity carried out by Endesa at a global level.

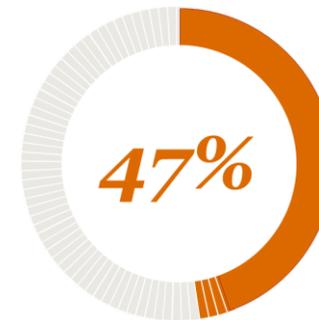
In 2019, the ratio amounts to more than 100% due to the recognition of the impairment of the As Pontes (A Coruña) and Litoral (Almería)<sup>[9]</sup> coal plants mentioned in previous sections of this report, which has a significant impact on the reduction of pre-tax profit (down 87% compared to 2018), without having any impact on the amount of income tax payments as it is considered a non-deductible expense.

This ratio is used in the Paying Taxes study conducted annually by the World Bank and PwC with the aim of measuring the competitiveness of the tax systems of 190 countries, carried out with the PwC Total Tax Contribution methodology. According to the results of the Paying Taxes 2018 report, the ratio for Spain amounted to 47%.

[9] <https://www.cnmv.es/porta1/HR/verDoc.axd?t={f5dc733e-6eb0-46f4-8a2e-7dcdded7975c}>



Endesa's 2019 Total Tax Rate



Total Tax Rate in Spain (Paying Taxes 2018)

*In 2019 the tax contribution ratio is higher than 100% of pre-tax profits due to the impact of the recognition of an impairment that reduces pre-tax profit, but does not imply a lower payment of corporate income tax*

### 3. TTC of Endesa in 2019

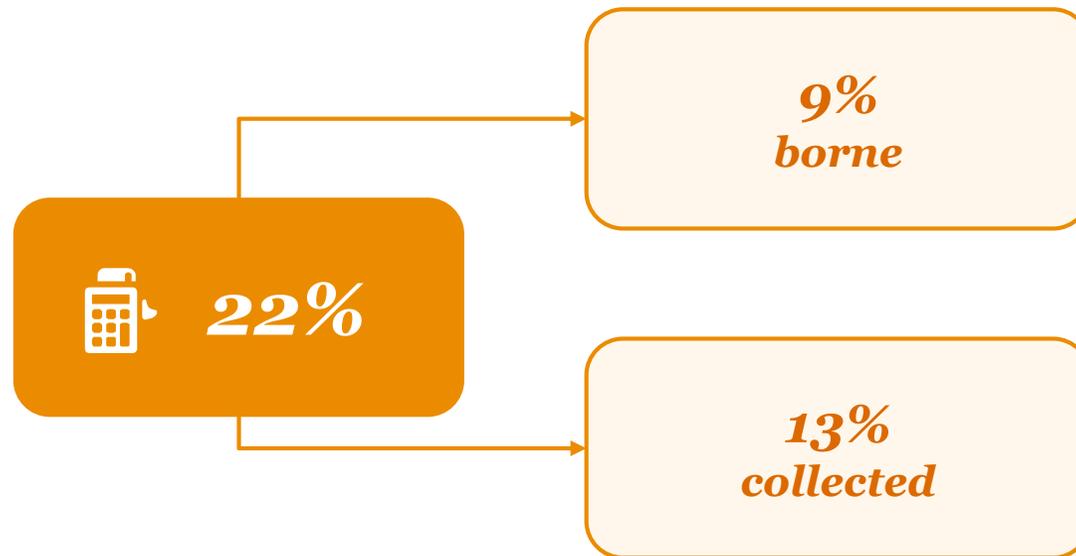
#### TTC Indicators

##### 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 22% for 2019.

It is to be noted that this indicator has remained stable in relation to that calculated for the period 2015 to 2018, which is consistent with the trend in TTC.



