Audit Report on Endesa, S.A. and subsidiaries

(Together with the consolidated annual accounts and consolidated directors' report of Endesa, S.A. and subsidiaries for the year ended 31 December 2020)

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

KPMG Auditores, S.L.
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28046 Madrid

Report on the Consolidated Annual Accounts

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

To the Shareholders of Endesa, S.A

Opinion

We have audited the consolidated annual accounts of Endesa, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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

Key Audit Matters

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

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Revenue recognition. Supplied energy not yet billed

See notes 2.2, 3.ñ.1.b, 12 y 24 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
The Group's businesses that carry out electricity supply activities must make estimates of unbilled supplies to end customers in the period between the last meter reading and the end of the fiscal year. At 31 December 2020, sales of electricity and gas as yet unbilled by the Group amounted to Euros 984 million and Euros 333 million, respectively. The quantity of unbilled energy supplied is estimated using internal and external information and is based on past data adjusted for factors such as seasonality. Revenue is calculated by multiplying the estimated quantity to be billed by the unit price arranged with each customer. Determining unbilled energy supplied requires the use of estimates by Group management with the application of criteria, judgements and assumptions in its calculations, so the recognition of revenue from unbilled energy supplied has been considered a key audit matter of the current year.	– Analysis of the design and implementation of the key controls related to the calculation of the unbilled energy supplied. – Evaluation of the reasonableness of the calculation model used by comparing the estimates made at the close of the previous period and actual billing data (retrospective analysis). – Analysis of the reasonableness of the volume of unbilled energy through an analysis of historical information and other available internal and external data. – Examination of the reasonableness of the tariffs applied in the estimate. – Assessment of whether the disclosures in the consolidated annual accounts meet the requirements of the applicable financial reporting framework.

Provision for pensions and similar obligations and provisions for workforce restructuring plans

See notes 3.k.1, 3.k.2, 16.1 and 16.2.2 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
The Group has obligations to personnel in relation to pensions and other similar non-current provisions amounting to Euros 701 million. The variety of agreements requires an individual analysis of the agreed terms and the related accounting implications.	– Assessment of the design, implementation and operating effectiveness of key controls linked to the process of provisions for pensions and similar obligations and provisions for workforce restructuring plans involving contract suspension agreements.

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Provision for pensions and similar obligations and provisions for workforce restructuring plans

See notes 3.k.1, 3.k.2, 16.1 and 16.2.2 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
Amendments derived from the entry into force of Endesa's V Framework Collective Bargaining Agreement in 2020 resulted in the modification of certain social benefits, specifically those relative to the electricity tariff of employees and former personnel, with the replacement of the commitment in the prior Framework Collective Bargaining Agreement with a new one. The impact on the consolidated income statement has been income of Euros 515 million, and a positive Euros 10 million on the consolidated statement of comprehensive income. At 31 December 2020, provisions for workforce restructuring plans involving contract suspension agreements amount to Euros 971 million. During the year, the recognised an expense of Euros 759 million in the consolidated statement of comprehensive income for the total cost of the commitments acquired with employees or their trade union representatives, in which the Group will not request they return to the company. These agreements were made within the context of the voluntary redundancy plans associated with the Decarbonisation Plan, Digitalisation of Processes and Endesa's V Framework Collective Bargaining Agreement. Assessing the impacts of Endesa's V Framework Collective Bargaining Agreement and their accounting treatment, as well as the voluntary redundancy plans, requires the application of judgements and assumptions, and we have therefore deemed it to be a key audit matter.	– Assessment of the design, implementation and operating effectiveness of key controls linked to the process of provisions for pensions and similar obligations and provisions for workforce restructuring plans involving contract suspension agreements. – Reading and understanding of the V Framework Collective Bargaining Agreement and other commitments assumed with personnel. – Evaluation of the completeness and accuracy of the databases used for the beneficiaries of the different commitments. – Involvement of our actuarial specialists to analyse the reasonableness of the calculation method and main actuarial assumptions applied by the Group. – Procurement and understanding of the actuarial reports prepared by independent experts. – Procurement of written confirmation of the competence and objectivity of the independent experts and evaluation of their experience, technical capacity and accreditations. – Assessment of whether the disclosures in the consolidated annual accounts meet the requirements of the applicable financial reporting framework.

Impairment of property, plant and equipment See notes 3.e and 6.4 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2020, the Group has recognised property, plant and equipment amounting to Euros 21,354 million allocated to the different cash-generating units (CGUs) detailed in note 3.e.1. At each reporting date, the Group estimates the recoverable amount of property, plant and equipment allocated to CGUs for which there are indications of impairment, which at 31 December 2020 are the Iberian Peninsula Generation CGU and the CGUs of each of the Non-Peninsular Territories (Balearic Islands, Canary Islands, Ceuta and Melilla). Recoverable amount is the higher of value in use and fair value less costs to sell. Value in use is calculated using the discounted cash flow method. As a result of these estimates, at 31 December 2020 the Group has recognised impairment of Euros 338 million for the assets of the non-peninsular territories of the Balearic Islands, the Canary Islands, Ceuta and Melilla. To estimate the recoverable amount of the CGUs, the Company uses valuation techniques that require management to exercise judgement and make assumptions and estimates. Due to the judgement required and uncertainty associated with these estimates, this has been considered a key audit matter.	– Analysis of the design and implementation of the key controls related to the determination of the recoverable amount. – Analysis of the indications, identified by the Group, of impairment of the cash-generating units. – Assessment of the appropriateness of the composition of the CGUs with reference to our understanding of the business. – Analysis of the consistency of the future cash flows included in the valuation model with the business plans approved by the governing bodies. – Evaluation of the reasonableness of the methodology used to calculate value in use and the main assumptions considered, with the involvement of our valuation specialists. – Evaluation of the sensitivity of the recoverable amounts of the significant CGUs to changes in certain assumptions that can be considered reasonable. – Assessment of whether the disclosures in the consolidated annual accounts meet the requirements of the applicable financial reporting framework.

Other Matters

On 24 February 2020 other auditors issued their unqualified audit report on the consolidated annual accounts for 2019.

Other Information: Consolidated Directors’ Report

Other information solely comprises the 2020 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

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

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

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

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2020 , and that the content and presentation of the report are in accordance with applicable legislation.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Endesa, S.A. and its subsidiaries for 2020 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual accounts for the aforementioned year and the XBRL files tagged by the Parent, which will form part of the annual financial report.

The Directors of Endesa, S.A. are responsible for the presentation of the 2020 annual financial report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

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

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's Audit and Compliance Committee dated 22 February 2021.

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

Contract Period

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

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

(Signed on original in Spanish)

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

23 February 2021