Source: PwC

*For every 100 euros of turnover, Endesa pays 22 euros in taxes, of which 9 correspond to taxes borne and 13 euros to taxes collected*

### 3. TTC of Endesa in 2019

#### 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:

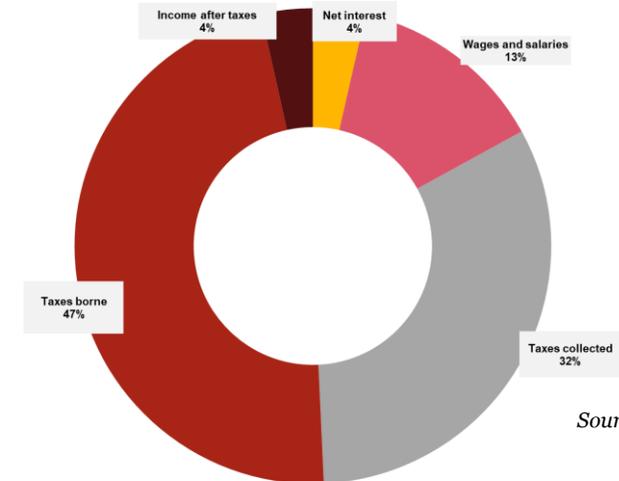
- Net interest
- Wages and salaries (net of taxes collected on payments to employees)
- Taxes (borne and collected)
- Shareholder value (i.e. dividends, reserves, etc.)

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 (M€)	%
Net interest	184	4%
Wages and salaries	695	13%
Taxes collected	1,669	32%
Taxes borne	2,444	47%
Income after taxes	180	4%
<b>Total</b>	<b>5,172</b>	<b>100%</b>

Source: PwC



Source : PwC

In 2019, the total amount of value distributed was **5,172 million euros**, of which **4,113 million euros** were paid to the various public administrations as input and collected taxes.

As shown in the graph, in 2019 almost 80% of the value generated by Endesa is allocated to society through the payment of taxes paid and collected in the various territories where it operates.

The increase in this ratio with respect to previous years is due to the recognition of the impairment of the coal-fired plants, which has led to a decrease in profit after tax of 87%.

*In 2019, the value distributed by Endesa increased by almost 80% due to the effect of the recognition of an impairment of coal-fired plants on profit after tax*

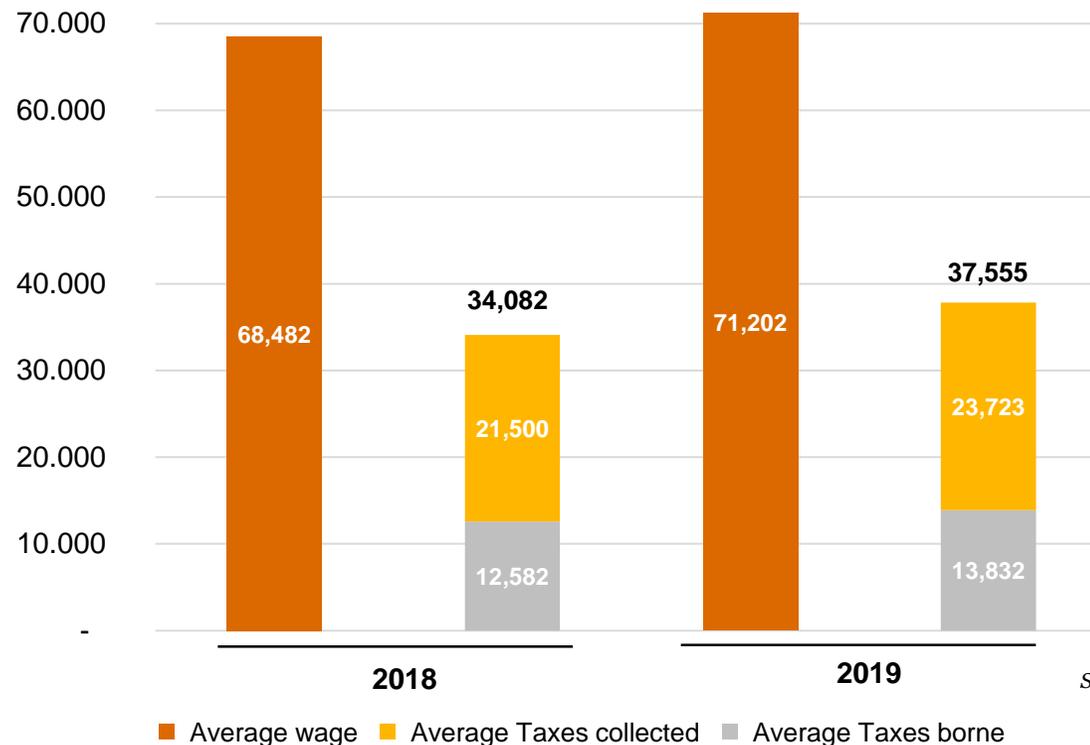
### 3. TTC of Endesa in 2019

#### 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.

Evolution of Endesa's average salary and average employment taxes



In 2019, Endesa paid **37,555 euros** per employee in employment-related taxes. Of this figure for employment-related taxes, 23,723 euros correspond to taxes collected on behalf of the employee and 13,832 euros to taxes borne by Endesa.

With respect to the average salary paid by Endesa in the countries in which it operates, which amounted to 71,202 euros, **employment taxes** borne and collected by Endesa in 2019 represented **53% of the Group's** average salary, up 3% from the previous year.

*The average taxes associated with employment increased by 11% in the period, in line with the increase in the average salary in the year*

Source: PwC

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<sup>[9]</sup>; and (ii) a group of multinational companies which operate in different jurisdictions in the years 2016, 2017 and 2018.

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.<sup>[10]</sup>

<sup>[9]</sup> According to the composition as at 31<sup>st</sup> December 2018.

<sup>[10]</sup> See Methodology section

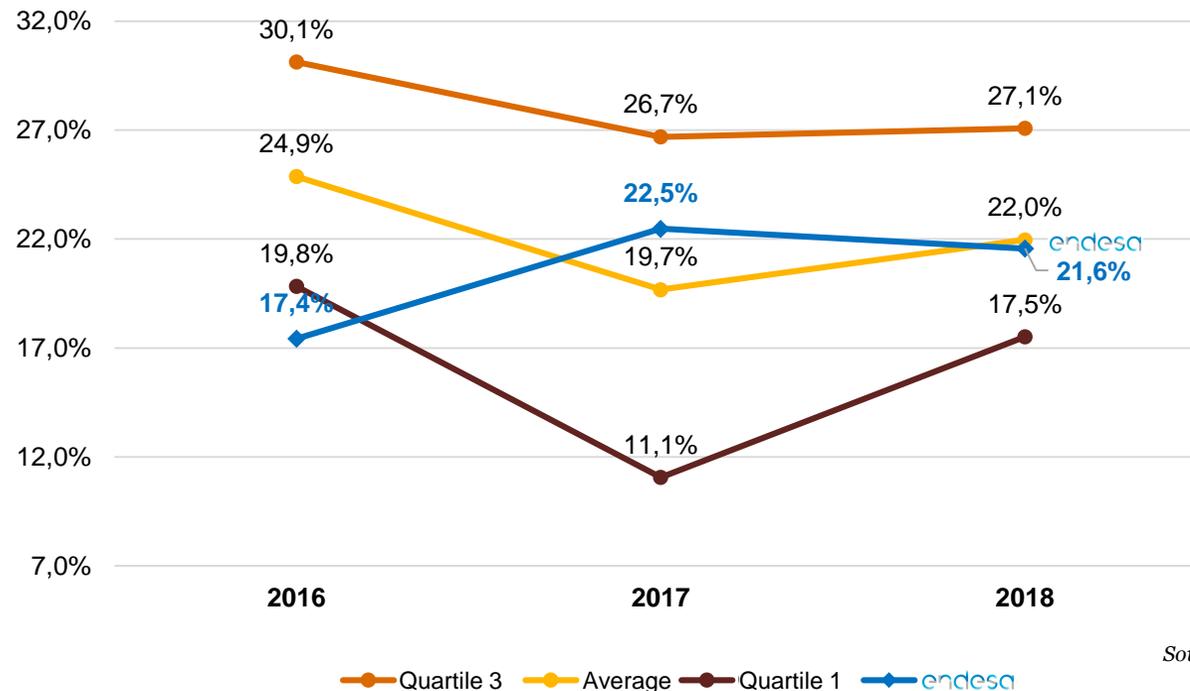


## 4. Comparative indicators

### 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



The chart shows that the average effective rate for the year 2018 of the IBEX 35 companies is of 22%, in line with the ETR of Endesa, which is of 21.6% in 2018.

Likewise, Endesa's average ETR for 2016-2018 is 20.5%, which is in line with the average ETR of IBEX companies for that period (22%).

*Endesa's average effective tax rate in 2018 was almost 22%, in line with the average ETR of the companies of the IBEX 35 in the same period*

Source: PwC

## 4. Comparative indicators

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

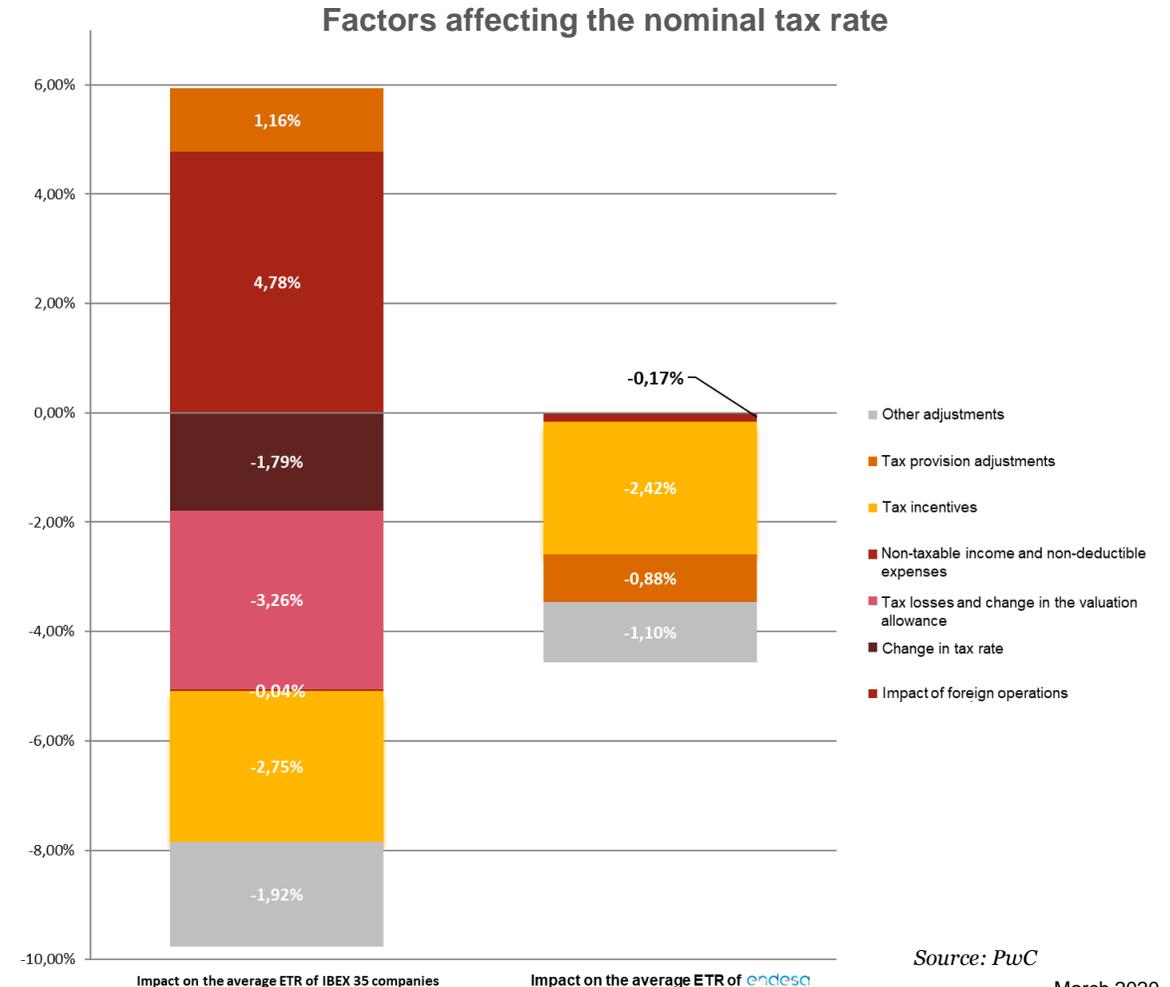
In relation to the difference between the nominal rate in 2018 (25%) and the effective tax rate (21.6%), indicated here are the factors affecting the ETR of both the IBEX 35 companies and of Endesa.

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.



## 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 capitalization

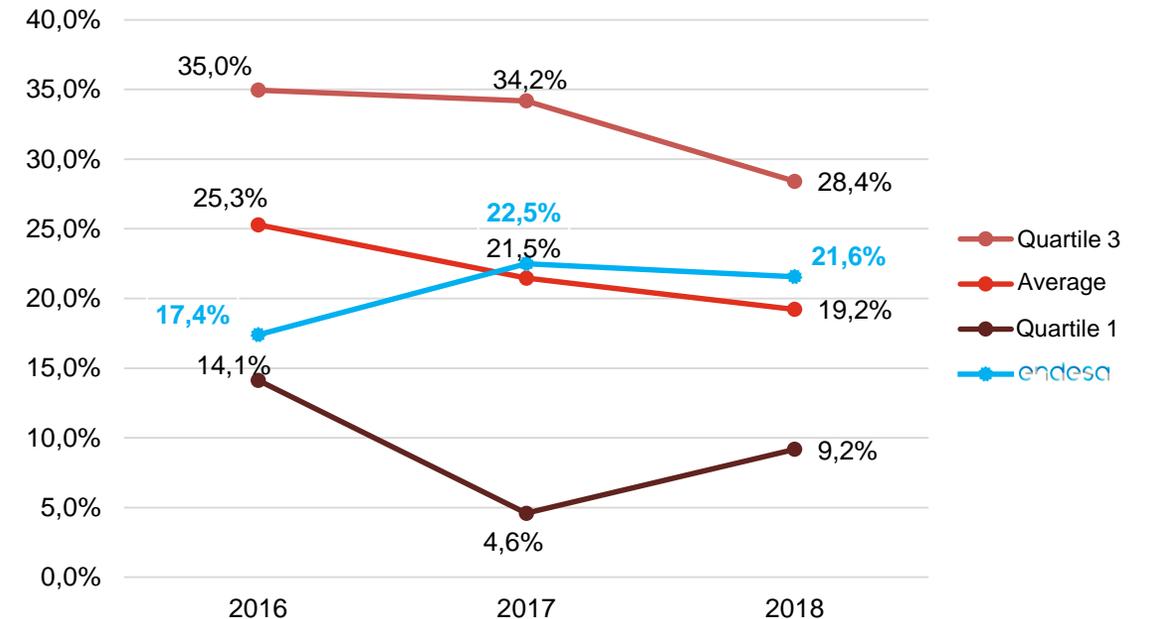
For the purposes of this comparative study, we have taken into account the following:

- (i) The 50 companies in the electricity, water and gas sector with the highest stock market capitalization at the closing of 2017.
- (ii) We have used the publicly available information in the data base Tp catalyst.
- (iii) We have analyzed the financial data of these companies for the years 2016 to 2018.

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

The graph shows that Endesa's ETR is higher than average for 2018, being its ETR average for the period 2016-2018 in line with the ETR average of comparable companies of the industry in the same period (22%).

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



Source: PwC

## 4. Comparative indicators

### Endesa's tax contribution in economic and social terms

... 36% of the Spanish Tax Administration's gross collection of the Hydrocarbon Tax in 2018

Source: STA Annual Tax Collection Report



... 2% of the Spanish Tax Administration's gross revenue in 2018

Source: STA Annual Tax Collection Report



... the payment of 11.3 million euros per day in taxes borne and collected taxes in 2019

Source: PwC



... 23% of the budget allocated to unemployment benefits by the Government in 2018

Source: General Budget of the State



... 7% of the EU budget for economic cohesion

Source: EU Budget for 2018





5

# Other payments made to Public Administrations

## 5. Other payments made to Public Administrations

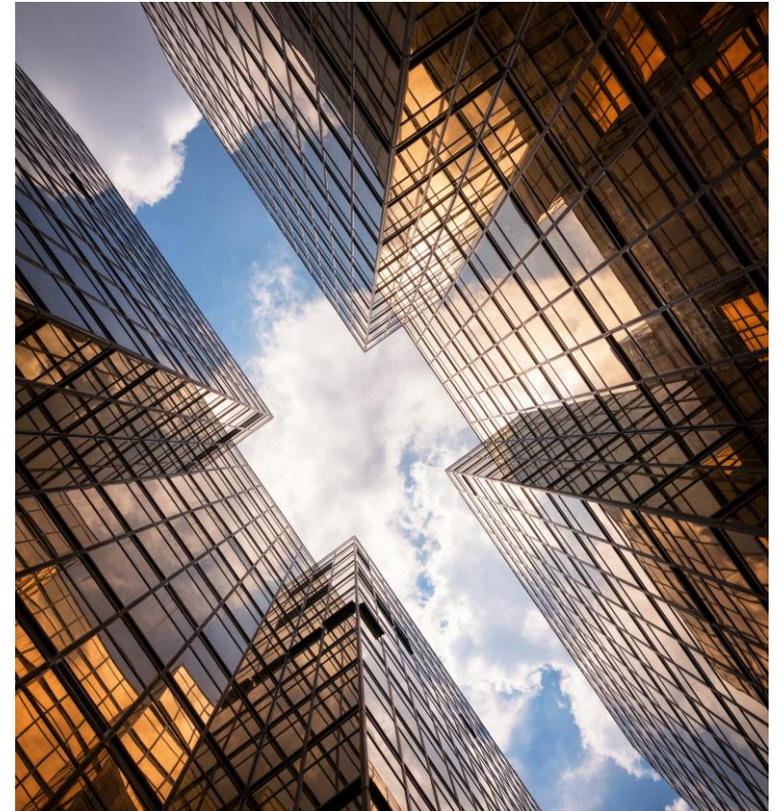
In addition to its Total Tax Contribution, it should be noted that Endesa makes other contributions to Public Administrations in the jurisdictions in which it operates. These include, among others, **regulatory payments to the national energy efficiency fund and contributions towards the funding of the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

During 2019, payments made by Endesa to different Public Administrations have amounted to **94 million euros**. This represents a decrease of 21% with respect to 2018, mainly due to the decrease in rates subsidy payments in Portugal. The breakdown of contributions is as follows:

**(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 2019, payments for this concept amounted to **29 million euros**.

**(ii) Rates subsidy:** in 2018, Endesa paid **60 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 aforementioned amount, 9 million euros were paid in concept of rates subsidy to the Portuguese Public Administration, being 11 million euros the figure paid last year.

**(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 with 94 million euros through regulatory payments in 2019*



# 6 Annexes



## 6. Annexes

### Annex I: Global summary 2019

Country	Spain	Portugal	France	Germany	Netherlands	TOTAL
Taxes borne	1.656	12	1	0	0	<b>1.669</b>
Taxes collected	2.114	135	114	70	11	<b>2.444</b>
<b>Total Tax Contribution</b>	<b>3.770</b>	<b>147</b>	<b>115</b>	<b>70</b>	<b>11</b>	<b>4.113</b>

<b>TTC percentage overall</b>	<b>92%</b>	<b>4%</b>	<b>3%</b>	<b>2%</b>	<b>0%</b>	<b>100%</b>
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Other regulatory payments	Spain	Portugal	France	Germany	Netherlands	TOTAL
Rates subsidy	51	9	0	0	0	<b>60</b>
Energy efficiency	29	0	0	0	0	<b>29</b>
Others	0	0	5	0	0	<b>5</b>
<b>Total other payments made to Public Administrations</b>	<b>80</b>	<b>9</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>94</b>

<b>TOTAL PAYMENTS MADE TO PUBLIC AUTHORITIES</b>	<b>3.850</b>	<b>156</b>	<b>120</b>	<b>70</b>	<b>11</b>	<b>4.207</b>
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## 6. Annexes

### Total Tax Contribution Group Endesa 2018 Report

Economic data		M €	TTC Indicators	
Revenues	19,555	<sup>1</sup>	TTC ratio	53%
Wages and salaries	664	<sup>2</sup>	TTC in relation to revenues	21%
Average number of employees	9,696	<sup>2'</sup>	Taxes borne in relation to revenues	8%
Income before tax	1,818	<sup>2''</sup>	Taxes collected in relation to revenues	13%
Income before tax borne	3,112	<sup>3</sup>	Tax value distributed to society	6,4%
Total taxes borne	1,650	<sup>4</sup>	Wages and salaries per employee	68,482
Total taxes collected	2,436	<sup>5</sup>	Taxes paid per employee	34,082
<b>Total Tax Contribution</b>	<b>4,086</b>			

Taxes borne		M €	Taxes collected		M €
<b>Profit taxes</b>	<b>357</b>		<b>Profit taxes</b>	<b>68</b>	
Corporate Income Tax (payments to the tax group)	329		Withholdings on payments to non-residents (without P.E)	-	
Corporate Income Tax (taxes paid on individual tax regime and others)	1		Revenues from investment capital	30	
Business Tax	26		Withholdings on payments to non-residents	38	
Others	1				
<b>Property Taxes</b>	<b>72</b>		<b>Property Taxes</b>	<b>-</b>	
Tax on real property	60		Revenues from property investments	0	
Other taxes	11				
<b>Employment Taxes</b>	<b>122</b>		<b>Employment Taxes</b>	<b>209</b>	
Employer's social security contribution	122		Withholdings on earned income	184	
			Employee social security contributions	24	
<b>Taxes on products and services</b>	<b>253</b>		<b>Taxes on products and services</b>	<b>1,511</b>	
Non-deductible VAT/IGIC	2		VAT (Net position)	1,511	
Tax on the utilization of airspace, soil and subsoil	194				
Other public domain charges	56				
<b>Environmental taxes</b>	<b>847</b>		<b>Environmental taxes</b>	<b>648</b>	
Tax on value of electricity generation	269		Taxes on electricity	531	
Tax on nuclear fuels	122		Tax on hydrocarbons	118	
Hydraulic charge tax	25		Tax on coal	0	
Tax on nuclear services	166				
Other environmental taxes (regional)	66				
Taxes on electricity	-				
Tax on hydrocarbons	26				
Tax on coal	173				
Other taxes	1				
<b>TOTAL</b>	<b>1,650</b>		<b>TOTAL</b>	<b>2,436</b>	

Total Tax Contribution		4,086

<sup>1</sup> Total taxes borne / Income before taxes borne

<sup>2</sup> Total Tax Contribution / Revenue

<sup>2'</sup> Taxes borne / Revenue

<sup>2''</sup> Taxes collected / Revenue

<sup>3</sup> 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)

<sup>4</sup> Wages and salaries / Number of employees

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

Note: The figures presented have been rounded.

# 6. Annexes

## Annex III: List of taxes considered

Type of tax		State Taxes	Regional Taxes	Local Taxes	Taxes borne	Taxes collected	Scope
<b>"Profit"</b>							
1	Corporate Income Tax	✓			✓		✓
2	Non-resident Income Tax	✓				✓	✓
3	Withholding tax on income from movable capital	✓				✓	✓
4	Business Tax			✓	✓		✓
<b>"Property"</b>							
5	Property Tax			✓	✓		✓
6	Tax on the Increase in Value of Urban Nature Land			✓	✓		✓
7	Tax on Construction, Installations and Works			✓	✓		✓
8	Withholding tax on income from rental of urban property	✓				✓	✓
9	Withholding tax on income from the sale by non-residents in Spain of property located in Spanish territory	✓				✓	✓
<b>"People"</b>							
10	Withholding tax from employment income	✓				✓	✓
11	Withholding tax on income from economic and professional activities	✓				✓	✓
12	Withholding tax on income from movable capital	✓				✓	✓
13	Withholding tax on capital gains	✓				✓	✓
14	Social Security paid by the Company	✓			✓		✓
15	Social Security paid on behalf of the workers	✓				✓	✓
<b>"Products and services"</b>							
16	Value Added Tax	✓				✓	✓
17	General Indirect Canary Islands Tax	✓				✓	✓
18	Tax on Production, Services and Imports (IPSI)			✓	✓		✓
19	Customs Tariff	✓			✓		✓
20	Tax on onerous transfers and documented legal acts		✓		✓		✓
21	Corporate operations		✓		✓		✓
22	Documented legal acts		✓		✓		✓
23	Tax on Mechanical Traction Vehicles			✓	✓		✓
24	Excise duty on certain means of transport		✓		✓		✓
25	Manufacturing Excise Duties	✓			✓		✓

# 6. Annexes

Type of tax		State Taxes	Regional Taxes	Local Taxes	Taxes borne	Taxes collected	Scope
26	Excise duty on beer	✓			✓		
27	Special tax on wine and fermented beverages	✓			✓		
28	Excise duty on intermediate products	✓			✓		
29	Excise duty on alcohol and derived beverages	✓			✓		
30	Excise duty on mineral oils	✓			✓		✓
31	Special Tax on Tobacco Work	✓			✓		
32	Excise tax on electricity	✓			✓		✓
33	Insurance premium tax	✓			✓		
34	Gaming Activity Tax	✓			✓		
35	Tax on Sumptuary Expenses. Hunting and fishing grounds			✓	✓		
36	Fee for private use or special use of the local public domain			✓	✓		✓
37	Telecommunications fee	✓			✓		
38	Fee for the reservation of public radio space	✓			✓		
39	Fee for the provision of urban services			✓	✓		
40	Ford rate			✓	✓		
41	Airport taxes	✓			✓		
42	Telephone numbering fee						
43	Tax on Hunting Exploitation		✓		✓		
<b>"Planet"</b>							
44	Tax on the development of certain activities that affect the environment		✓		✓		✓
45	Tax on Waste Deposits		✓		✓		
46	Fee for the provision of urban waste management services	✓			✓		✓
47	Sanitation fee		✓		✓		
48	Enhancement fee			✓	✓		
49	Tax on gas emissions into the atmosphere		✓		✓		✓
50	Tax on discharges into coastal waters		✓		✓		✓
51	Tax on deposit of radioactive waste		✓		✓		
52	Tax on deposit of hazardous waste		✓		✓		
53	Tax on facilities that affect the environment		✓		✓		✓
54	Ditch, cove and test pits rate			✓	✓		
55	Civil protection levy		✓		✓		✓
56	Tax on the visual impact produced by electricity supply elements and fixed elements of telephone or telematic communication networks		✓		✓		✓
57	Tax on environmental impact caused by certain activities		✓		✓		✓
58	Tax on the environmental impact caused by certain uses of dammed water, by wind farms and by high-voltage electricity transmission facilities		✓		✓		✓
59	Other fees not specified above			✓	✓		✓
60	Other payments and contributions with Public Administrations			✓	✓		✓

## 6. Annexes

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

	NOMBRE	PAÍS
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 (2016, 2017 and 2018) 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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